FEDERAL MEDIATION AND CONCILIATION SERVICE

FISCAL YEAR 2023

Performance and Accountability Report (PAR)

FEDERAL MEDIATION AND CONCILIATION SERVICE

FY23 Performance and Accountability Report (PAR)

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Transmittal Message from the Chief Operating Officer, Performing the Duties of the Director

I am delighted to present the 2023 Performance Accountability Report (PAR) of the Federal Mediation and Conciliation Service (FMCS). The fiscal year 2023 marked a remarkable period of both success and transition as FMCS worked diligently to return to normal operations.

The achievements and outcomes detailed in this report are a testament to the unwavering commitment and dedication of the true professionals who make up this outstanding agency. It is through their relentless efforts which FMCS continues to enhance the labor-management community and offer invaluable support. It is my honor to witness daily the FMCS employees provide world-class service, making significant contributions towards strengthening labor and management partnerships and, ultimately, advancing our nation.

Throughout the fiscal year, the agency faced various changes and challenges within the labor and management community. High-profile strikes and work stoppages received significant media coverage, underscoring the pivotal role FMCS plays in mitigating such disruptions and fostering improved relationships among stakeholders. The FMCS remains steadfast in its commitment to support individuals, groups, and organizations in these critical endeavors.

FMCS is also actively engaged in fortifying both its internal and external operations. To aid in these efforts, we have invested in a state-of-the-art case management system. This system will substantially enhance the capacity to identify, assign, track, report, assess, and evaluate submissions of the FMCS F-7 form, commonly known as the "Notice to Mediation Agency." The F-7 form is a legal requirement outlined in the Labor Management Relations Act of 1947. The implementation of this new case management system begins in FY24, heralding a new era of efficiency and effectiveness.

In my capacity as the Chief Operating Officer, Performing the Duties of the Director, I can confidently attest that no material weaknesses were identified in the design or operation of our internal controls and financial systems, as detailed in the report from page 18 onwards. Every measure has been taken to ensure the accuracy and completeness of the performance data presented in this report. Our commitment to transparency and accountability remains unwavering.

Gregory T. Goldstein
Chief Operating Officer, performing the duties of the Director
November 15, 2023

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 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 Alternative Dispute Resolution for Government (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 Equal Employment Opportunity (EEO) discrimination, 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 messages 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 focuses on individual conflicts and transaction-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 2023, FMCS received more than 15,750 notices of expiring collective bargaining agreements. 118 of these notices involved bargaining units of 1,000 or more and represent a total of approximately 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 2023, FMCS mediators were actively involved in more than 2,460 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 2022, FMCS mediated more than 1,260 grievance mediation cases and helped the parties reach agreement in 637 of these (51 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 2023, FMCS mediators conducted more than 1,560 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

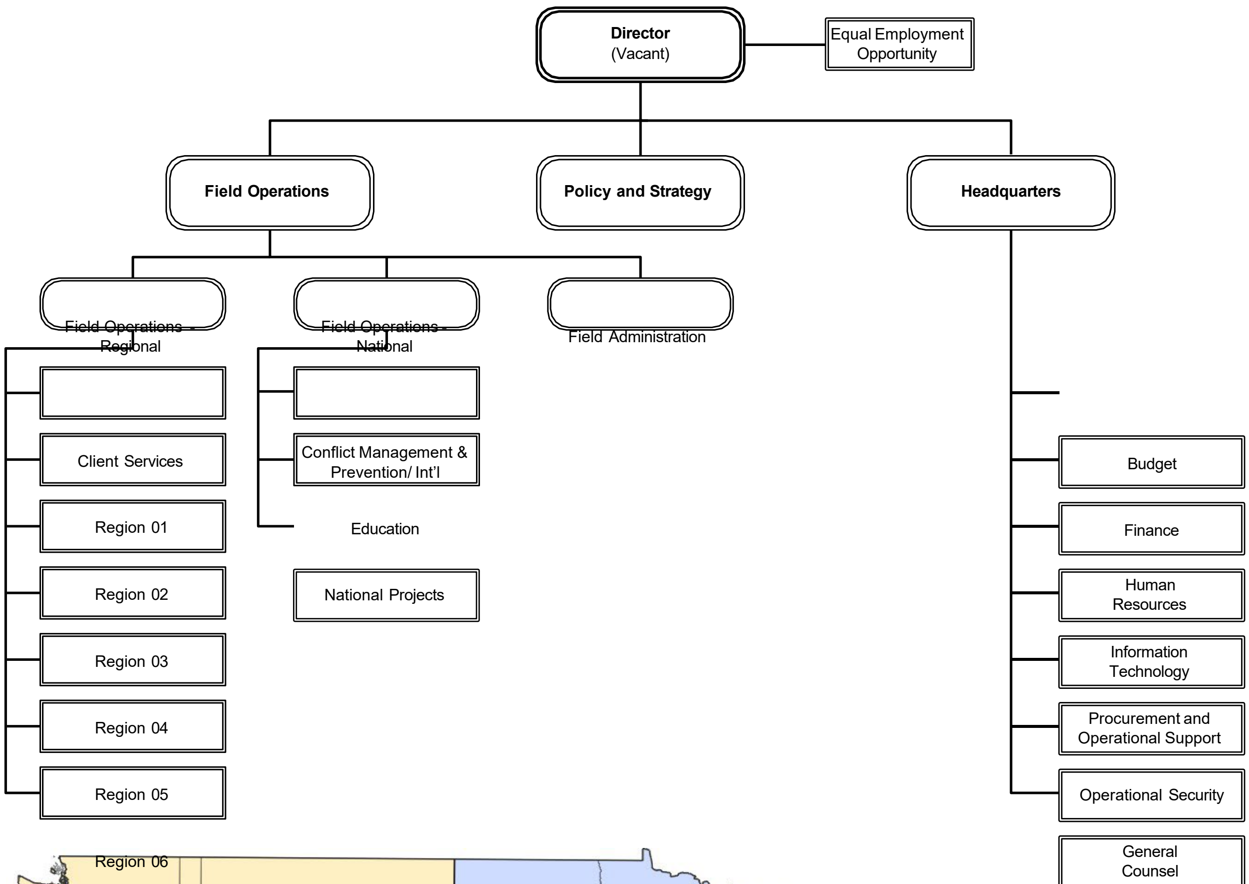
Beyond the nation's borders, FMCS plays an important role in promoting conflict resolution around the world. FMCS delivers its international training programs using cost-reimbursable funds, largely through agreements with other government agencies, such as the US Agency for International Development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

