U.S. Merit Systems Protection Board

Agency Financial Report Fiscal Year 2024

November 2024

Table of Contents

MESSAGE FROM THE CHAIRMAN

U.S. MERIT SYSTEMS PROTECTION BOARD
Washington, DC 20419

Office of the Chairman

It is my honor to present the U.S. Merit Systems Protection Board's (MSPB) fiscal year (FY) 2024 Agency Financial Report (AFR). This report illustrates how we managed our resources and highlights our major accomplishments. Additionally, this report provides a summary and analysis of MSPB's financial operations and performance management. I am particularly pleased to report that MSPB has attained an unmodified (clean) opinion on its consolidated financial statements as of September 30, 2024. The AFR is available on our website at www.mspb.gov.

The agency's accomplishments provided in this report are the results of our collective commitment to maintaining the highest standards of performance and integrity. It is a great privilege to work alongside the talented men and women of MSPB who devote their careers to upholding the merit system principles that govern our federal workforce. We are committed to promoting accountability, good stewardship, and financial integrity of taxpayers' dollars.

I certify, with reasonable assurance of the completeness and reliability of the performance and financial data in this report, that no material weaknesses were found in MSPB's internal controls during the audit of our financial statements.

Respectfully,

Cathy A. Harris
Chairman
November 15, 2024

HOW TO USE THIS REPORT

The Agency Financial Report (AFR) presents financial information, as well as relevant performance information, on the U.S. Merit Systems Protection Board's operations. The report was prepared in accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, and covers activities from October 1, 2023, through September 30, 2024.

MSPB has chosen to produce an AFR and an Annual Performance Report (APR). MSPB will submit its FY 2024 APR with its Congressional Budget Justification and post it on the agency's website at https://www.mspb.gov when the President's FY 2026 Budget is submitted to Congress in 2025.

This report is organized into the following major components:

Management Discussion and Analysis (MD&A)
This section provides an overview of MSPB. It discusses the agency's mission, Board organization, program offices and their functions, and organization chart. Additionally, this section contains an overview of the performance information contained in the Interim FY 2024 Performance Results. It also includes relevant performance information related to the MSPB's strategic and management objectives.

Analysis of Financial Statements
This section provides a summary of MSPB's financial position and factors affecting financial performance.

Analysis of Systems, Controls, and Legal Compliances
This section provides an overview of MSPB's management commitment to excellence and the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability. Management, administrative, and financial system controls have been developed to ensure the following:

- Obligations and costs are in compliance with applicable laws.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- Expenditures applicable to operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial, and statistical reports.
- Accountability over assets is maintained.

Forward-Looking Information
This section addresses future conditions that could significantly affect MSPB's future financial position and operating performance.

Financial Section
This section contains details of MSPB's financial position in FY 2024 including a message from the Chief Financial Officer (CFO) followed by the notes on the financial statements, independent auditor's report on the financial statements, financial statements, and notes to the financial statements.

Other Information Section
This section contains details of MSPB's financial statement audit and management assurances including material weaknesses, compliances, and civil monetary penalties adjustments.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

About MSPB

MSPB has its origin in the Pendleton Civil Service Reform Act of 1883 (Pendleton Act), which established the Civil Service Commission (CSC) and a merit-based employment system for the Federal Government. The Pendleton Act was passed after the assassination of President Garfield by a disgruntled Federal job seeker and grew out of the 19th century reform movement to curtail the excesses of political patronage in government and ensure a stable highly qualified workforce to serve the public. Over time, it became clear that the CSC could not properly, adequately, and simultaneously set managerial policy, protect the merit systems, and adjudicate appeals. Concern over the inherent conflict of interest in the CSC's role as both rule-maker and judge was a principal motivating factor behind the passage of the Civil Service Reform Act of 1978 (CSRA). The CSRA replaced the CSC with three new agencies: MSPB as the successor to the Commission;[1] the Office of Personnel Management (OPM) to serve as the President's agent for Federal workforce management policy and procedure; and the Federal Labor Relations Authority (FLRA) to oversee Federal labor-management relations. The CSRA also codified for the first time the values of the merit systems as the Merit System Principles (MSPs) and defined the Prohibited Personnel Practices (PPPs).[2]

The MSPB's Mission

The mission of MSPB is to *protect the Federal merit systems and the rights of individuals within those systems*. MSPB carries out its statutory responsibilities and authorities primarily by adjudicating individual employee appeals, enforcing its decisions, conducting objective merit systems studies, and reviewing the rules, regulations, and significant actions of OPM to assess the degree to which those actions support adherence to the merit principles and do not lead to the commission of PPP's.

