FMCS

FEDERAL MEDIATION & CONCILIATION SERVICE

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FISCAL YEAR 2021

Performance and Accountability Report (PAR)

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Performance and Accountability Report (PAR)

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Message from the Deputy Director, Performing the Duties of the Director

I am pleased to submit the Fiscal Year 2021 Performance Accountability Report for the Federal Mediation and Conciliation Service (FMCS). Overall, FY21 was a year of change and flexibility for FMCS and its dedicated employees. Our employees have superbly met these challenges and continued to provide high-quality services and support to the labor-management community during the COVID-19 pandemic. During this year, FMCS continued providing our services during this pandemic and is performing at a high level exceeding my expectations. The Agency continues providing high-quality services, primarily virtually, utilizing available meeting platform tools. Since March 2020, FMCS has accomplished 46,478 external and internal meetings.

While FMCS continues to provide high-quality services, COVID-19 has negatively impacted the ability of our Agency to meet certain strategic goals. I'm very encouraged by the dedication, creativity, determination, and professionalism of our Agency's employees and mission. However, COVID-19 has made meeting pre-pandemic goals difficult due to travel restrictions and other safety protocols. The paramount priority remains the health and welfare of the FMCS employees and all those who we serve. Specific challenges of operating virtually greatly increases the time needed to provide our services when compared to face-to-face meetings. Again, I'm encouraged by our accomplishments as we continue to provide those services to the best of our ability. As the nation and FMCS transition to normality, we are ready to support the labor-management community with our expertise in resolving workplace conflicts. I am also pleased to report that FMCS has a high level of employee engagement according to the Federal Employee Viewpoint Survey (FEVS) and has taken additional steps to improve our scores.

As the Deputy Director, performing the duties of the Director of FMCS, I certify that no material weaknesses were found in the design or operation of our internal controls and financial systems, as discussed beginning on page 20 of this report. I have also made every effort to verify the accuracy and completeness of the performance data presented in this report.

Gary Hattal
Deputy Director, Performing the Duties of the Director
Federal Mediation and Conciliation Service
November 2, 2021

I. Management Discussion and Analysis

Background and Mission:

Congress established FMCS in 1947 through the Labor Management Relations Act (Taft-Hartley) amendments to the National Labor Relations Act (NLRA) as an independent agency whose mission is "to assist parties to labor disputes in industries affecting commerce to settle such disputes through conciliation and mediation." Subsequent acts of Congress and presidential orders have expanded the FMCS role to provide mediation services to the Federal sector and alternative dispute resolution (ADR) programs to Federal Government agencies, as well as promote and establish labor-management partnerships.

In support of its mission, FMCS commits to:

- Promoting the development of sound and stable labor-management relationships;
- Preventing or minimizing work stoppages by assisting labor and management to settle their disputes through mediation;
- Advocating collective bargaining, mediation, and voluntary arbitration as the preferred process for settling disputes between employer and representatives of employees;
- Developing the art, science, and practice of conflict resolution; and,
- Fostering the establishment and maintenance of constructive joint processes to improve labor-management relationships, employment security, and organizational effectiveness.

For over 75 years, FMCS has provided services that embrace this mission and demonstrate its commitment to preventing or minimizing interruptions of the free flow of commerce growing out of labor disputes. As labor-management relationships have evolved over time, so, too, has the nature of FMCS work within collective bargaining relationships. FMCS today provides a range of services to labor and management, such as relationship-development training and training in interest-based bargaining, to help the parties deal effectively with disputes that may arise between them without resorting to work stoppages. The following section describes FMCS's comprehensive package of core programs and services.

Alternative Dispute Resolution Services to Government

The Federal Government has long recognized that ADR provides a much less expensive and time-consuming alternative to litigation in the Federal courts. FMCS provides ADR services to Federal agencies on a cost-reimbursable basis to reduce litigation costs and promote better government decision-making. Services offered by FMCS include:

- **Workplace and Employment Disputes.** FMCS mediates workplace and employment disputes for Federal agencies. The majority of these disputes concern claims of employment discrimination (EEO), other types of personnel issues and workplace conflicts. FMCS accepts individual and multi-party conflicts for mediation.
- **Disputes Involving Administrative Programs.** FMCS also mediates disputes between Federal agencies and their "regulated public," such as whistleblower complaints or disputes involving contracts, grants, licenses, enforcement, and administrative programs.

- **Training Persons in the Skills and Procedures Employed in Alternative Means of Dispute Resolution.** FMCS provides training in conflict resolution to aid in the effective use of alternative dispute resolution throughout the Federal Government. To that end, FMCS offers both live and web-based training on a variety of topics relating to conflict dynamics.

- **Facilitation During Decision-Making.** Particularly in times of limited budgets, FMCS facilitation services help agencies achieve cost-savings when decision-making is delegated to a committee, task force, or other type of group. FMCS facilitation services, including consultation, convening, training, and the actual facilitation, help groups accomplish their tasks within specified time frames. Notably, these services can be provided both onsite and online, another valuable time and cost saving feature of FMCS facilitation services.

- **Agency Cooperation & Collaboration.** FMCS facilitates intra-agency or multiple agency groups tasked with developing a strategic plan or identified objective involving complex matters. Interest-based problem-solving and collaboration skills are essential to achieving successful outcomes.

- **Public Policy Dialogues.** Similarly, FMCS facilitates public policy discussions involving Federal agencies and public-private stakeholders such as those conducted under the Federal Advisory Committee Act (FACA). These multi-party stakeholder discussions benefit from the assistance of a skilled and neutral facilitator experienced in synthesizing discussion points and interests, as well as establishing and overseeing meeting structures and processes. Training and coaching are also available for participants.

- **Negotiated Rulemaking.** Negotiated rulemaking is a process in which a government agency invites persons and groups potentially impacted by a proposed rule to participate in its drafting. Interested parties who might otherwise oppose or challenge the rule are given the chance to participate in its formulation, thus reducing post-issuance challenges.

In addition to its traditional ADR services, FMCS offers extensive conflict management and prevention services when an agency requires more comprehensive solutions. Whereas traditional ADR processes, such as mediation and facilitation, focus on specific transactional issues, FMCS helps agencies run more effectively and efficiently through full-spectrum, systemic approaches. Systemic approaches include:

- **Climate Assessment.** FMCS convenes and facilitates focus groups and individual meetings to assess and define the scope of workplace conflict. This enables FMCS conflict management professionals to better understand the structural, relationship, values, interests, and interpersonal conflicts that may be impacting the workplace, and make more effective recommendations and approaches.

- **Leadership alignment and development.** FMCS provides leadership development training and 360 assessments to ensure that leaders are working optimally both individually and as a team. Individually, when leaders do not understand their individual impact on the workforce, tremendous interpersonal conflicts can arise within an organization. When leaders operate out of alignment with each other they send conflicting across the organization, which can lead to numerous conflicts system wide.