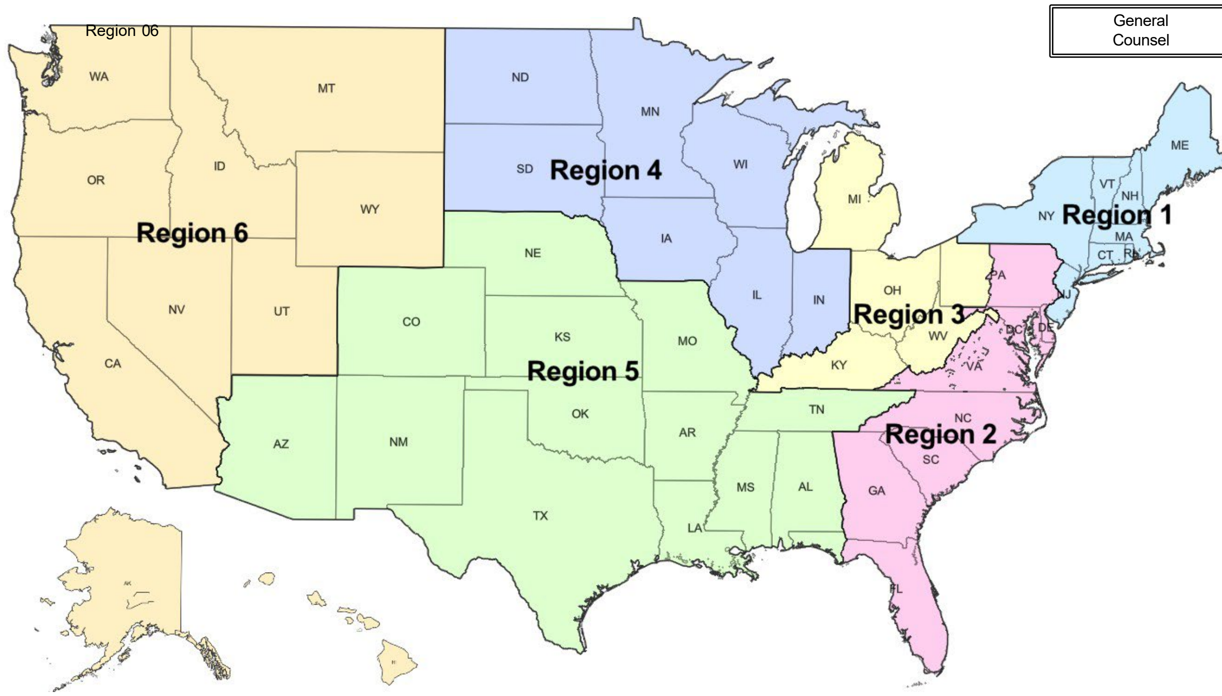
FMCS international work is a small but integral, part of its services. FMCS helps establish the labor dispute resolution institutions that are essential to the smooth functioning of free market economies. These programs are also a knowledge-sharing experience: FMCS mediators gain familiarity with complex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

Arbitration Services

National labor policy favors arbitration over litigation for settling contractual disputes. The FMCS arbitration service maintains a roster of approximately 800 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.

Organizational Structure





Strategic and Performance-Planning Framework

FMCS undertook a comprehensive review of its operations, staffing, work processes, resource allocations, and performance when it revised its most recent strategic plan. During this process, FMCS established strategies and goals designed to maximize its customer service delivery. Throughout 2023, FMCS has engaged in a continuous assessment of performance and other data to ensure that it is accomplishing its mission and that it is promoting innovation throughout the agency.

FMCS's 2023 performance-planning framework is based on the agency's 2022-2026 strategic plan, and 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 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 is distributed on SharePoint. The agency examines the data in a variety of forums, and in a manner that is consistent with the agency's value of transparency and employee engagement around all agency matters, including process and performance improvements.

Administration Priority Goal #1: Meet the health, welfare, and economic challenges of the COVID-19 Pandemic

Alleviate the health, welfare, and economic challenges of the pandemic through labor peace at healthcare facilities and improved workplace conditions that support public health and workforce flexibilities.

Objective:

- To combat COVID-19 by minimizing labor disruptions in health care facilities.

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.
- Increase outreach to medical facilities and groups and support labor management partnerships.

Expected Outputs:

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

Discussion:

FMCS provides several important activities which support this goal. Specifically, FMCS prioritizes collective bargaining in industries and facilities impacted by COVID. A work stoppage in a health care facility, for example, may reduce treatment options or the levels of care available within a community. Beyond direct health care, new occupational safety protocols, employer sick leave policies, and remote work rules all affect the nation's COVID response.

Employers and unions that negotiate these new issues may require additional assistance from FMCS. FMCS provided conflict management, prevention, and resolution services in the health care industry and with employers and union that bargained return to work procedures.

Administration Priority Goal #2: Advance equity

Deliver excellent, equitable, and secure services that enhance the customers' experience and reduce or eliminate barriers to equitable access to FMCS services.

Objective:

- To become a model program as defined by the Equal Employment Opportunity Commission (EEOC).

Action:

- Implement and continuously assess the FMCS equity plan and the FMCS diversity, equity, inclusion, and accessibility (DEIA) strategic plan, with a focus on people, culture, and mission.

Strategies:

- Strengthen feedback loops for employee input through listening sessions, focus groups, facilitated dialogue, and cultural climate surveys.
- Create a diversity and inclusion council to include special emphasis program managers and employee resource group(s).
- Support socially and economically disadvantaged businesses.
- Develop an outreach and recruitment strategic plan to include underserved communities.
- Assess current mechanisms for the inclusion and selection of arbitrators.

Expected Outputs:

- Expanded program service areas, including underserved communities.
- Establish a partnership agreement with the Small Business Administration (SBA) Contracting Assistance Program.
- Increased set-asides to socially and economically disadvantaged businesses.
- Increased employee engagement and a culturally competent, inclusive, and diverse workforce representative of the customers served.
- Enhanced employee competencies and opportunities for professional development.

Discussion:

FMCS strives to create an atmosphere of mutual trust, inclusion and respect for the dignity and uniqueness of all individuals. Within FMCS, implementing the FMCS equity and DEIA strategic plans will allow it to leverage the diversity of its workforce to create a more inclusive, equitable, and sustainable work environment; promote continuous growth and development; and encourage individual responsibility and teamwork for excellence and leadership.

Accomplishments during 2023:

- Agency-wide and inter-departmental DEIA trainings and facilitated dialogues offered on a quarterly basis to include the following topics: microaggression and unconscious bias, psychological safety in the workplace, allyship and religious expression in the workplace.
- Culture climate survey – secured vendor to provide, create, and support implementation for 2024.
- EEO and DEIA training with emphasis on preparing mediators for delivering EEO and DEIA trainings for external customers including LGBTQ+ (Series #2) and Working Across Generations.

- Agency-wide and interdepartmental DEIA trainings and dialogues through an IAA with General Services Administration.
- Expanded The Inclusion Project to establish a working group to create and implement the Diversity and Inclusion Council.
- Provided EEO, DEIA and Civil Treatment in the Workplace training to new employees.
- Collaborated with Center for Conflict Resolution Education (CCRE) to develop recommendations for assessing employee competencies and opportunities for professional development.
- Collaborated with mediator to develop training for external customers to support their efforts to develop and implement a diversity and inclusion council.
- Outreach and recruitment Strategic Plan: conducted outreach and recruitment at normally underserved populations.
- Developed Language Access Plan for external customers with limited English proficiency and updated agency website with language options.
- Recorded a DEIA-focused podcast for FMCS delivery to external customers.
- Interagency partnerships: Small Agency Council Equal Employment Opportunity Diversity and Inclusion Committee - coordinated with other small federal agencies to share best practices and provide EEO and DEIA training.
- Provided an EEO training to external customers during Conflict Resolution Week.
- External partnership established with EEOC (Atlanta District Office) for collaborative outreach efforts to minority serving colleges and universities.
- Recognized FMCS employees who promoted DEIA externally through the EEO/DEIA Employee Recognition program.

Administration Priority Goal #3: Address climate change

Contribute to the administration's climate change goals through increasing the use of technology to provide virtual services, reducing travel, and reducing the agency's footprint in leased spaces.