Board Organization

The agency has three appointed Board members with offices in Washington, DC, (headquarters) and six regional and two field offices that are located throughout the United States.

MSPB Program Offices and Their Functions

The three **Board members** adjudicate the cases brought to MSPB. The bipartisan Board consists of the Chairman, Vice Chairman, and Member, with no more than two of its three members from the same political party. Board members are nominated by the President, confirmed by the Senate, and serve overlapping, non-renewable 7-year terms. The **Chairman**, by statute, is the chief executive and administrative officer of MSPB. The Office Directors report to the Chairman through the **Executive Director**.

The **Office of the Administrative Law Judge** (OALJ) adjudicates and issues initial decisions in corrective and disciplinary action complaints (including Hatch Act complaints) brought by the Special Counsel, proposed agency actions against ALJs, MSPB employee appeals, and other cases assigned by MSPB. The

[1] Bogdanow, M., and Lanphear, T., History of the Merit Systems Protection Board, *Journal of the Federal Circuit Historical Society*, Volume 4, 2010.

[2] Title 5 U.S.C. § 2301 and Title 5 U.S.C. § 2302, respectively.

functions of this office are currently performed by ALJs at the U. S. Coast Guard and Federal Trade Commission under reimbursable interagency agreements.

The **Office of Appeals Counsel** conducts legal research and prepares proposed decisions for the Board in cases where a party petitions for review (PFR) of an administrative judge's (AJ) initial decision and in most other cases decided by the Board. The office prepares proposed decisions on interlocutory appeals of rulings made by judges, makes recommendations on reopening cases on the Board's own motion, and provides research, policy memoranda, and advice to the Board on legal issues.

The **Office of the Clerk of the Board** receives, and processes cases filed at MSPB headquarters (HQ), rules on certain procedural matters, and issues MSPB decisions and orders. The office serves as MSPB's public information center, coordinates media relations, produces public information publications, operates MSPB's library and on-line information services, and administers the Freedom of Information Act and Privacy Act programs. The office also certifies official records to the courts and Federal administrative agencies and manages MSPB's records systems, legal research systems, and the Government in the Sunshine Act program.

The **Office of Equal Employment Opportunity** plans, implements, and evaluates MSPB's equal employment opportunity programs. It processes complaints of alleged discrimination brought by agency employees and provides advice and assistance on affirmative employment initiatives to MSPB's managers and supervisors.

The **Office of Financial and Administrative Management** (FAM) administers the budget, accounting, travel, time and attendance, human resources, procurement, property management, physical security, and general services functions of MSPB. It develops and coordinates internal management programs, including review of agency internal controls. It also administers the agency's cross-servicing agreements with the U.S. Department of Agriculture (USDA), National Finance Center (NFC) for payroll services; U.S. Department of the Treasury, Bureau of the Fiscal Service (BFS) for accounting services; and USDA's Animal and Plant Health Inspection Service (APHIS) for human resources management services.