- **Conflict Resolution Coaching.** FMCS provides leadership, conflict, individual, peer, and cohort coaching to reduce negative impacts of workplace conflict and enhance positive and resilient work culture/environments.

- **Whole systems engagement and large group facilitated sessions.** Engaging workplaces as a system, and involving whole teams and groups increases the chance that the intervention will have a positive long term, systemic resolution rather than the band aid approach, which focus on individual conflicts and transactional based outcomes.

- **Culture change and change management initiatives.** Many agencies suffer from low engagement scores and employees feel distanced and disconnected with each other, customers, and leadership. FMCS's efforts in this arena focus on creating healthy, resilient, and inclusionary work cultures that lead to better productivity and engagement with the workforce.

- **Dispute Systems Design**. FMCS offers a broad array of services around designing comprehensive systems for dispute resolution that are specifically and tailored to the needs of the organization, parties, and nature of the conflict.

Collective Bargaining Mediation

Through collective bargaining mediation, FMCS helps avert or minimize the cost of work stoppages to the U.S. economy. As part of its core work, FMCS mediates collective bargaining negotiations for initial contract negotiations—which take place between an employer and a newly certified or recognized union representing its employees—and for negotiations for successor collective bargaining agreements. FMCS provides mediation services to the private sector, and also to the public sector, including Federal agencies, and state and local governments.

During mediation, the mediator's task is to help the parties identify alternative solutions and compromises, encourage settlement where appropriate, control the critical timing of offers, and persuade the parties to honestly discuss their differences.

In 2022, FMCS expects to receive approximately 18,000 notices of expiring collective bargaining agreements. Some 210 of the known expiring contracts involve bargaining units of 1,000 members or more and represent a total of more than 1 million members. Many of these expiring agreements are in key private sector industries, such as the construction and mechanical trades, arts and entertainment, groceries, telecommunications, and health care.

In 2020, FMCS mediators were actively involved in nearly 2,900 collective bargaining contract negotiations in every major industry throughout the United States.

Grievance Mediation

Grievance mediation involves the use of a neutral party to mediate disputes that may arise over the terms and conditions of a collective bargaining agreement. FMCS mediators provide this service to the private and public sectors with the goal of preventing unresolved contract interpretation issues from becoming contentious issues in future contract negotiations. Lengthening contract terms increase the importance of resolving contentious issues arising during the term of a contract. In 2020, FMCS mediated 2,450 grievance mediation cases and helped the parties reach agreement in 1,830 of these (77 percent).

Relationship-Development and Training

Preventing conflict that may arise during the term of a collective bargaining agreement is another important goal of FMCS. Experience demonstrates the enormous value of training parties in the tools and techniques of collaboration and joint problem-solving well in advance of any contract expiration. The Agency's relationship-building training programs are designed to improve labor-management relationships by helping labor and management to develop collaborative problem-solving approaches. Use of these programs better enables the parties to jointly respond to rapidly changing business and economic conditions during the term of the contract and also make future mediation efforts more effective.

In the private and Federal sectors, FMCS will continue to offer a wide range of programs designed to prevent workplace disputes and improve labor-management relationships. These programs help the parties develop collaborative, problem-solving approaches for managing conflict. Developed through decades of hands-on dispute resolution experience, the FMCS labor relations model encourages an ongoing, joint problem-solving approach characterized by open communication, respect, trust, and transparency.

In 2020, FMCS mediators conducted more than 2,500 training programs with collective bargaining partners.

Core training programs consist of:

- **Labor-Management Work-Site Committee Training.** Helps labor-management committees extend to the work-site level, forming work-site committees, group interactions, and learning techniques to manage change.
- **Interest Based Problem Solving Training.** Gives the parties a structured methodology to agree on a common definition of a problem, share their respective underlying interests with respect to the problem and then jointly brainstorm solutions that can be justified and supported publicly using agreed upon criteria.
- **Relationship by Objectives.** Improves the parties' relationship with one another, particularly where the relationship has worsened after a contentious representation election, initial contract negotiation, or strike.
- **Committee Effectiveness Training.** Assists the parties in developing joint labor-management committees designed to bring the parties into regular communication.
- **Partners in Change.** Explores the organization's current culture, identifies perceptions within the organization, creates a vision for the future, and designs systems that effectuate change.
- **Contract Administration/Steward-Supervisor Training.** Trains front-line supervisors and shop stewards on their roles and responsibilities in contract administration, grievance processing, the arbitration procedure, and interpersonal communications for building cooperative relationships.
- **Collective Bargaining and Mediation Training.** Trains the parties on effective negotiation and communication skills.

International Training and Exchange

Beyond the nation's borders, FMCS plays an important role in promoting conflict resolution around the world. FMCS delivers its international training programs using cost-reimbursable funds, largely through agreements with other government agencies, such as the US Agency for International Development (USAID), the Department of Labor's Bureau of International Labor Affairs (ILAB), and foreign governments and international organizations.

FMCS international work is a small but integral, part of its services. FMCS helps establish the labor dispute resolution institutions that are essential to the smooth functioning of free market economies. These programs are also a knowledge-sharing experience: FMCS mediators gain familiarity with complex issues affecting the global economy and, as a result, are more effective in resolving domestic labor-management disputes with international implications.

In 2020, FMCS completed training and consultation programs in Jordan, Mexico, Portugal, Colombia, Ukraine, Guatemala, and Taiwan.

- **Jordan.** With funding from ILAB, and in consultation with the ILO, FMCS mediators delivered a high-quality training and capacity-building program for labor inspectors in the Jordanian Ministry of Labor. FMCS formed a team of mediation trainers through professional "train-the-trainer" workshops and drafted a comprehensive mediation training manual for the ministry.

- **Mexico.** In 2020, FMCS will start a three-year project working alongside experts from ILAB to launch new mediation centers in 29 Mexican states, as well as a national center, which will replace the former Federal and Local Conciliation and Arbitration Boards in Mexico. This project supports recent Mexican labor reforms, which were designed to provide much greater, earlier, and more effective ADR-focused interventions in labor disputes and are expected to increase the efficiency of the labor dispute resolution system in Mexico. FMCS will be responsible for training and mentoring a total of 300 mediators. These high-quality training workshops will be delivered online and entirely in Spanish by a team of experienced FMCS trainers.

- **Portugal.** Under the auspices of the ILO's International Training Center, an FMCS mediator delivered a training program entirely in Portuguese to mediators from the Ministry of Labor, Solidarity, and Social Security. These workshops covered innovative techniques for dispute resolution and collective bargaining.