Objective:

- To increase virtual services throughout the agency.

Action:

- Increase the use of technology to support agency operations.
- Review all leased spaces and determine if space is necessary.
- Increase telework/remote work.

Strategies:

- Encourage labor and management leaders to utilize virtual services during mediation in their contract negotiations.
- Train managers in the benefits of remote/telework options for appropriate employees.
- Increase information technology training for staff to better utilize agency technology resources.
- Disseminate information to labor/management communities to build their understanding of virtual capabilities.

Expected Outputs:

- Increased rates of providing virtual services by FMCS staff.
- Increased rates of telework/remote work throughout the agency.
- Increased information technology trainings available to FMCS staff.

Discussion:

The COVID-19 pandemic necessitated modifications to the way the Agency historically operated. FMCS was fully operational since the beginning of the COVID-19 pandemic by utilizing information technology capabilities to conduct all aspects of the Agency's mission. The use of virtual services has fundamentally changed operations and has led to positive outcomes supporting efficiencies and other goals such as addressing climate change by reducing travel expenses and eliminating unnecessary leased spaces.

Strategic Goal #1: Efficiently provide top-tier conflict management and prevention services

FMCS continues to meet its statutory mission by providing top-tier conflict management and prevention services in support of sound and stable labor relations and the free flow of commerce.

Objective:

- To efficiently provide a full spectrum of high-quality conflict management and prevention services that effectively meet client needs.

Action:

- Maximize agency resources in delivering services, with a particular focus on national impact cases.
- Support the President's Task Force on Worker Organizing and Empowerment.
- Eliminate geographic territories and promote teaming at all levels of the organization.

Strategies:

- Require virtual provision of grievance and employment mediation services and encourage virtual provision of trainings and collective bargaining mediations where possible.
- Maximize subject matter expertise and travel efficiencies in case assignments.
- Establish a pilot program to increase national coordination around high-profile cases.
- Update mediator performance work plans to capture a broader range of services and expected behaviors, including facilitation, proficiency with technology, and professional judgement.

Expected Outputs:

- Increased engagements with units requesting card check services and newly represented groups.
- Increased involvement and acceptability in cases of note (i.e., national, high-profile, etc.).

Discussion:

FMCS completed a full performance cycle on newly redesigned, five-tier Performance Work Plans for all staff. For service delivery staff in particular, these plans capture a broader set of expected outcomes that expand areas of competence, promote teaming, and improve alignment with the agency Strategic Plan.

Additionally, FMCS continued to support the initiatives under the President's Task Force on Worker Organizing and Empowerment by streamlining its delivery of services to parties negotiating initial contracts, providing targeted outreach, and training efforts, and developing a new cohort program to improve service delivery to federal sector parties. FMCS also continued its collaborations with other agencies, including the National Labor Relations Board (NLRB), Federal Labor Relations Authority (FLRA), Department of Labor (DOL) (Office of Labor-Management Standards (OLMS)), Small Business Administration (SBA), and Office of Personell Management (OPM) through detail assignments, joint project work, internal trainings, and coordination on national initiatives.

Strategic Goal #2: Increase agencywide application and effectiveness of evidence-based decision making

Objective:
- To use relevant evidence and data to make staffing and resource allocation decisions.

Actions:
- Review agency data systems and identify areas for improvement.
- Evaluate data literacy within FMCS and enhance employees' information awareness.
- Provide training to FMCS leaders, supervisors, and appropriate staff concerning data operations.

Strategy:
- Sensitize employees to the harmful effects for poor or inconsistent information.
- Incentivize employees to provide high-quality data and self-correct inaccurate information.
- Distribute electronic client experience surveys upon the closing of collective bargaining mediation, grievance mediation, and relationship development training cases.

Expected Output:
- Enhanced decision-making capabilities.
- Increased amount of high-quality data availability to decision makers, stakeholders, and customers.
- Improved understanding of and customer satisfaction with FMCS services.

Discussion:

FMCS has prioritized efforts to develop, organize, manage, and make use of the data it collects, in part through the launch of a fully electronic client facing F7 submission portal. This portal, as well as the recent procurement of a new client relationship and case management system, which will be a significant focus in 2023, will streamline data inputs and enhance FMCS' ability to make evidence-based decisions.

As of June 2022, FMCS has undertaken a full year of customer experience surveys that use existing information systems to automatically generate upon the conclusion of its mediation work. On a five-point scale, the average of all of the scores across four lines of service was 4.7 or above. FMCS plans to continue this survey program to assess and improve its service delivery throughout the coming years.

Additionally, the removal of artificial geographic boundaries and management silos as part of the September 2022 agencywide realignment has enabled FMCS to record and treat data in a similar fashion nationwide and ensure that management initiatives are implemented throughout the organization.

Strategic Goal #3: Improve internal and external communications

Communicate more effectively with our key audiences, including employees, the media, Congress, and the public.

Objectives:

- To build trust between the agency and key audiences/stakeholders.
- To educate customers, the media, and the public on the agency mission, its work, and available services.

Actions:

- Serve as a central information distribution point for informing FMCS employees of public reporting on key industrial relations issues, national and local news, periodic job requirements, and important information.
- Build and execute a comprehensive legislative affairs program.

Strategies:

- Facilitate media interactions and interviews with FMCS subject matter experts.
- Execute a legislative affairs program to keep Congress fully informed of all FMCS public service delivery.
- Use various platforms to share information outside the agency, such as GovDelivery, social media, and news wire distribution services.

Expected Outputs:

- Decreased number of extemporaneous and decentralized communications to FMCS employees.
- Greater understanding of FMCS's mission and services among Congress, client groups, federal agencies, the public, and other stakeholders.

Discussion:

FMCS currently promotes its services through a suite of brochures, booklets, handouts, and PowerPoint presentations for distribution to prospective customers, stakeholders, and key audiences; broadcast emails and electronic messaging; social media channels; regional conferences; education and outreach by mediators to labor and management; and speeches and personal outreach by the Director and FMCS senior managers to influential gatherings and key influencers.

In February 2023, FMCS launched a new and robust Congressional notification product called "Success Stories." These one-page informational sheets are designed to keep members of Congress and their staffs, and specific Congressional committees, appraised of the ratification of significant contracts and other work FMCS is doing in their districts or relevant to their committee's purview. The goal of this program is to encourage more awareness throughout the legislature of FMCS's work and impact on the national, state, and local economies.

Strategic Goal #4: Prioritize lifelong learning in support of agency mission and individual professional development

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Objectives:

- To encourage employees to pursue craft mastery and ongoing professional development.

Action:

- Provide ongoing incumbent professional development opportunities.
- Regularly update core professional development training modules and activities.

Strategy:

- Hold all employees to a high standard of subject matter expertise and innovative service delivery methods and techniques.
- Promote a culture of giving and receiving constructive criticism and feedback.

Expected Outputs:

- Increased professional engagement in communities of practice.
- Greater awareness and use of FMCS services within federal sector.