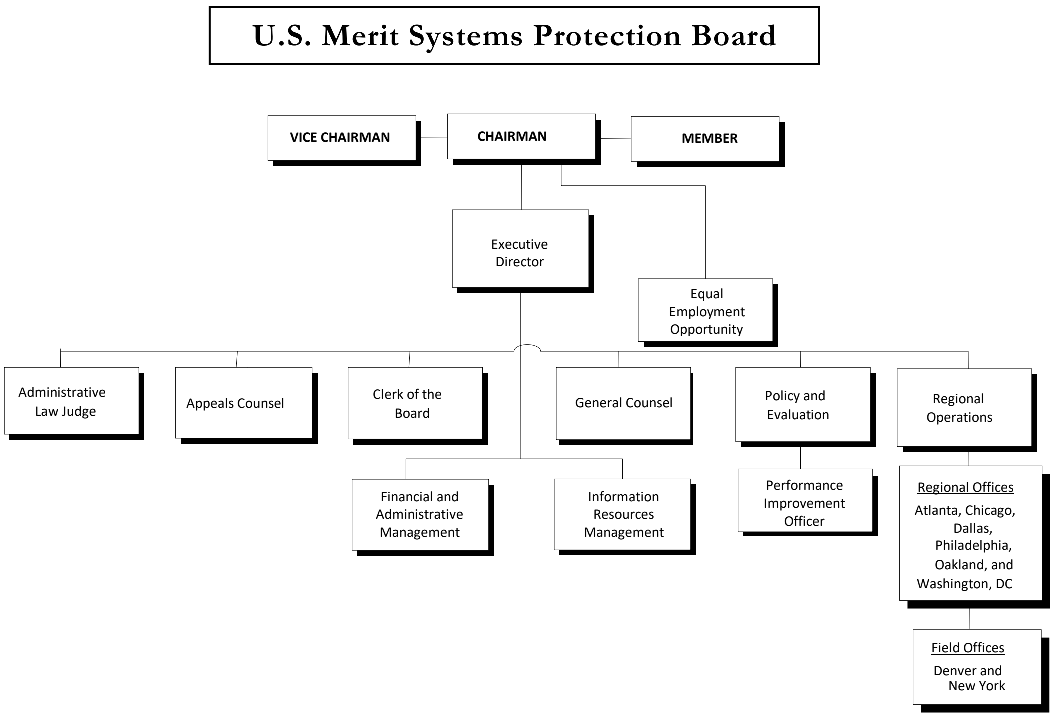
The **Office of the General Counsel**, as legal counsel to MSPB, advises the Board and MSPB offices on a wide range of legal matters arising from day-to-day operations. The office represents MSPB in litigation; prepares proposed decisions for the Board to enforce a final MSPB decision or order, in response to requests to review OPM regulations, and for other assigned cases; conducts the agency's PFR settlement program; and coordinates the agency's legislative policy and congressional relations functions. The office drafts regulations, conducts MSPB's ethics program, and plans and directs audits and investigations.

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

The **Office of Policy and Evaluation** carries out MSPB's statutory responsibility to conduct special studies of the civil service and other Federal merit systems. Reports of these studies are sent to the President and the Congress and are distributed to a national audience. The office provides information and advice to Federal agencies on issues that have been the subject of MSPB studies. The office reviews and reports on the significant actions of OPM. The office also conducts program evaluations for the agency and has responsibility for preparing MSPB's strategic and performance plans and performance reports required by the Government Performance and Results Act Modernization Act of 2010.

The **Office of Regional Operations** oversees the agency's six regional and two field offices, which receive, and process appeals and related cases. It also manages MSPB's Mediation Appeals Program (MAP). AJs in the regional and field offices are responsible for adjudicating assigned cases and for issuing fair, well-reasoned, and timely initial decisions.

Organization Chart



Human resources management services are provided by USDA's Animal and Plant Health Inspection Service.
Payroll services are provided by USDA's NFC.
Accounting services are provided by the Department of the Treasury's BFS.
The functions of OALJ are performed by ALJs employed by the Federal Trade Commission and the U.S. Coast Guard under reimbursable interagency agreements.

Interim Summary of MSPB's FY 2024 Program Performance

This performance summary contains interim FY 2024 performance results and initial judgements related to the achievement of our strategic and management objectives. This information is organized to align with the Annual Performance Plan for FY 2024. MSPB is continuing to verify and validate FY 2024 Performance Goal (PG) statements and measures. We will publish the results in our FY 2024 Annual Performance Report scheduled for release in February 2025.

Strategic Goal 1: Serve the public interest by protecting MSPs and safeguarding the civil service from prohibited personnel practices PPPs.