- **Columbia.** In 2020, FMCS continued its longstanding collaborative relationship with Colombia by working with stakeholders from civil society, academia, and the government to build capacity for improved labor dispute resolution in the Colombian industrial relations sector. FMCS led a series of webinars directed toward prospective mediators in the Banking, Mining, Agriculture, and Electricity Generation sectors in the second half of 2020.

- **Ukraine.** At the request of the USAID New Justice Program in Kiev, FMCS developed and delivered two online webinars, each two hours in length, for the National Association of Mediators in Ukraine (NAMU). In these online sessions, FMCS Commissioners presented about the U.S. system of labor dispute resolution, various models of mediation, and integrative conflict management systems.

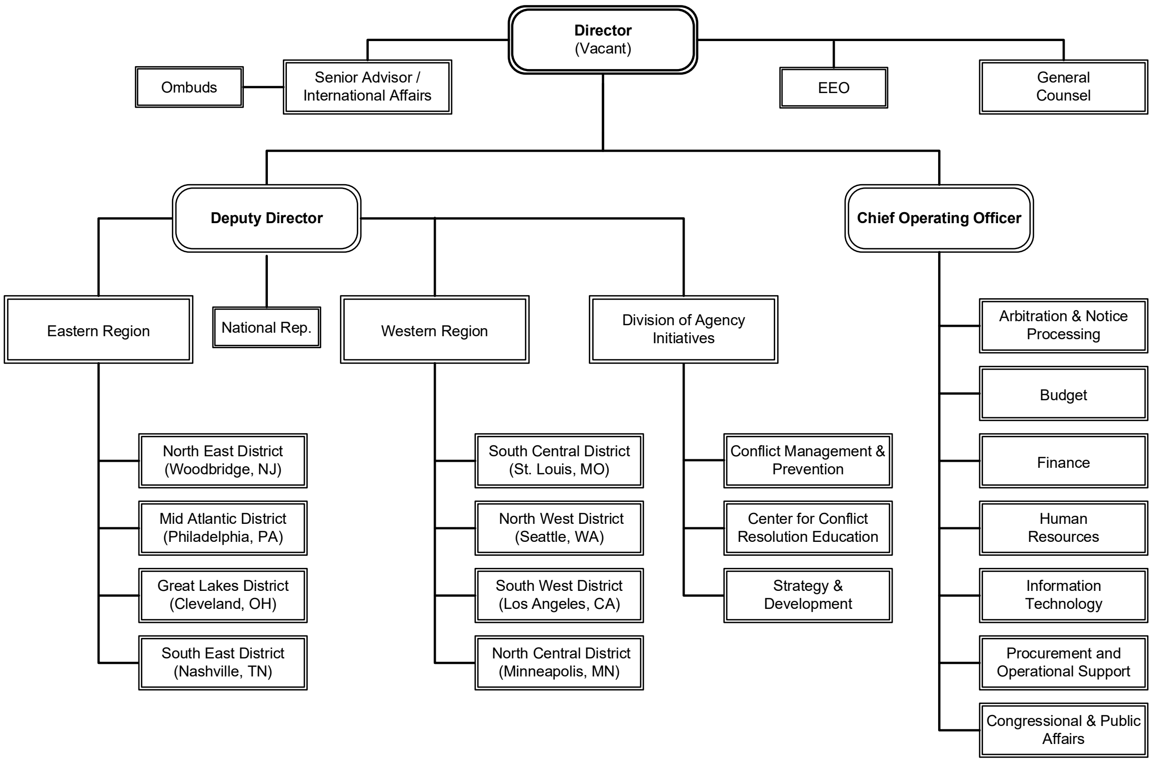
- **Guatemala.** With funding from ILAB, FMCS mediators went on three missions to Guatemala. There, mediators collaborated with the Ministry of Labor and Social Security to engage stakeholders in business, labor, government, academia, and the judiciary with the purpose of strengthening the capacity of labor dispute resolution through the improved mediation of individual and collective disputes. This project also worked with Guatemalan business and labor leaders to build their understanding of key principles in labor dispute resolution, as well as collaborative skills for bargaining, and provided them with "train-the-trainer" tools to create a multiplier effect of this skill-building within their sectors.

- **ILO International Training Center (ILO-ITC).** In the spring of 2020, FMCS mediators delivered a series of webinars in conjunction with the ILO-ITC's Program on Tools and Strategies for the Prevention of Labour Disputes in the Workplace. The three webinars were entitled: (i) Building Trust in the Workplace, (ii) Preventive Dialogue, and (iii) Integrated Conflict Management Systems. FMCS is slated to deliver additional trainings in conjunction with the ILO-ITC's programs on Building Effective Labour Dispute Prevention and Resolution Systems, Conciliation/Mediation of Labour Disputes, and the E-Academy on Social Dialogue and Industrial Relations.

Arbitration Services

National labor policy favors arbitration over litigation for settling contractual disputes. The FMCS Office of Arbitration Services maintains a roster of approximately 1,000 independent arbitrators who are qualified to hear and decide disputes over the interpretation or application of collective bargaining agreements. Upon request from the parties, FMCS furnishes a list of names from which they may choose an arbitrator to hear their case and render a decision. FMCS administers its established policies and procedures on arbitration, which also incorporate the Code of Professional Responsibility for Arbitrators of Labor-Management Disputes, to which FMCS is a signatory.

II. Organizational Structure



III. Strategic and Performance-Planning Framework

FMCS has established strategies and goals that are designed to maximize the delivery of agency services throughout the Federal government through a comprehensive review—by leadership at all levels throughout the agency—of its operations, staffing, work processes, resource allocations, and performance. Throughout 2021, FMCS has engaged in a continuous assessment of performance and other data to ensure that it is accomplishing its mission, effectively and efficiently, and that it is promoting innovation throughout the agency. These activities were conducted primarily virtually due to the COVID-19 pandemic.

FMCS's 2021 performance-planning framework is based on the agency's 2018 - 2022 Strategic Plan, and it is supported by the agency's Annual Performance Plan, which establishes the agency's annual performance goals and measures. The Annual Performance Plan reflects the agency's commitment to establishing meaningful metrics that will assist in assessing performance outcomes, aligning resources, and effectively identifying staffing and training needs. The Annual Performance Plan also demonstrates the FMCS's ongoing commitment to organizational excellence. Consistent with the government-wide initiative to leverage existing data to facilitate agencies' programmatic work and enhance the value of data, FMCS continually and strategically monitors its progress in accomplishing the goals and measures set forth in the Annual Performance Plan. This ongoing, agency-wide review is conducted on a monthly basis with the collection of monthly metrics and distributed on SharePoint. The agency examines the data in a variety of forums, and—consistent with the agency's value of transparency and employee engagement around all agency matters, including process and performance improvements.

Strategic Goal #1: Mediation

Minimize the number and duration of work stoppages that may occur during collective bargaining negotiations.