Discussion:

FMCS offered multiple opportunities for employees to increase their skills and knowledge over the last fiscal year. The Virtual Academy is the online education venue that housed and offered a variety of trainings, seminars, and roundtables on issues. These programs are open for the enrollment of any FMCS staff persons and hosted a total of 11 sessions with 200+ total enrollments. Additionally in support of our values and EO 14035, a total of eight (8) additional Virtual Academy sessions were offered, led by external DEIA experts with approximately 150 internal FMCS employee enrollments. In 2022, FMCS unveiled a new program to start the process of ensuring top-notch conflict management professionals. A cohort of 15 mediators was assembled as the very first group of commissioners trained to be full spectrum conflict-management practitioners. The first cohort concluded in the Spring of 2023 and started the process of teaching forward to other colleagues. Cohort 2 is scheduled to begin in January of 2024. Further developmental opportunities for FMCS staff over the past fiscal year include:

- Three (3) virtual Brown Bag series targeting the highly nuanced work of the federal mediator to further improve service delivery, and also in tandem support of Strategic Goal #1.

- Also in tandem support of Strategic Goal #1 the FMCS unveiled the most comprehensive New Mediator Training Program in the agency's history. Utilizing a cost-saving blended learning methodology, mediators began a yearlong cohort learning experience with both asynchronous and synchronous virtual learning in over 50 separate learning modules. This program is scheduled to conclude in July of 2024.

- Various Learning Labs for technology productivity to improve staff utilization of existing technologies.

- Microlearning Tech Tool Tip series covering technology proficiency topics that can be done in 3 minutes or less to increase technology proficiency, use, and productivity in a well-proved "just in time" learning methodology.

- A formalized mediator mentor program to support the growth and onboarding of a significant number of new mediator hires.
- Redesign and development of some federally mandated asynchronous training to reduce training time and include agency-level content while still meeting federally required learning objectives.
- Development of asynchronous training for internal training topics to address the limited time factor/limited resources for in-person and virtual instructor-led training attendance.
- The Center for Conflict Resolution Education, the agency's hub for innovation and professional development, worked alongside Mediator trainers/facilitators to implement best practices in virtual instructor-led training to increase learner engagement and knowledge retention amongst learners.

Analysis of Financial Statements

Financial Performance Overview

As of September 30, 2023, 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 financial statements are prepared to report the financial position, financial condition, and results of operations of the FMCS, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of the FMCS in accordance with federal GAAP and the formats prescribed by OMB Circular No. A-136, Financial Reporting Requirements. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

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.
- Direct No-Year funds from arbitration panel listing fees and arbitrator dues.

The FMCS's 2023 appropriation from Congress was $53,705,000, an increase of $3.6 million over 2022; plus an additional $482,000 in spending authority for three Economy Act reimbursable employee details. Appropriations are the primary source of financial resources for the Agency. Other budgetary resources available in 2023 included approximately $2.1 million in reimbursable funds earned by the FMCS mediators from labor-management grievance mediation, training, facilitation, and negotiated rule-making work, and approximately $800,000 in direct funds from arbitration panel listing fees and arbitrator dues. The total budgetary resources for 2023 were $70,893,152. The FMCS made new obligations in the amount of $55 million in 2023.

Table of Key Measures

The table below compares the increase/decrease by significant account for the fiscal years ended September 30, 2023, and September 30, 2022:

FEDERAL MEDIATION AND CONCILIATION SERVICE
TABLE OF KEY MEASURES

Amounts in Dollars	FY2023	FY2022	Increase/Decrease $	%
Total Financing Sources	50,202,543	47,914,119	2,288,424	4.78%
Less: Net Cost	(47,665,485)	(46,706,738)	(958,747)	2.05%
Net Change of Cumulative Results of Operations	2,537,058	1,207,381	1,329,677	110.13%
Assets:				
Fund Balance with Treasury	23,578,229	17,131,688	6,446,541	37.63%
Accounts Receivable	286,288	231,789	54,499	23.51%
Property, Plant, and Equipment	1,588,229	797,652	790,577	99.11%
Total Assets	25,452,746	18,161,129	7,291,617	40.15%
Liabilities:				
Intragovernmental	586,063	628,495	(42,432)	-6.75%
Accounts Payable	366,455	672,661	(306,206)	-45.52%
Federal Employee and Veteran Benefits	3,522,098	3,889,359	(367,261)	-9.44%
Other	1,595,488	1,541,413	54,075	3.51%
Total Liabilities	6,070,104	6,731,928	(661,824)	-9.83%
Net Position (Assets-Liabilities)	19,382,642	11,429,201	7,953,441	69.59%

Audit Results

The FMCS received an unmodified audit opinion on its 2023 financial statements. This marks the 23rd 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 Information Section of this report, on page 33.

Analysis of the Balance Sheet

The FMCS’s assets totaled $25.4 million, as of September 30, 2023. 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 $23.5 million as of September 30, 2023. The balance increased $6.4 million from the prior year, due to the FMCS receiving an increase of $3.6 million in its 2023 appropriation and an increase in the obligated balance not yet disbursed over 2022 levels, which includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

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, 2023, and 2022.

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 $1.5 million as of September 30, 2023, an increase of nearly $800,000 over 2022 figures. Capitalized assets account for $2.2 million of PPE at acquisition cost, and the asset lives are for 5 years.

The *FMCS's Liabilities* were $6 million as of September 30, 2023. The total liabilities remained relatively consistent from 2022 to 2023.

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 $47.6 million for the fiscal year ended September 30, 2023, an increase of nearly $1 million from the prior year.

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 $19.3 million as of September 30, 2023, representing an increase of nearly $8 million from the prior year related to CRO and unexpended appropriations transactions. The CRO balance increased by $2.5 million. Additionally, there was a $5.4 million increase in unexpended appropriations resulting from an increase in FMCS's FY 2023 appropriation and the beginning balance brought forward from 2022.

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, 2023, the FMCS had available budgetary resources of $70.9 million, comprised of the 2023 appropriation of $53.7 million, prior years' unobligated balances of $13.9 million, and spending authority from offsetting collections of $3.3 million.

The status of budgetary resources was $70.9 million, compared to $63.3 million the prior year. The $7.5 million increase is mainly attributable to the increase in the total new obligations and upward adjustments and the expired unobligated balance at year end.

The net outlays totaled $46.7 million, which was comparable to the prior year.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

This section of the report provides information on the FMCS's compliance with the following:

- Federal Managers' Financial Integrity Act of 1982 (FMFIA) (Pub. L. No. 97-255)
- OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, Revised 2006
- Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208)
- Improper Payments Information Act of 2002 (IPIA) (Pub. L. No. 107-300)
- Prompt Payment Act of 1982 (PPA) (Pub. L. No. 97-177)
- Payment Integrity Information Act of 2019 (PIIA) (Pub. L. No. 116-117)
- Debt Collection Improvement Act of 1996 (Pub. L. No. 104-134)
- Digital Accountability and Transparency Act of 2014 (DATA Act) (Pub. L. No. 113-101)
- Federal Information Security Modernization Act of 2014 (FISMA 2014) (Pub. L. No. 113-283)

Federal Managers' Financial Integrity Act of 1982 (FMFIA) (Pub. L. No. 97-255)

The FMFIA mandates that agencies establish controls to reasonably assure that: (i) obligations and costs comply with applicable laws; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. The Act encompasses program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires the Director to provide an annual assurance statement on the adequacy of management controls and conformance of financial systems with government-wide standards.

Based on its annual assessment of the adequacy of its internal controls, FMCS is able to provide an unmodified statement of assurance that its internal controls and financial management systems met the objectives of FMFIA as of September 30, 2023.