Strategic Objective 1A: Provide understandable, high-quality resolution of appeals supported by fair and efficient adjudication and alternative dispute resolution (ADR) processes.

Strategic Objective 1A-RO: Provide understandable, high-quality resolution of initial appeals in the regional and field offices (RO/FOs), supported by fair and efficient adjudication and ADR processes.

Interim results indicate this objective was **Met**. MSPB met the target for timeliness of initial appeals processing with an average of 130 days, which was higher than the target of 120 days but within 10% of it. The increase in average processing time was due to the transition to the new e-Appeal system in FY 2024 and the relaxation of timeliness standards as agency adjudication staff adjusted using the new system. Despite this, 90% of reviewed initial decisions met the Quality Review Team (QRT) standards, meeting the target of 85% (i.e., within 10% of the target). The QRT includes rotating members who review a sample of initial decisions (IDs) to determine, among other things, whether the IDs were well organized and readable, and considered and analyzed material legal and factual issues, controlling case law, and statutory and regulatory authorities. This measure focuses on all IDs, not just those for which a PFR is filed. The PG statement for ADR is to ensure use of ADR processes, and the measure is the percentage of appeals referred to the Mediation Appeals Program. For FY 2024, 8.9% of IDs were referred to mediation, exceeding the target of 7% (i.e., greater than 10% of the target).

Strategic Objective 1A-HQ: Provide understandable, high-quality resolution of appeals at HQ, supported by fair and efficient adjudication and ADR processes.

Interim results indicate this objective was **Exceeded**. The PG for quality of Board decisions involves decisions on the merits issued by the U.S. Court of Appeals for the Federal Circuit (CAFC) on appeals of MSPB decisions filed with the Court. MSPB decisions filed with the Court may include decisions issued by HQ or IDs issued in the RO/FOs (but, in a typical year, would have a significantly larger percentage of decisions issued by HQ). Because this measure includes HQ decisions, it is considered an HQ case processing PG. The FY 2024 result was 94% of Board cases affirmed by the CAFC, exceeding the target of 83% (i.e., greater than 10% of the target).

Given the unique circumstances of the five-year lack of quorum, average processing time will not be a useful indicator for managing the process of reducing the unprecedented inventory of pending cases that the new Board inherited in March 2022. In its place, beginning in FY 2023, MSPB adopted new PGs and measures to track reduction of the inherited inventory of cases at HQ. These two new measures are the total number of HQ cases decided during the year and the percentage of oldest cases (as identified at the beginning of the FY) decided by the end of the FY. These two PGs, in combination, reflect the Board's desire to reduce the overall inventory with a focus on closing older cases. MSPB exceeded the numeric target of 1,000 or more for cases decided at HQ with a total of 2,340 cases closed and exceeded the goal of issuing decisions in 75% of the oldest 1,000 cases (as identified at the beginning of the FY), by closing 967 of the oldest 1,000 cases, or 96.7% of the 1,000 oldest cases.

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

This objective is **Not Yet Rated.**[3]

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

Interim results indicate this measure was **Not Met**. Staffing in MSPB's Office of Policy and Evaluation (OPE), which produces MSPB's studies and other research products, remained a critical challenge during FY 2024. Attrition due to retirements and other departures and funding constraints severely limited OPE's ability to meet performance expectations. MSPB published one retrospective *Issues of Merit* newsletter in FY 2024 that highlighted ongoing challenges in Federal human capital management. Topics included improving Federal hiring, employee engagement, fair and equitable treatment, using the probationary period, and avoiding PPPs. In addition, MSPB completed an assessment of *Issues of Merit* topic coverage over the past 10 years, identifying the periodical's purpose, target audience, and the MSPs and PPPs it has addressed. Lastly, MSPB designed customer needs assessment surveys to identify familiarity with, and usability of, existing research products. However, MSPB did not develop a prototype of a new research product line as targeted. MSPB also did not meet the publication goal for publishing a report. New study reports were not completed due to staffing shortages. Whenever possible, OPE reviewed and synthesized past OPE research for congressional, OPM, and Federal agency partners. MSPB met the survey target by designing the customer needs assessment surveys and by designing and administering a survey of Chief Human Capital Officers regarding OPM significant actions.