Objective:

- Use of FMCS collective bargaining mediation by labor and management leaders.

Action:

- Early intervention activities, particularly in initial contracts, the health care industry, and large and high-impact bargaining units.

Strategies:

- Encourage labor and management leaders to employ mediation in their contract negotiations.
- Pursue FMCS joint problem-solving initiatives during the term of the agreement.

Expected Outputs:

- Increased mediator case activity rates.
- Increased proportion of cases with meetings held prior to contract expiration date.

Discussion:

Collective bargaining mediation represents the core of the FMCS mission and its most publicly visible work. An independent study conducted for the FMCS found that mediation prior to a contract's expiration date significantly reduces the duration of any work stoppage that occurs. Previously, three separate studies of matched bargaining pairs found that FMCS mediation was also an important factor in preventing work stoppages from occurring in the first place.

As a result of these studies, the FMCS believes that early and ongoing contact with the parties to a labor contract negotiation is imperative in reducing the number and duration of work stoppages. This is particularly true in collective bargaining cases that involve: an initial contract; national security; the health care industry; large bargaining units; or those cases that have the potential for permanent shutdowns or disruptions to the community, work force, or interstate commerce.

FMCS evaluates its success in these areas by looking at how many negotiations use mediation services, whether a work stoppage occurred, the duration of any stoppage, and the timing of mediators' involvement. On an aggregate basis, FMCS also estimates the financial cost of work stoppages that occur and the value of work stoppages that its mediators are able to prevent or shorten.

Strategic Goal #2: Building Problem-Solving Relationships

Improve labor-management relationships.

Objective:

- Use collaborative dispute resolution processes to manage workplace conflict.

Actions:

- Provide techniques and information that help parties improve their collective bargaining relationship, with particular emphasis on implementing changes to health care benefits.
- Deliver internally sustainable dispute resolution systems.
- Educate labor and management leaders at home and abroad in the art of building and maintaining labor-management partnerships.

Strategy:

- Promote the use of FMCS programs and outreach emphasizing joint initiatives on significant issues likely to impact collective bargaining.

Expected Output:

- Increased customer satisfaction with FMCS educational products and services.

Discussion:

Relationship development and training and a number of related activities are designed to help the parties to a collective bargaining agreement better understand the issues and external forces affecting their collective bargaining relationship and to develop internal task forces or groups to help them improve their relationship. In an increasingly global economy, outreach to sister agencies in other countries is a small, but important aspect of the FMCS's work in this area.

The continued success of American employers and employees in a globally competitive arena requires a high level of cooperation between labor and management. This is particularly true with respect to new circumstances confronting both parties in the collective bargaining relationship. Competitive issues can be both complex and subtle and require creative solutions that address unique challenges.

FMCS is committed to delivering to its customers the best possible information, analysis, practices, and solutions. Through its individual program evaluations, FMCS is constantly seeking to improve its core curriculum.

Strategic Goal #3: Resolving Mid-Term Disputes

Resolve contract-based disputes (grievances) that arise during the term of collective bargaining agreements.

Objectives:

- Assist parties to voluntarily resolve contract-based disputes.
- Provide high-value arbitrator referral service for situations when parties cannot voluntarily resolve a contract-based dispute.

Actions:

- Increased utilization of FMCS services to resolve contract-based disputes.
- Maintain roster of experienced arbitrators.
- Encourage on-line arbitration referral service case filings.

Strategies:

- Advocate mediation and arbitration as the preferred methods for settling disputes between parties in a collective bargaining relationship.
- Facilitate joint, collaborative, problem-solving events on an ongoing basis.

Expected Outputs:

- Increase the proportion of settled grievance mediation cases.
- Increase customer satisfaction with quality of arbitration service.

Discussion:

Grievance mediation, joint problem-solving facilitation, and arbitration are three approaches for resolving disputes that may arise from differing interpretations of a labor contract's terms and conditions. Grievance mediation and joint problem-solving facilitation are voluntary processes that rely upon consensus building. Arbitration is a structured process that provides a final and binding determination. All three approaches are designed to reduce the need for expensive and time-consuming court litigation and resolve disputes before they negatively affect the collective bargaining relationship.

Increasing the FMCS presence among groups that have not traditionally used its services is one way to build healthier collective bargaining relationships. FMCS involvement in these interventions encourages the parties to engage in other collective bargaining activities with less disruption and animosity.

Improved settlement rates in contract-based disputes and joint problem-solving cases provide a good indication of how well FMCS mediators can facilitate agreements. Likewise, favorable customer evaluations of the arbitrator referral service help FMCS improve the quality of the service.

Strategic Goal #4: Promoting ADR

Resolve regulatory / enforcement policy disputes and statute-based workplace disputes.

Objectives:

- Use employment mediation as an alternative to litigation.
- Use problem-solving processes to resolve regulatory/ policy-based disputes.

Action:

- Increase number and variety of dispute mediation services provided to government agencies, including, but not limited to, employment mediation, regulatory negotiations, public policy disputes, systems design, skills development and training, facilitation of inter- and intra-Agency cooperation and collaboration, mediator coaching and mentoring.

Strategy:

- Advocate alternative dispute resolution (ADR) as the preferred method for settling non-collective bargaining disputes.

Expected Outputs:

- Increase the number of mediated settlements in employment mediation cases.
- Increase the number of regulatory/policy disputes resolved through facilitated processes.

Discussion:

FMCS alternative dispute resolution (ADR) work is defined by the Administrative Dispute Resolution Act of 1996 and is designed to help resolve disputes that do not result from a collective bargaining relationship. Under the Act, FMCS is generally limited to work in the Federal sector but may include state or local entities if the dispute is related to a Federal rule or regulation.

Using traditional dispute resolution vehicles, such as the courts or other statutory processes, may take several years and cost hundreds of thousands of dollars in legal fees and court costs, and require significant resource expenditures from the affected parties. In addition, imposed outcomes from utilization of these processes are unpredictable and the conditions present when the dispute arose may have changed dramatically. In regulatory matters, voluntary resolution of a single issue by multiple parties through a facilitated consensus-based process will normally offset any costs incurred.

By increasing the number of individual employment cases assigned, conflict management services and regulatory/enforcement services that FMCS provides, and achieving an increased number of resolved matters, FMCS seeks to provide a cost-effective alternative to litigation and promote better government decision-making.

Strategic Goal #5: Promoting Effective and Efficient Management

Support and cultivate top talent; develop robust and responsive information management systems; and create a safe and secure environment for human, digital, and physical assets.

Objectives:

- Ensure responsible financial management to ensure program integrity.
- Manage human capital to create an agile and motivated workforce.
- Optimize IT investments to improve process efficiency and enable innovation.