In making this statement, FMCS relies upon independent and self-assessments of its internal controls. Independent assessments in support of this statement include the results of the annual Federal Employee Viewpoint Survey (FEVS) and the annual Agency financial statement audit. FMCS also generates a summary assessment of its internal management controls through an annual manager/supervisor questionnaire. Finally, the efforts of the Agency Chief Operating Officer (COO), Chief Information Officer (CIO), Chief Human Capitol Officer (CHCO), General Counsel, and Head of Contracting Activity (HCA), and others, similarly provide specific assurances in areas that lie outside the scope of the FEVS, annual audit, or annual management questionnaire.

It is worth noting that FMCS does not have an Inspector General. Instead, FMCS relies upon its General Counsel, Budget Director, and Finance Director to assist with oversight and enforcement activities. Given the small size of the Agency and the strength of its internal controls, the FMCS believes that this arrangement is more than reasonable and adequate for meeting the Agency's obligations under FMFIA.

Responsibilities under OMB Circular A-123 (Revised 2006)

As detailed in OMB Circular A-123, FMCS is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. FMCS must consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness. Annually, management must provide assurances on internal control in its Performance and Accountability Report, including a separate assurance on internal control over financial reporting, along with a report on identified material weaknesses and corrective actions.

Circular A-123 also requires agencies and individual Federal managers to take systematic and proactive measures to (i) develop and implement appropriate, cost-effective internal control for results-oriented management; (ii) assess the adequacy of internal control in Federal programs and operations; (iii) separately assess and document internal control over financial reporting; (iv) identify needed improvements; (v) take corresponding corrective action; and (vi) report annually on internal control through management assurance statements.

Summary of 2023 Internal Control Review

The FMCS internal controls system is a continuous built-in component of operations, effected by people, that provides reasonable assurance, that the agency's objectives will be achieved, ensures that the FMCS conducts activities efficiently and effectively, reports reliable information about operations, and complies with applicable laws and regulations. Additionally, the FMCS's internal control system provides reasonable assurance that:

- Employees have access to the information they need in order to make sound decisions.
- Obligations and costs are in compliance with applicable laws.
- Assets are safeguarded against waste, loss, and unauthorized use of appropriations.
- Revenues and expenditures applicable to Agency operations are properly recorded and accounted for, permitting accurate accounts, reliable financial reports, and full accountability for assets.
- Programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

During 2023, the FMCS used a managers' questionnaire to review the effectiveness of its internal control systems in accordance with FMFIA and GAO requirements, OMB guidance, and general best practices. The FMCS substantially revised its questionnaire in 2017 to include ERM-related elements and issues and to create a consistent and simplified analysis framework.

The 2023 FMFIA management questionnaire contained 28 questions in a "Yes"-"No" format or on a scale of "Not at all Effective", "Slightly Effective", "Moderately Effective", "Very Effective" or "Extremely Effective."

In all, 23 FMCS managers and supervisors (100 percent of managers/supervisors were determined eligible by the General Counsel's office) responded to the questionnaire. Questionnaire results are tabulated below. For questions of effectiveness, a higher average score indicates that respondents felt the FMCS was more effective in the area of concern. Yes/No question results are expressed as a percentage which indicates the percentage of "Yes" answers.

While the overall result of the questionnaire indicates that the FMCS is very to extremely effective in most areas, responses to several questions suggest room for improvement. Some concerns were centered around the ability for offices or regions to carry out its work if an employee was unexpectedly absent for 10 consecutive days or longer, financial resources allocated to help meet performance goals and/or objectives, and emergency COOP plans that are documented and communicated. The response concerning financial resources to support goals may be indicative of possible limited availability of federal funding.

The FMCS questionnaire also provided respondents with an opportunity to expand upon provided answers or to address other areas of concern. Seven respondents provided additional comments. One respondent commented about the need for additional staffing to meet the FMCS's mission. Another respondent commented that there is ongoing concern about gaps in their coordination of activities across units and the lack of tools for creating, managing, and using SOPs. A repeated concern in the additional comments was for better communication regarding COOP.

Results of FMFIA Manager Questionnaire, 2023

Mission and Employee Performance	**2023**
Organizational Clarity Maintained	100%
Performance Goals Written	91%
Supervisor Reviews Performance Goals	96%
Subordinates Review Performance Goals	100%
Goals Support FMCS Mission	4.4
Operational Issues	
Business Processes Written	91%
Subordinates Review Business Processes	96%
Business Processes Support Operations	4.2
Subordinates Follow Business Processes	4.1
Standard Operating Procedures Written	87%
Subordinates Follow SOPs	4.2
Operations Sustainable During Extended Absence	3.5
Position Description Matched to Job Duties	4.3
Subordinates Perform Duties	4.5
Subordinates Effectuate Improvements	4.1
Financial Resources Support Goals	3.8
Material Resources Support Goals	4.1
Compliance Issues	
Procedures Protect Against Fraud & Abuse	4.0
Capital Assets Safeguarded	4.1
Improper Travel Reimbursements Prevented	4.3
Improper Procurement Card Puchases Prevented	4.1
Accurate Time & Attendance Ensured	4.0
Practices Prevent Workplace Discrimination	4.2
Prevent Ethics Violations	4.0
Communication Systems Help Meet Goals	4.3
Computer Access Rules Protect Agency Data	4.2
Emergency Plans Documented	3.6
Emergency Plans Communicated	3.4

The FMCS evaluated its management control systems for operations for the fiscal year ended September 30, 2023. The result is that the FMCS can provide reasonable assurance that internal controls over operations were operating effectively as of September 30, 2023.

Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208)

The FFMIA requires federal agencies to implement and maintain systems that substantially comply with: (i) federal financial management system requirements; (ii) applicable federal accounting standards; and (iii) the U.S. Government Standard General Ledger at the transaction level. The FFMIA requires the Director to determine the agency's financial management system compliance with the FFMIA and to develop corrective action plans for noncompliant financial systems, as needed.

The FMCS uses a financial system provided by a Shared Services Provider (SSP), operated by the Department of Treasury's Administrative Resources Center (ARC), for processing financial data. Based on reviews conducted by its independent auditors, the FMCS found that the agency's financial management systems were in substantial compliance with the federal financial management system requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

Improper Payments Information Act (IPIA) of 2002 (Pub. L. No. 107-300)

IPIA was enacted to reduce the number and value of improper payments made by federal agencies. The Act requires that federal agencies estimate improper payments and report on actions to reduce them.

Approximately 80 percent of FMCS's 2023 appropriations were dedicated to employee pay and benefits, rent, and reimbursement for employee travel. The remainder of agency expenses consists of vendor payments for goods and services provided to the agency. Thus, FMCS is not susceptible to and has not identified any significant problems with improper payments. The Agency is nonetheless committed to continuous improvement in the overall accuracy of its accounts payable process.

Prompt Payment Act of 1982 (PPA) (Pub. L. No. 97-177)

The PPA requires federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2023, 99.7 percent of the FMCS's payments that were subject to the PPA were made on time. In 2023, the FMCS incurred $96 in interest penalties and made almost 100 percent of its vendor payments electronically.

Payment Integrity Information Act of 2019 (PIIA) (Pub. L. No. 116-117)

To improve the integrity and accuracy of the federal government's payments, in 2002, Congress enacted the Improper Payments Information Act (IPIA) (Pub. L. No. 107-300) and Recovery Audit Act (Pub. L. No. 107-107). In 2010, these statutes were amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. L. No. 111-204), which later was supplanted by the Improper Payments

Elimination and Recovery Improvement Act of 2012 (IPERIA; Pub. L. No. 112-248). In March 2020, the Payment Integrity Information Act of 2019 was enacted (PIIA; Pub. L. No. 116-117), which reorganized and revised the existing improper payment statutes.