Strategic Objective 1D: Review and act upon the rules, regulations, and significant actions of OPM, as appropriate.

Interim results indicate that this objective was **Met**. Information regarding requests to review OPM regulations and a review of OPM significant actions were included in the *Annual Report for FY 2023*.

Strategic Goal 2: Advance the public interest through education and promotion of stronger merit systems, adherence to merit system principles, and prevention of prohibited personnel practices.

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

Interim results indicate that this objective was **Exceeded**. MSPB conducted 86 outreach events or 43% more than the targeted value of 60 events or more. Outreach events were conducted on topics such as merit systems and merit-based management; Federal disciplinary policies; MSPB regulations, procedures, results, and legal precedent; and results of merit systems studies. Events were conducted with Federal executive branch departments or agencies, Federal court organizations, affinity groups, a variety of legal groups (e.g., bar and other attorney associations, national institutes, law schools), and major legal and research conferences.

[3] This is an update to the AFR as submitted. Anomalies were subsequently identified in the data used to calculate the processing time for compliance case addenda in the ROs/FOs, and this result will be rated in the FY 2024 APR.

Strategic Objective 2B: Advance the understanding of merit, MSPs, and PPPs for stakeholders and the public by developing and sharing information and educational materials and guidance.

Interim results indicate this objective was **Met**. MSPB achieved the FY 2024 target for publishing 4 or more informational or educational documents. Documents included one *Issues of Merit* newsletter and materials on the e-Appeal Information Hub, Frequently Asked Questions Regarding Lack of Quorum and Restoration of the Full Board, and the FY 2023 Annual Report. However, although customer needs assessment surveys were created, MSPB did not develop a prototype for new educational materials and services product lines for OPE to share results related to MSPB research studies. Finally, MSPB's work was cited 68 times in 67 sources.

Management Objectives

Management Objective M1: Lead, manage, and develop employees to ensure a highly qualified, diverse, inclusive, and engaged workforce with the competencies to perform MSPB's mission and support functions successfully.

Interim results indicate this objective was **Met**. In FY 2024, MSPB's result for competencies was 77%, meeting the target of 70% (i.e., within 10% of the target). Its result for diversity was 65%, meeting the target of 70% (i.e., within 10% of the target). MSPB's result for inclusion was 80%, exceeding the target of 70% (i.e., greater than 10% of the target). Finally, its result for engagement was the target level of 70%.

Management Objective M2: Modernize information technology (IT) to support agency mission and administrative functions.

Interim results indicate this objective was **Met**. MSPB exceeded its customer service target for IT reliability in FY 2024 with 70%, or more than 10% greater than the target of 60%. It also met its customer satisfaction target with 65% (i.e., within 10% of the target of 60%). Other IT modernization goals were met as 100% of assets were scanned to meet cybersecurity goals (i.e., within 10% of the target of 95%). MSPB met its FY 2024 target of implementing the new e-Appeal system. Relatedly, 83% of appeals and 79% of pleadings were electronically filed in FY 2024. All legacy network traffic was moved to the new software-defined wide area network or SDWAN, exceeding the goal of 90% (i.e., greater than 10% of the target).

Analysis of Financial Statements

Summary of Financial Position

There were no significant financial changes from FY 2023 to FY 2024. MSPB receives an annual appropriation to support its statutory mission to fairly adjudicate Federal employee appeals, prepare and issue studies concerning the civil service, as well as review significant actions of OPM. No supplemental appropriations were provided, and no unusual financial issues arose during the reporting period.

The financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. 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.

Analysis of Systems, Controls, and Legal Compliances

Federal Managers' Financial Integrity Act (FMFIA) of 1982

In accordance with the FMFIA, MSPB has established an internal management control system to ensure that: (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; (3) revenues and expenditures are properly recorded and accounted; and (4) expenditures are made in accordance with the mission and are achieving their intended results.

Federal Financial Management Improvement Act (FFMIA) of 1996

The purpose of the FFMIA is to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. The intent and the requirements of this Act go well beyond the directives of the CFO Act and the Government Management Reform Act of 1994 (GMRA) to publish audited financial reports.