Action:

- Maintain a robust internal controls board and process to ensure compliance with applicable rules, regulations, and directives.
- Increase the use of in-house expertise to reduce contractual service costs.

Strategy:

- Leverage existing internal capacity in IT, logistical support, and other areas.
- Work with FMCS employees to identify outdated or weak internal processes, job descriptions, or inadequate systems.

Expected Outputs:

- Reduced contractual payments for commercial shipping and printer usage fees.
- Improved use of technology and adoption of productivity software and systems.

Discussion:

Responsible financial management is FMCS's foundation for meeting its commitment to spend taxpayer dollars wisely. Implementing a strong, modern financial system and internal controls, along with targeted investments, will improve accountability, reporting, and decision making. These in turn will lead to cost savings and efficiencies that improve how our agency manages its public funds.

Investing wisely in information technology can help reduce costs and allow FMCS to become more agile and responsive in an environment of rapid technological change. From externally facing websites to internal applications that manage programs and resources, FMCS will create modern, secure information technology solutions that are responsive to customer demands, meet Federal security guidelines, and promote information-sharing and efficiency within the Agency.

Building a world-class Federal management team and a workforce ready to collaborate with colleagues within FMCS, among other Federal departments, and outside the Federal Government, will create a more engaged, motivated, and satisfied workforce.

IV. FMCS Strategic Plan Measures:

Measures for Strategic Goal #1: Mediation

Goal 1: Mediation- Minimize the number and duration of work stoppages that may occur during collective bargaining negotiations.

Objective: Use of FMCS collective bargaining mediation by labor and management leaders.

Action: Early intervention activities, particularly in initial contracts, the health care industry, and large and high-impact bargaining units.

Quantitative Measure: FMCS CBM case activities current year greater than previous 5-year average.

Results:

2016	2017	2018	2019	2020	5 Year Average	2021 Average
25.3%	23.2%	24.5%	22.7%	19.4%	23.0%	21.0%

Outcome: FMCS did not meet the goal.

Discussion: Although FMCS did not meet the qualitative measure this may be explained by the change in focus transitioning from smaller cases towards more complex with larger employee/bargaining unit size. This new focus began in 2018 from former Director Giacolone upon reviewing the activities of the agency and the CBN metrics demonstrate this change in focus. Additionally, as the agency adapts to providing primarily virtual services we did have an increase of providing mediation services by over 8%.

Measures for Strategic Goal #2: Building Problem-Solving Relationships

Goal 2: Build problem-solving relationships to improve labor-management relationships.

Objective: Use collaborative dispute resolution processes to manage workplace conflict.

Actions: Provide techniques and information that help parties improve their collective bargaining relationship, with particular emphasis on implementing changes to health care benefits. Deliver internally sustainable dispute resolution systems. Educate labor and management leaders at home and abroad in the art of building and maintaining labor-management partnerships.

Measure: Case completions of Relationship Development Training (RDT) greater than previous 5-year average.

Results:

2016	2017	2018	2019	2020	5 Year Average	2021 Average
1,941	1,956	1,815	1,956	1,675	1,869	1,284

Outcome: FMCS did not meet this goal.

Discussion: FMCS has experienced difficulty due to the COVID-19 pandemic providing these types of services to the labor and management community. FMCS anticipates as the nation returns to normalcy our RDTs will increase.

Measures for Strategic Goal #3: Resolving Mid-Term Disputes

Goal 3: Resolving mid-term disputes- resolve contract-based disputes (grievances) that arise during the term of collective bargaining agreements.

Objective: Assist parties to voluntarily resolve contract-based disputes. Provide high-value arbitrator referral service for situations when parties cannot voluntarily resolve a contract-based dispute.

Actions: Increased utilization of FMCS services to resolve contract-based disputes. Maintain roster of experienced arbitrators. Encourage on-line arbitration referral service case filings.

Measure: Case completion rate (grievance mediations) greater than previous 5-year average.

Results:

2016	2017	2018	2019	2020	5 Year Average	2020 Average
75.7%	74.2%	70.2%	72.2%	66.4%	71.7%	60.2%

Outcome: FMCS did not the goal.

Discussion: While FMCS did not meet this goal, changes in the political landscape and the increased number of strikes may have negatively impacted this metric.

Measures for Strategic Goal #4: Promoting ADR

Goal 4: Promoting Alternative Dispute Resolution (ADR)- resolve regulatory, enforcement policy disputes and statute-based workplace disputes.

Objective: Use employment mediation as an alternative to litigation. Use problem-solving processes to resolve regulatory/policy-based disputes.

Actions: Increase number and variety of dispute mediation services provided to government agencies, including, but not limited to, employment mediation, regulatory negotiations, public policy disputes, systems design, skills development and training, facilitation of inter- and intra-Agency cooperation and collaboration, mediation coaching and mentoring.

Measure: Case completion rates from Federal sector employment mediation greater than previous 5-year average.

Results:

2016	**2017**	**2018**	**2019**	**2020**	**5 Year Average**	**2020 Average**
44.5%	49.5%	48.4%	45.7%	49.9%	47.6%	37.2%

Outcome: FMCS did not meet this goal.

Discussion: During this reporting period FMCS did not meet this goal. While important work continues to take place to include increases of negotiated rule making, the COVID-19 pandemic continues to negatively impact the entire federal government, reducing the number of Federal section employment mediations. FMCS anticipates meeting this goal as the nation returns to normalcy.

Measures for Strategic Goal #5: Promoting Effective and Efficient Management

Goal 5: Promoting Effective and efficient management- support and cultivate top talent; develop robust and responsive information management systems, and create a safe and secure environment for human, digital, and physical assets.

Objectives: Ensure responsible financial management to ensure program integrity. Manage human capital to create an agile and motivated workforce. Optimize IT investments to improve process efficiency and enable innovation.

Actions: Maintain a robust internal controls board and process to ensure compliance with applicable rules, regulations, and directives. Increase the use of in-house expertise to reduce contractual service costs.

Measure: 2020 submission of required reports and information provided on-time at least at 95%.

Outcome: FMCS met the quantitative goal with 100% on-time submission of required reports.

Discussion: During this reporting period FMCS continued implementing the tasking system on SharePoint. In FY21 FMCS received 46 formal tasks from either the Legislative Branch, the White House, or other Federal Agencies. FMCS completed all 46 tasks on-time and without the receiving agency requesting additional information.

V. Analysis of Financial Statements

Financial Performance Overview

As of September 30, 2021, the financial condition of the FMCS was sound, with adequate funds to meet planned programs and satisfactory controls in place to provide reasonable assurance that the FMCS's obligations did not exceed budget authority. The FMCS prepared its financial statements in accordance with the U.S. Generally Accepted Accounting Principles (GAAP) and with OMB Circular No. A-136, Financial Reporting Requirements.