The PIIA requires agencies to improve the quality of oversight for high-dollar and high-risk programs, and it mandates that agencies share data regarding recipient eligibility and payment amounts. For more detailed information on the improper payments and prior years' reporting, please visit the following link: https://paymentaccuracy.gov/.

The FMCS is dedicated to continuing to strengthen its improper payments program to ensure that payments are justifiable and processed correctly and efficiently. The program uses an experienced and trained staff, a financial management system designed with control functions to mitigate risk, and an internal analysis of processes and transactions. The FMCS strives to comply with the (OMB) Memorandum M-21-19, which revised Appendix C in OMB Circular A-123, Requirements for Payment Integrity Improvement.

The FMCS reviews transactions to identify improper payments and differentiate between improper payments resulting from payment processing errors where there was no monetary loss to the taxpayer, versus improper payments that resulted in a monetary loss to the taxpayer requiring payment recapture. The 2023 analysis of 2022 payments did not evidence significant improper payments resulting in monetary loss to the taxpayer.

Review of Program Activities in FY 2023

The FMCS assesses payment reporting for seven program activities: Contract Payments and Invoices, Purchase Card, Travel Card, Claims and Vouchers, Payroll, Grants, and Entitlement or Benefits (other than Payroll).

Payment Reporting & PIIA Noncompliance Findings

The 2023 PIIA review found that the FMCS is in compliance with OMB Memorandum M-21-19.

The results of the 2023 FMCS payments review are:

Attachment B - IPERA Risk Assessment Payment Type Summary for FY 2022

Reporting Entity:	FEDERAL MEDIATION AND CONCILIATION SERVICE
Treasury Fund Symbol(s):	ALL
Payment Type:	Payment Type Summary

Risk Assessment Rating	Payment Types	Annual Payment Amount	Annual Percentage
Low Risk	Contract Payments and Invoices	-$9,436,216.15	19.7%
Low Risk	Purchase Card	-$701,660.91	1.5%
Low Risk	Travel Card	-$24,802.99	0.1%
Low Risk	Claims and Vouchers	-$461,942.26	1.0%
Low Risk	Payroll	-$37,196,960.83	77.8%
Low Risk	Grants	$0.00	0.0%
Medium Risk	Entitlement or Benefits (other than Payroll)	$0.00	0.0%
	Total Fund Group Annual Payments	**-$47,821,583.14**	**100.0%**

Disbursements reflected in the Improper Payment Baseline Inventory Report for FY 2023 (Attachment A) are based on FY 2022 disbursements.

Aging of Outstanding Overpayments - CY Amount Outstanding*						
Type	Total CY O/S	0-6 Mos.	6 Mos. To 1 Yr.	Over 1 Year	Amount determined to not be collectable	Comments/Explanations, including justifications for the amount determined to not be collectible
Contracts	$0.00					
Grants	$0.00					
Benefits	$0.00					
Loans	$0.00					
Other	$165.45		$165.45		$56.05	$1.05: no action required for overpayment, receipt was received; $55.00: determined to be a prepaid fuel

Disposition of Recaptured Funds**									
Type	Total Recaptured Funds	Agency Expenses	Auditor Fees	Financial Management Improvement (Up to 25%)	Original Purpose (Up to 25%)	Office of IG (Up to 5%)	Expired Account	Returned to Treasury	Comments/Explanations
Contracts	$0.00								
Grants	$0.00								
Benefits	$0.00								
Loans	$0.00								
Other	$1,516.72							$1,516.72	$337.20: Lodging credited back,

Overpayments Recaptured Outside of Payment Recapture Audits							
Agency Source	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PY)	Amount Recovered (PY)	Cumulative Amt. Identified (CY+PY)	Cumulative Amt. Recovered (CY+PY)	Comments/Explanations
Statistical Samples					$0.00	$0.00	
Post-Payment Reviews or Audits	$572.06	$405.56	$458.20	$403.20	$1,030.26	$808.76	$165.45 Amount outstanding from CY; $1.05 CY written off; $55.00 PY amount written off
OIG Reviews					$0.00	$0.00	
Single Audit Reports					$0.00	$0.00	
Self-Reported	$707.96	$707.96			$707.96	$707.96	
Reports from Public					$0.00	$0.00	

PIIA Section V requires agencies to conduct payment recapture audits (also known as recovery audits) for each program and activity that expends $1 million or more annually, if conducting such audits would be cost effective. A Payment Recapture Audit is an internal review and analysis of a bureau, office, or program's accounting and financial records, supporting documents, and other pertinent information supporting its payments that is specifically designed to identify overpayments. Payment errors result from duplicate payments; errors on invoices or financing requests; failure to reduce payments by applicable sales discounts, cash discounts, rebates, or other allowances; payments for items not received; mathematical or other errors in determining payment amounts and executing payments; and the failure to obtain credit for returned merchandise.

The FMCS will continue to collect and resolve improper payments through existing financial procedures, including pre-audit of travel reimbursements, internal control review activities, internal and external audits, training of FMCS staff, and debt collection, as necessary.

The FMCS is cross serviced by the U.S. Treasury's ARC for accounting system support and accounts payable processing. The implementation of the Do-Not-Pay (DNP) initiative is a joint responsibility of the FMCS and ARC. The FMCS does pay invoices that are received via fax or email. The DNP portal implementation has provided a way for our procurement and payable offices to review vendor files prior to disbursement. It has also given us an opportunity to review the monthly payment file results to identify any improper payments made to a vendor in the DNP portal. Further, invoices processed through the Invoice Processing Platform (IPP) are subject to a monthly post payment audit of 10% of the total paid IPP invoices for that month. Invoices not processed through the Invoice Processing Platform (IPP) in excess of $2,500 are subject to secondary review before being paid. Invoices under $2,500 are subject to review through statistical sampling procedures. Travel vouchers processed through the Concur Government Edition (CGE) travel system are subject to a post payment audit based on a random sample of all reimbursements under $2,500. All payments of $2,500.00 and higher are excluded from the population. These payments require a 100 percent post payment audit review. Relocation vouchers processed through the MoveLINQ system are subject to 100 percent pre-payment audit and review. For payment customers, once the vouchers have been pre-audited and approved for payment, they are interfaced to the Oracle financial system where they are paid.

Debt Collection Improvement Act of 1996 (Pub. L. No. 104-134)

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the federal government to service and collect debts. As of September 30, 2023, delinquent debt was $260. The FMCS pursues the collection of delinquent debt and refers all eligible delinquent debt more than 120 days delinquent to the U.S. Treasury for collection.

Digital Accountability and Transparency Act of 2014 (DATA Act) (Pub. L. No. 113-101)

The DATA Act requires agencies to establish common standards for financial data provided by all government agencies and to expand the amount of data that agencies must provide to the government website, USASpending.gov. The FMCS met the government-wide DATA Act reporting requirements in 2023.