MSPB's management review of the system of internal accounting and administrative control was evaluated in accordance with the applicable Federal guidance.

The objectives of the system are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- Revenues and expenditures applicable to operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial, and statistical reports.
- Accountability over assets is maintained.

The evaluation of management controls extends to responsibility and activity and is applicable to financial, administrative, and operational controls. Furthermore, the concept of reasonable assurance recognizes that: (1) the cost of management controls should not exceed the projected derived benefits; and (2) the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Moreover, errors and irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, restrictions, and other factors. Finally, projection of any evaluation of the system to future periods are subject to risk that the procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Improper Payments Act

Improved financial performance through the reduction of improper payments continues to be a key financial management focus of the Federal government. MSPB did not have any improper payments during this reporting period and completed Payment Integrity reporting.

OMB originally provided Section 31 of Circular A-11 as guidance for Federal agencies to identify and reduce improper payments for selected programs. The Improper Payments Information Act of 2002 (IPIA) broadened the original erroneous payment reporting requirements to programs and activities beyond those originally listed in Circular A-11. The Payment Integrity Information Act of 2019 (PIIA) revised IPIA and established a working group for payment integrity. On March 5, 2021, OMB issued M-21-19, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement for all Federal agencies.

The PIIA defines payments as (1) properly paid; (2) improperly paid, which are payments made to the wrong recipient and or in the wrong amount; and (3) unknown payments are those that can be determined as properly or improperly paid. The PIIA requires Federal agencies to identify programs with outlays of $10,000,000 plus and assess these programs for improper payments. It also requires agencies to implement a corrective action plan that includes improper payment reduction with recovery targets. As well as report the extent of improper payments and the actions taken to increase the accuracy of payments.

MSPB outlays are predominately salaries and benefits of MSPB employees. MSPB adheres to the personnel and payroll standards and guidance of USDA's APHIS and NFC. Additionally, MSPB independently reviews payroll accounting files to ensure data integrity. Moreover, MSPB's FAM staff work with leadership and office directors to perform reviews on activities susceptible to improper payments. This cooperative effort includes identifying and conducting ongoing monitoring and communication. MSPB has determined there is no significant risk of improper payments based on the review in FY 2024.

Forward-Looking Information

From a performance perspective, FY 2024 was an extremely productive year, as we adjudicated the inherited inventory down to 226 cases (or only 6% remaining from the inherited inventory of 3,793 cases) as of September 30, 2024. MSPB also launched the new e-Appeal system, which consolidated several out-of-service, end-of-life legacy systems into one modern, cloud-based system for both internal and external users. For additional information, see the *Interim Summary of MSPB's FY 2024 Program Performance*, above. We could not have done this extraordinary work without the perseverance of our exceptional staff throughout the entire agency. As we look forward to FY 2025 and beyond, there is still much to be done.

MSPB is grateful for the support the agency has received from Congress and OMB, especially given the fiscal constraints of the Fiscal Responsibility Act of 2023. As we look towards the future, the outlook for additional funding to support MSPB staffing needs appears to be extremely limited. This inflexibility significantly hinders our ability to recruit and retain talent to meet our mission. It has been especially challenging for our Office of Policy and Evaluation, hampering their ability to complete on-going studies. Moreover, without the proper resources we are unable to actively ramp up our outreach efforts and educate the Federal workforce on merit principles and prohibited personnel practices.

FINANCIAL SECTION

Message from the Chief Financial Officer

It is my honor to present the U.S. Merit Systems Protection Board's (MSPB) financial statements for Fiscal Year (FY) 2024. I am particularly proud to report that MSPB has attained an unmodified (clean) opinion for the past twelve consecutive years under my leadership. No material weaknesses were identified in the auditor's report on internal controls; nor were there any material instances of noncompliance with laws and regulations. This validates the strength of our internal controls and efforts to manage taxpayer dollars with a high level of fiscal integrity and accountability.