Sources and Uses of Funds

The FMCS receives funding from three sources:

- Congressionally appropriated funds for salaries and expenses and other necessary expenses for running the Agency;
- Reimbursable agreements of No-Year funds, mostly from other Federal agencies; and
- Direct No-Year funds from arbitration panel listing fees and arbitrator dues.

The FMCS's 2021 appropriation from Congress was $48,600,000, an increase of $1.4 million over 2020. Appropriations are the primary source of financial resources for the Agency. Other budgetary resources available in 2021 included approximately $1.4 million in reimbursable funds earned by the FMCS mediators from labor-management grievance mediation, training, facilitation, and negotiated rule-making work, and approximately $700,000 in direct funds from arbitration panel listing fees and arbitrator dues. The total budgetary resources for 2021 were $58,571,520. The FMCS made obligations of $48.4 million in 2021.

Table of Key Measures

The table below compares the increase/decrease by significant account for the fiscal years ended September 30, 2021, and September 30, 2020:

FEDERAL MEDIATION AND CONCILIATION SERVICE
TABLE OF KEY MEASURES

Amounts in Dollars	FY2021	FY2020	Increase/Decrease $	%
Total Financing Sources	48,306,667	48,872,367	(565,700)	-1.16%
Less: Net Cost	(47,385,464)	(48,825,582)	1,440,118	-2.95%
Net Change of Cumulative Results of Operations	921,203	46,785	874,418	1869.01%
Assets:				
Fund Balance with Treasury	13,972,608	12,690,845	1,281,763	10.10%
Accounts Receivable	289,434	217,350	72,084	33.16%
Property, Plant, and Equipment	300,152	326,432	(26,280)	-8.05%
Total Assets	14,562,194	13,234,627	1,327,567	10.03%
Liabilities:				
Intragovernmental	626,998	664,108	(37,110)	-5.59%
Accounts Payable	223,578	204,339	19,239	9.42%
Federal Employee and Veteran Benefits	4,378,563	4,774,674	(396,111)	-8.30%
Other	1,464,453	1,559,579	(95,126)	-6.10%
Total Liabilities	6,693,592	7,202,700	(509,108)	-7.07%
Net Position (Assets-Liabilities)	7,868,602	6,031,927	1,836,675	30.45%

Audit Results

The FMCS received an unmodified audit opinion on its FY 2021 financial statements. This marks the 21st consecutive year that FMCS has received a "clean" audit opinion.

Financial Statement Highlights

The FMCS's financial statements summarize the financial position and financial activities of the agency. The audit report, financial statements, and the notes to the financial statements appear in the Financial Section of this report, on page 24.

Analysis of the Balance Sheet

The FMCS's assets totaled $14.6 million, as of September 30, 2021. The changes in key asset line items are as follows:

The *Fund Balance with Treasury* consists of appropriated funds and other funds maintained at the U.S. Treasury until final disposition. Fund Balance with Treasury represented the FMCS's largest asset of $14 million as of September 30, 2021. The balance increased $1.3 million from the prior year, due to the FMCS receiving an increase of $1.4 million in its FY 2021 appropriation.

Accounts Receivable (AR) is primarily made up of amounts due from federal government departments and other agencies. The FMCS acquires services from other federal agencies through interagency agreements. 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.

Property, Plant and Equipment (PPE), Net, consists of the net value of the FMCS's furniture and equipment, computer software, construction in progress, and software in development. Property, Plant and Equipment, Net, had a balance of $300,000 as of September 30, 2021, comparable to prior year figures. Capitalized assets account for $1.1 million of PPE at acquisition cost, and the asset lives are for 5 years.

The *FMCS's liabilities* were $6.7 million and $7.2 million as of September 30, 2021, and September 30, 2020, respectively. The total liabilities remained relatively consistent from FY 2020 to FY 2021, with slight decreases in Federal Employee and Veteran Benefits Payable ($396,000) and Other Liabilities ($95,000).

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. The difference between total assets and total liabilities is net position. Net position is affected by changes in its two components: Unexpended Appropriations and Cumulative Results of Operations (CRO).

The FMCS's net position was $7.9 million as of September 30, 2021, representing an increase of $1.8 million from the prior year related to CRO and unexpended appropriations transactions. The CRO balance increased by $900,000. Additionally, there was a $900,000 increase in unexpended appropriations resulting from an increase in FMCS's FY 2021 appropriation.

Analysis of the Statement of Net Cost

The Statement of Net Cost (SNC) represents the FMCS's gross costs less revenue earned. The FMCS's net cost of operations was $47.4 million for the fiscal year ended September 30, 2021, a decrease of $1.4 million from the prior year.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) shows the sources of budgetary resources available and the status of the budgetary resources at the end of the period. It represents the relationship between budget authority and budget outlays and reconciles total obligations with total outlays. This statement also includes unobligated balances from prior years' budget authority.

For the fiscal year ended September 30, 2021, the FMCS had available budgetary resources of $58.6 million, comprised of the FY 2021 appropriation of $48.6 million, prior years' unobligated balances of $6.7 million, and spending authority from offsetting collections of $3.2 million.

The status of budgetary resources was $58.6 million, compared to $56.8 million the prior year. The $1.8 million increase is mainly attributable to the increase in the FY 2021 appropriation and the spending authority from offsetting collections.

The net outlays totaled $46.3 million, which was comparable to the prior year.

VI. Financial Information

Federal Mediation and Conciliation Service (FMCS)
Fiscal Year 2021 Financial Statement Audit

Final Independent Auditors' Report

Submitted for review and acceptance to:
Terry Lee
Contracting Officer's Representative (COR)
Federal Mediation and Conciliation Service
250 E St SW
Washington, DC 20427

Submitted by:
Jason L. Allmond CPA, CGFM, CISA, CISM
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Final Independent Auditors' Report
Prepared under contract to the Federal Mediation and Conciliation Service (FMCS) to provide financial auditing services

FEDERAL MEDIATION AND CONCILIATION SERVICE
AUDIT REPORT
SEPTEMBER 30, 2021

ALLMOND & COMPANY, LLC
Certified Public Accountants
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Independent Auditors' Report

The Director
Federal Mediation and Conciliation Service:

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Mediation and Conciliation Service (FMCS), which 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 ended; and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the fiscal years 2021 and 2020 financial statements of FMCS based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity' s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Mediation and Conciliation Service as of September 30, 2021 and 2020, and its net cost of operations, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The information in the *Message from the Director*, *Management Discussion and Analysis* section, and *Other Accompanying Information* section of this report is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of FMCS's financial statements. However, we did not audit this information and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of FMCS' financial statements as of and for the year ended September 30, 2021, in accordance with generally accepted government auditing standards, we considered FMCS' 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 FMCS' internal control over financial reporting. Accordingly, we do not express an opinion on FMCS' internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 21-04. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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 misstatement on a timely basis. A material weakness is a deficiency, or combination of deficiencies, 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 the attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose as described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our fiscal year 2021 audit we did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters Specific to the Financial Statements

As part of obtaining reasonable assurance about whether FMCS' fiscal year 2021 financial statements are free of material misstatements, we performed tests of FMCS' compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, which noncompliance could have a direct and material effect on the determination of material amounts and disclosures in FMCS's financial statements, and certain provisions of other laws specified in OMB Bulletin No. 21-04. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 21-04.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication provided in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and 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 the effectiveness of the FMCS's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal controls and compliance with laws, regulations, contracts, and grant agreements which could have a material effect FMCS' financial statements. Accordingly, this communication is not suitable for any other purpose.