Federal Information Security Modernization Act of 2014 (FISMA 2014) (Pub. L. No. 113-283)

As mandated by FISMA, the FMCS continues to maintain an information security program to support the confidentiality, integrity, and availability of agency information and information systems. The FMCS worked diligently throughout 2023 to protect agency information and systems. The agency performed routine IT security operations, as well as implemented programmatic and technological improvements to reduce agency cybersecurity risks.

The FMCS IT accomplishments for 2023 related to FISMA include the following: a successful launch of the CDM Defend F dashboard using Qualys agents aligned with DHS CISA’s distributed and automated CDM initiatives, 100 percent implementation for the all FMCS account holders to require PIV authentication for computer login, 100 percent implementation of MFA access to all azure and Office 365 applications and services, launch and configuration of Azure Talon to maintain TIC 3.0 compliance for cloud environment, 99 percent migration from physical network on premises to MS Azure cloud based infrastructure, greatly increasing our flexibility and COOP capabilities, launch of Zscaler ZPA and ZIA to replace existing on-premises, physical VPN appliances, continued development and expansion of a web based notice submission and service request portal (F-7, IAA, Requests for Mediation Services) and reduction of repetitive and error prone duplicative data input by private, public, and other federal customers.

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Independent Auditor's Report

The Chief Operating Officer, Performing the duties of the Director
Federal Mediation and Conciliation Service

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Federal Mediation and Conciliation Service (FMCS), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements (hereinafter referred to as 'financial statements').

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the FMCS as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for the Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FMCS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute

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assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, and OMB Bulletin No. 24-01 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FMCS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information presented in the Performance and Accountability Report. The *Message from the Chief Operating Officer, Strategic and Performance-Planning Framework, Systems, Controls and Legal Compliance,* and *Other Information* are for purposes of additional analysis and are not a required part of the basic financial statements. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2023, we considered the FMCS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FMCS' internal control. Accordingly, we do not express an opinion on the effectiveness of the FMCS' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FMCS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was

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not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Governmental Auditing Standards* or OMB Bulletin No. 24-01.

The Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the FMCS' internal control or compliance. This section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FMCS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 15, 2023

FEDERAL MEDIATION AND CONCILIATION SERVICE

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022

FEDERAL MEDIATION AND CONCILIATION SERVICE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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FEDERAL MEDIATION AND CONCILIATION SERVICE
BALANCE SHEETS
AS OF SEPTEMBER 30, 2023 AND 2022
(In dollars)

	2023	2022
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 23,578,229	$ 17,131,689
Accounts Receivable, net (Note 3)	286,286	228,935
Total Intragovernmental Assets	23,864,515	17,360,624
Other than Intragovernmental Assets:		
Accounts Receivable, net (Note 3)	2	2,854
Property, Plant, and Equipment, net (Note 4)	1,588,229	797,652
Total Other than Intragovernmental Assets	1,588,231	800,506
Total Assets	$ 25,452,746	$ 18,161,130
Liabilities: (Note 5)		
Intragovernmental Liabilities:		
Other Liabilities (Note 7)	$ 586,063	$ 628,496
Total Intragovernmental Liabilities	586,063	628,496
Other than Intragovernmental Liabilities:		
Accounts Payable	366,455	672,661
Federal Employee Benefits Payable	3,522,098	3,889,359
Other Liabilities (Note 7)	1,595,488	1,541,413
Total Other than Intragovernmental Liabilities	5,484,041	6,103,433
Total Liabilities	$ 6,070,104	$ 6,731,929
Net Position:		
Unexpended Appropriations - Funds from Other than Dedicated Collections	$ 16,053,958	$ 10,637,575
Cumulative Results of Operations - Funds from Other than Dedicated Collections	3,328,684	791,626
Total Net Position	19,382,642	11,429,201
Total Liabilities and Net Position	$ 25,452,746	$ 18,161,130

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

FEDERAL MEDIATION AND CONCILIATION SERVICE
STATEMENTS OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(In dollars)

		2023		2022
Gross Program Costs:				
Gross Costs	$	51,306,034	$	48,964,484
Less: Earned Revenue		(3,640,549)		(2,257,746)
Net Cost of Operations	$	47,665,485	$	46,706,738

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

FEDERAL MEDIATION AND CONCILIATION SERVICE
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(In dollars)

		2023		2022
Unexpended Appropriations:				
Beginning Balance	$	10,637,575	$	8,284,357
Appropriations Received		53,705,000		50,058,000
Other Adjustments		(548,326)		(1,404,174)
Appropriations Used		(47,740,291)		(46,300,608)
Net Change in Unexpended Appropriations		5,416,383		2,353,218
Total Unexpended Appropriations	$	16,053,958	$	10,637,575
Cumulative Results of Operations:				
Beginning Balance	$	791,626	$	(415,755)
Appropriations Used		47,740,291		46,300,608
Imputed Financing (Note 10)		2,462,252		1,613,511
Net Cost of Operations		(47,665,485)		(46,706,738)
Net Change in Cumulative Results of Operations		2,537,058		1,207,381
Total Cumulative Results of Operations	$	3,328,684	$	791,626
Net Position	$	19,382,642	$	11,429,201

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

FEDERAL MEDIATION AND CONCILIATION SERVICE
STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(In dollars)

		2023		2022
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, net (Note 11)	$	13,917,366	$	8,766,313
Appropriations		53,705,000		50,058,000
Spending Authority from Offsetting Collections		3,270,786		4,517,160
Total Budgetary Resources	$	70,893,152	$	63,341,473
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (total) (Note 12)	$	55,185,451	$	49,457,817
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts		2,754,285		8,443,508
Unapportioned, Unexpired Accounts		6,802,952		1,837,997
Unexpired Unobligated Balance, End of Year		9,557,237		10,281,505
Expired Unobligated Balance, End of Year		6,150,464		3,602,151
Unobligated Balance, End of Year (total)		15,707,701		13,883,656
Total Budgetary Resources	$	70,893,152	$	63,341,473
Outlays, Net and Disbursements, Net:				
Outlays, net (total)	$	46,710,132	$	45,494,745
Agency Outlays, net	$	46,710,132	$	45,494,745

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, 2023, the FMCS consisted of a national office, 6 district offices, and 3 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'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 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 the control and monitoring of federal funds as well as the compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the 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' capitalization threshold is $5,000 for individual purchases and a total useful life exceeding one year. Depreciation is recorded using the straight-line method. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

Description	Useful Life (years)
Leasehold Improvements	Lease Term
Equipment	5
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 FMCS as a result of transactions or events that have already occurred.

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

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

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, 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 FMCS's employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the 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 and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

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

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the 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.

L. Other Post-Employment Benefits

The FMCS's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the FMCS with certain 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.

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. Contingencies

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

O. Reclassification

Certain fiscal year 2022 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

P. 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, 2023 and 2022, were as follows:

	2023	2022
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 2,754,285	$ 8,443,510
Unavailable	12,988,546	5,475,278
Obligated Balance Not Yet Disbursed	7,835,398	3,212,901
Total	$ 23,578,229	$ 17,131,689

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

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

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

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

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2023 and 2022, were as follows:

		2023		2022
Intragovernmental				
Accounts Receivable	$	286,286	$	228,935
Total Intragovernmental Accounts Receivable	$	286,286	$	228,935
Other than Intergovernmental				
Accounts Receivable	$	2	$	2,854
Total Other than Intragovernmental Accounts Receivable	$	2	$	2,854
Total Accounts Receivable	$	286,288	$	231,789

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

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2023 and 2022.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET

Schedule of Property, Plant and Equipment, Net as of September 30, 2023:

Major Class		Acquisition Cost		Accumulate d Amortization/ Depreciation		Net Book Value
Furniture & Equipment	$	669,924	$	500,407	$	169,517
Software		1,170,400		120,393		1,050,007
Software-in-Development		368,705		N/A		368,705
Total	$	2,209,029	$	620,800	$	1,588,229

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

Major Class		Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value
Furniture & Equipment	$	522,656	$	454,547	$	68,109
Software		141,617		30,451		111,166
Construction-in-Progress		82,887		N/A		82,887
Software-in-Development		535,490		N/A		535,490
Total	$	1,282,650	$	484,998	$	797,652

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the FMCS as of September 30, 2023 and 2022, 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.

		2023		2022
Intragovernmental – FECA	$	69,247	$	129,756
Unfunded Leave		2,873,147		2,934,352
Actuarial FECA		574,010		881,498
Total Liabilities Not Covered by Budgetary Resources	$	3,516,404	$	3,945,606
Total Liabilities Covered by Budgetary Resources		2,553,700		2,786,323
Total Liabilities	$	6,070,104	$	6,731,929

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. ACTUARIAL FECA LIABILITY

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

The FMCS bases its estimate for FECA actuarial liability on the DOL's FECA model. The DOL method of determining the liability uses historical benefits payment patterns for a specific incurred period to predict the ultimate payments for the period. Based on the information provided by the DOL, the FMCS's liability as of September 30, 2023 and 2022, was $0.5 million and $0.8 million, respectively.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2023, were as follows:

		Current		Non Current		Total
Intragovernmental						
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$	127,071	$	-	$	127,071
Employer Contributions and Payroll Taxes Payable		389,745		-		389,745
Unfunded FECA Liability		69,247		-		69,247
Total Intragovernmental	$	586,063	$	-	$	586,063
Other than Intragovernmental						
Accrued Funded Payroll and Leave	$	1,594,973	$	-	$	1,594,973
Other Liabilities w/Related Budgetary Obligations		515		-		515
Total Other than Intragovernmental	$	1,595,488	$	-	$	1,595,488
Total Other Liabilities	$	2,181,551	$	-	$	2,181,551

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

		Current		Non Current		Total
Intragovernmental						
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$	122,370	$	-	$	122,370
Employer Contributions and Payroll Taxes Payable		376,370		-		376,370
Unfunded FECA Liability		129,756		-		129,756
Total Intragovernmental	$	628,496	$	-	$	628,496
Other than Intragovernmental						
Accrued Funded Payroll and Leave	$	1,540,913	$	-	$	1,540,913
Other Liabilities w/Related Budgetary Obligations		500		-		500
Total Other than Intragovernmental	$	1,541,413	$	-	$	1,541,413
Total Other Liabilities	$	2,169,909	$	-	$	2,169,909

NOTE 8. LEASES

Operating 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 2042. Assets held under these leases consist of offices. All leases are classified as operating. All office space occupied by the FMCS is leased by the General Services Administration. The total operating lease expense for fiscal years 2023 and 2022 were $2,495,525 and $2,829,399 respectively. Below is a schedule of future payments for the term of the lease:

Fiscal Year		Asset Office Space
2024	$	2,797,398
2025		2,429,199
2026		2,312,978
2027		2,342,903
2028		2,345,724
Thereafter		32,800,642
Total Future Lease Payments	$	45,028,844

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

NOTE 9. COMMITMENTS AND CONTINGENCIES

Between October 1 and June 30th, FMCS settled a matter that included a QSI and supported a six-month reimbursable detail. Between June 30th and September 30th, FMCS settled a matter for $3,000. As of September 30th, FMCS has 2 pending litigation matters that we intend to defend vigorously. We do not anticipate any settlements in those matters at this time.

NOTE 10. 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, 2023 and 2022, respectively, inter-entity costs were as follows:

	2023	2022
Office of Personnel Management	$ 2,462,252	$ 1,613,511
Total Imputed Financing Sources	$ 2,462,252	$ 1,613,511

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

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2023, and 2022, consisted of the following:

	2023	2022
Unobligated Balance Brought Forward From Prior Year, October 1	$ 13,883,656	$ 10,068,773
Recoveries of Prior Year Obligations	582,036	101,715
Other Changes in Unobligated Balances	(548,326)	(1,404,175)
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 13,917,366	$ 8,766,313

NOTE 12. APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS

New obligations and upward adjustments incurred and reported in the Statement of Budgetary Resources in 2023 and 2022 consisted of the following:

	2023	2022
Direct Obligations, Category A	$ 53,100,329	$ 47,652,028
Reimbursable Obligations, Category A	2,085,122	1,805,789
Total New Obligations and Upward Adjustments	$ 55,185,451	$ 49,457,817

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2023, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 1,549,187	$ 7,383,939	$ 8,933,126
Total Undelivered Orders	$ 1,549,187	$ 7,383,939	$ 8,933,126

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

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 695,550	$ 3,697,568	$ 4,393,118
Total Undelivered Orders	$ 695,550	$ 3,697,568	$ 4,393,118

NOTE 14. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2023 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2024 and can be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2024 Budget of the United States Government, with the "Actual" column completed for 2022, 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	$ 63	$ 49		$ 45
Spending Authority from Offsetting Collections	(4)			
Difference - Due to Rounding				1
Budget of the U.S. Government	$ 59	$ 49		$ 46

NOTE 15. 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
BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2023
(In dollars)

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	$ 13,975,732	$ 33,689,753	$ 47,665,485
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(150,122)	(150,122)
Increase/(Decrease) in Assets:			
Accounts Receivable, net	57,351	(2,852)	54,499
(Increase)/Decrease in Liabilities:			
Accounts Payable	-	306,206	306,206
Federal Employee Benefits Payable	-	367,261	367,261
Other Liabilities	42,433	(54,075)	(11,642)
Financing Sources:			
Imputed Cost	(2,462,252)	-	(2,462,252)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (2,362,468)	$ 466,418	$ (1,896,050)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	$ -	$ 940,697	$ 940,697
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 940,697	$ 940,697
Misc Items			
Custodial/Non-Exchange Revenue	$ -	$ (200)	$ (200)
Non-Entity Activity	200	-	200
Total Other Reconciling Items	$ 200	$ (200)	$ -
Total Net Outlays (Calculated Total)	$ 11,613,464	$ 35,096,668	$ 46,710,132
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, net			$ 46,710,132

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

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	$ 14,410,412	$ 32,296,326	$ 46,706,738
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(74,467)	(74,467)
Property, Plant, and Equipment Disposals & Revaluations	-	(258)	(258)
Increase/(Decrease) in Assets:			
Accounts Receivable, net	(55,030)	(2,615)	(57,645)
(Increase)/Decrease in Liabilities:			
Accounts Payable	-	(449,083)	(449,083)
Federal Employee Benefits Payable	-	489,204	489,204
Other Liabilities	(1,498)	(76,960)	(78,458)
Financing Sources:			
Imputed Cost	(1,613,511)	-	(1,613,511)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (1,670,039)	$ (114,179)	$ (1,784,218)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	$ -	$ 572,225	$ 572,225
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 572,225	$ 572,225
Total Net Outlays (Calculated Total)	$ 12,740,373	$ 32,754,372	$ 45,494,745
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, net			$ 45,494,745