Allmond & Company, LLC

Lanham, MD
November 12, 2021

FEDERAL MEDIATION AND CONCILIATION SERVICE

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020

FEDERAL MEDIATION AND CONCILIATION SERVICE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

FEDERAL MEDIATION AND CONCILIATION SERVICE
BALANCE SHEET
AS OF SEPTEMBER 30, 2021 AND 2020
(In Dollars)

		2021		2020
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	13,972,608	$	12,690,845
Accounts Receivable, Net (Note 3)		283,965		206,724
Total Intragovernmental		14,256,573		12,897,569
With the Public:				
Accounts Receivable, Net (Note 3)		5,469		10,626
General Property, Plant, and Equipment, Net (Note 4)		300,152		326,432
Total With the Public		305,621		337,058
Total Assets	$	14,562,194	$	13,234,627
Liabilities (Note 5):				
Intragovernmental:				
Other Liabilities (Note 6)	$	626,998	$	664,108
Total Intragovernmental		626,998		664,108
With the Public:				
Accounts Payable (Note 5)		223,578		204,339
Federal Employee and Veteran Benefits Payable		4,378,563		4,774,674
Other Liabilities (Note 6)		1,464,453		1,559,579
Total With the Public		6,066,594		6,538,592
Total Liabilities	$	6,693,592	$	7,202,700
Net Position:				
Unexpended Appropriations - Funds from Other than Dedicated Collections	$	8,284,357	$	7,368,885
Cumulative Results of Operations - Funds from Other than Dedicated Collections		(415,755)		(1,336,958)
Total Cumulative Results of Operations		(415,755)		(1,336,958)
Total Net Position		7,868,602		6,031,927
Total Liabilities and Net Position	$	14,562,194	$	13,234,627

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

FEDERAL MEDIATION AND CONCILIATION SERVICE
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(In Dollars)

		2021		2020
Gross Program Costs:				
Gross Costs	$	49,562,728	$	50,998,860
Less: Earned Revenue		(2,177,264)		(2,173,278)
Net Cost of Operations	$	47,385,464	$	48,825,582

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

FEDERAL MEDIATION AND CONCILIATION SERVICE
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(In Dollars)

	2021	2020
Unexpended Appropriations:		
Beginning Balances	$ 7,368,885	$ 7,635,205
Appropriations Received	48,600,000	47,200,000
Other Adjustments	(1,025,094)	(150,896)
Appropriations Used	(46,659,434)	(47,315,424)
Net Change in Unexpended Appropriations	915,472	(266,320)
Total Unexpended Appropriations - Ending	$ 8,284,357	$ 7,368,885
Cumulative Results of Operations:		
Beginning Balances	$ (1,336,958)	$ (1,383,743)
Appropriations Used	46,659,434	47,315,424
Imputed Financing (Note 8)	1,647,233	1,556,943
Net Cost of Operations	(47,385,464)	(48,825,582)
Net Change in Cumulative Results of Operations	921,203	46,785
Cumulative Results of Operations - Ending	$ (415,755)	$ (1,336,958)
Net Position	$ 7,868,602	$ 6,031,927

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

FEDERAL MEDIATION AND CONCILIATION SERVICE
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 9)	$	6,740,113	$	6,955,844
Appropriations		48,600,000		47,200,000
Spending authority from offsetting collections		3,231,407		2,594,624
Total Budgetary Resources	$	58,571,520	$	56,750,468
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 10)	$	48,502,747	$	49,215,749
Unobligated balance, end of year:				
Apportioned, unexpired accounts		2,729,910		1,201,633
Unapportioned, unexpired accounts		4,353,546		2,522,000
Unexpired unobligated balance, end of year		7,083,456		3,723,633
Expired unobligated balance, end of year		2,985,317		3,811,086
Unobligated balance, end of year (total)		10,068,773		7,534,719
Total Budgetary Resources	$	58,571,520	$	56,750,468
Outlays, Net and Disbursements, Net:				
Outlays, net (total)	$	46,293,144	$	46,535,330
Agency outlays, ne	$	46,293,144	$	46,535,330

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

FEDERAL MEDIATION AND CONCILIATION SERVICE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Mediation and Conciliation Service (the FMCS) is an independent Federal agency whose primary mission is to prevent or minimize labor-management disputes affecting interstate commerce by providing mediation, conciliation, and voluntary arbitration. These activities are performed in both the private and public sectors, except for the railroad and airline industries, which are covered by the Railway Labor Act and the National Mediation Board, respectively. As of September 30, 2021, the FMCS consisted of a national office, 8 district offices, and 9 field offices. The FMCS 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. The FMCS 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 FMCS 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 FMCS 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 FMCS. 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 FMCS 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 FMCS 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 FMCS'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 FMCS's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The FMCS does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Funds are disbursed for the agency on demand. Foreign currency payments are made either by Treasury or the Department of State and are reported by the FMCS in the U.S. dollar equivalents

E. Accounts Receivable

Accounts receivable consists of amounts owed to the FMCS 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 FMCS's capitalization threshold is $5,000 for individual purchases and a total useful life exceeding one year. 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. Calculating depreciation is on an estimated useful life of five (5) years for software, equipment, and capital lease assets.

G. Liabilities

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

The FMCS 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.

H. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balancein 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.

I. 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 FMCS 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 FMCS 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 (Only include if you have FECA actuarial liability), and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

J. Retirement Plans

The FMCS employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the FMCS 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 FMCS matches any employee contribution up to an additional four percent of pay. For FERS participants, the FMCS 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 FMCS remits the employer's share of the required contribution.

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

The FMCS 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.

K. Other Post-Employment Benefits

The FMCS employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the FMCS withcertain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The FMCS 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 FMCS through the recognition of an imputed financing source.

L. 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.

M. 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	$ 2,729,909	$ 1,201,633
Unavailable	7,373,994	6,368,217
Obligated Balance Not Yet Disbursed	3,868,705	5,120,995
Total	$ 13,972,608	$ 12,690,845

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, NET

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

	2021	2020
Intragovernmental		
Accounts Receivable	$ 283,965	$ 206,724
Total Intragovernmental Accounts Receivable	$ 283,965	$ 206,724
With the Public		
Accounts Receivable	$ 5,469	$ 10,626
Total Public Accounts Receivable	$ 5,469	$ 10,626
Total Accounts Receivable	$ 289,434	$ 217,350

The accounts receivable is primarily made up of amounts due from federal government departments and other agencies.

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
Furniture & Equipment	$	931,530	$	817,019	$	114,511
Software		77,918		2,128		75,790
Construction-in-Progress		82,887		N/A		82,887
Software-in-Development		26,964		N/A		26,964
Total	$	1,119,299	$	819,147	$	300,152

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

Major Class		Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value
Furniture & Equipment	$	1,022,888	$	841,700	$	181,188
Construction-in-Progress		145,244		N/A		145,244
Total	$	1,168,132	$	841,700	$	326,432

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the FMCS 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	$	150,007	$	246,417
Unfunded Leave		3,005,271		3,057,139
Actuarial FECA		1,304,840		1,654,305
Total Liabilities Not Covered by Budgetary Resources	$	4,460,118	$	4,957,861
Total Liabilities Covered by Budgetary Resources		2,233,474		2,244,839
Total Liabilities	$	6,693,592	$	7,202,700

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the FMCS's behalf and payable to the DOL. The FMCS 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. OTHER LIABILITIES

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

	Current	Non Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 137,747	$ -	$ 137,747
Employer Contributions and Payroll Taxes Payable	339,244	-	339,244
Unfunded FECA Liability	150,007	-	150,007
Total Intragovernmental Other Liabilities	$ 626,998	$ -	$ 626,998
With the Public			
Accrued Funded Payroll and Leave	$ 1,464,050	$ -	$ 1,464,050
Other Liabilities w/Related Budgetary Obligations	403	-	403
Total Public Other Liabilities	$ 1,464,453	$ -	$ 1,464,453
Total Other Liabilities	$ 2,091,451	$ -	$ 2,091,451

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

	Current	Non Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 113,955	$ -	$ 113,955
Employer Contributions and Payroll Taxes Payable	303,736	-	303,736
Unfunded FECA Liability	246,417	-	246,417
Total Intragovernmental Other Liabilities	$ 664,108	$ -	$ 664,108
With the Public			
Accrued Funded Payroll and Leave	$ 1,554,382	$ -	$ 1,554,382
Other Liabilities w/Related Budgetary Obligations	5,197	-	5,197
Total Public Other Liabilities	$ 1,559,579	$ -	$ 1,559,579
Total Other Liabilities	$ 2,223,687	$ -	$ 2,223,687

NOTE 7. LEASES

The FMCS leases office space for headquarters operations in Washington, D.C. and for district and field operations. The lease agreements expire at various dates, the latest being 2034. Assets held under these leases consist primarily of offices. All office space occupied by the FMCS is leased by the General Services Administration (GSA). Finally, the only non-cancellable GSA leases in the portfolio are Collierville, TN and Portsmouth, VA.

Future estimated minimum lease payments for the fiscal years ended September 30 are as follows:

Fiscal Year	Office Space
2022	$ 3,975,347
2023	3,771,626
2024	3,786,471
2025	3,758,060
2026	3,609,137
2027 thru 2034	15,885,617
Total Future Payments	$ 34,786,258

Due to the office closure of the Hinsdale office in March 2021, this will affect the forecasting numbers starting in FY2022.

The Glendale office is currently in an ongoing procurement process that will be completed in FY2022. Therefore, the Glendale expiration date and annual rent amount will be updated and will reflect new annual rent amounts beginning in FY2022.

NOTE 8. INTER-ENTITY COSTS

The FMCS 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 FMCS 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	$ 1,647,233	$ 1,556,943
Total Imputed Financing Sources	$ 1,647,233	$ 1,556,943

NOTE 9. 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	$	7,534,719	$	7,019,915
Recoveries of Prior Year Obligations		230,488		86,825
Other Changes in Unobligated Balances		(1,025,094)		(150,896)
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	$	6,740,113	$	6,955,844

NOTE 10. APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS

New obligations and upward adjustments incurred and reported in the Statement of Budgetary Resources in 2021 and 2020 consisted of the following:

	2021		2020	
Direct Obligations, Category A	$	46,794,794	$	47,595,948
Reimbursable Obligations, Category A		1,707,953		1,619,801
Total New Obligations and Upward Adjustments	$	48,502,747	$	49,215,749

Category A apportionments distribute budgetary resources by fiscal quarters.

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	
Unpaid Undelivered Orders	$	201,482	$	3,197,202	$	3,398,684
Total Undelivered Orders	$	201,482	$	3,197,202	$	3,398,684

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

	Federal		Non-Federal		Total	
Unpaid Undelivered Orders	$	146,279	$	3,367,197	$	3,513,476
Total Undelivered Orders	$	146,279	$	3,367,197	$	3,513,476

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)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 57	$ 49	$ -	$ 47
Unobligated Balance Not Available	(4)	-	-	-
Budget of the U.S. Government	$ 53	$ 49		$ 47

NOTE 13. 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)	$ 14,190,949	$ 33,194,515	$ 47,385,464
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(133,303)	(133,303)
Property, Plant, and Equipment Disposals & Revaluations	-	(1,199)	(1,199)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	77,241	(5,157)	72,084
(Increase)/Decrease in Liabilities:			
Accounts Payable	-	(19,239)	(19,239)
Federal Employee and Veteran Benefits Payable	-	396,111	396,111
Other Liabilities	37,111	95,126	132,237
Financing Sources:			
Imputed Cost	(1,647,233)	-	(1,647,233)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (1,532,881)	$ 332,339	$ (1,200,542)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	134,322	134,322
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 134,322	$ 134,322
Total Net Outlays (Calculated Total)	$ 12,658,068	$ 33,661,176	$ 46,319,244
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 46,293,144

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)	$ 13,930,222	$ 34,895,360	$ 48,825,582
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(125,904)	(125,904)
Other - Conversion related fixed asset reclassification	-	16,406	16,406
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	188,150	10,626	198,776
(Increase)/Decrease in Liabilities:			
Accounts Payable	-	(35,761)	(35,761)
Federal Employee and Veteran Benefits Payable	-	(489,546)	(489,546)
Other Liabilities	(30,362)	(393,636)	(423,998)
Financing Sources:			
Imputed Cost	(1,556,943)	-	(1,556,943)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (1,399,155)	$ (1,017,815)	$ (2,416,970)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	126,718	126,718
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 126,718	$ 126,718
Total Net Outlays (Calculated Total)	$ 12,531,067	$ 34,004,263	$ 46,535,330
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 46,535,330