Since 1992, MSPB has partnered with the Department of the Treasury, Bureau of the Fiscal Service (BFS) in Parkersburg, West Virigina to facilitate the Agency's compliance with all external reporting requirements. BFS continues to provide MSPB with timely reports, enabling us to identify and resolve potential concerns quickly.

While we are proud of this accomplishment of receiving an unmodified opinion for the past decade, we continue to take our financial accountability seriously and are committed to strengthening our financial performance. This achievement is a culmination of the efforts of our MSPB employees and BFS partners who collaborate to support the mission of MSPB – to protect the Federal merit systems and the rights of individuals within those systems.

Respectfully,

Kevin J. Nash
Chief Financial Officer
November 15, 2024

Notes on the Financial Statements

Financial management is a high priority for MSPB. It is an essential element in demonstrating accountability and enhancing services provided to the public. Financial improvements initiated by MSPB have been driven by recent legislation and external initiatives; as well as by a strict organizational belief that adherence to sound financial policies and procedures will directly enhance the efficiency and effectiveness of the agency. This is of particular importance in an era of financial uncertainty and tightening budgets. Pivotal to driving better performance results through enhanced financial management practices has been MSPB's ongoing efforts to provide day-to-day decision-makers with reliable budgetary and cost information.

Limitations of the Principal Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of this entity, pursuant to the requirements of 31 U.S.C. § 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that MSPB is a component of the U.S. Government, a sovereign entity.

The principal financial statements summarize MSPB's financial position, net cost of operations, and changes in net position, provide information on budgetary resources and financing, and present the sources and disposition of custodial revenues for FY 2023 and FY 2024.

The Balance Sheet summarizes the assets, liabilities, and net position by category as of the reporting date. Intragovernmental assets and liabilities resulting from transactions between Federal agencies are presented separately from assets and liabilities from transactions with the public.

The Statement of Net Cost shows, by programs, the net cost of operations for the reporting period. Net cost of operations consists of full program costs incurred by the agency less exchange revenues earned by those programs.

The Statement of Changes in Net Position presents the agency's beginning and ending net position by two components—Cumulative Results of Operations and Unexpended Appropriations. It summarizes the change in net position by major transaction category. The ending balances of both components of the net position are also reported on the Consolidated Balance Sheet.

The Statement of Budgetary Resources presents the budgetary resources available to the agency, the status of these resources, and the outlays of budgetary resources.

The Notes to the Financial Statements provides information to explain the basis of the accounting and presentation used to prepare the statements and to explain specific items in the statements. They also provide information to support how particular accounts have been valued and computed.

OTHER INFORMATION

Summary of Financial Statement Audit and Management Assurances

Presented below is a summary of financial statement audit and management assurances for FY 2024. Table 1 relates to the agency's FY 2024 financial statement audit, which resulted in an unmodified opinion with no material weakness. Table 2 presents the number of material weaknesses reported by the agency under Section 2 of the FMFIA—either with regard to internal controls over operations or financial reporting—and Section 4, which relates to internal controls over financial management systems, as well as the agency's compliance with the FFMIA.

Table 1. Summary of Financial Statement Audit

• Audit Opinion	• Unmodified				
• Restatement	• No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Compliance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance:	Systems conform with financial management system requirements					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. System Requirements	No lack of compliance noted	No lack of compliance noted
2. Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

Civil Monetary Penalties Adjustments for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996, required agencies to adjust their civil monetary penalties (CMP) for inflation at least every four years to maintain their deterrent effect. A CMP is defined as "any penalty, fine, or other sanction" that: (1) "is for a specific amount" or "has a maximum amount" under Federal law; and (2) that a Federal agency assesses or enforces "pursuant to an administrative proceeding or a civil action in the Federal courts."

On November 2, 2015, the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 further amended the Federal Civil Penalties Inflation Adjustment Act of 1990 to improve the effectiveness of CMPs and to maintain their deterrent effect. This amendment required agencies to adjust the CMP levels in effect as of November 2, 2015, with initial catch-up adjustments for inflation through an interim final rulemaking published by July 1, 2016, and to take effect no later than August 1, 2016. The maximum amount for an initial catch-up adjustment for inflation could not exceed 150 percent of the amount of that CMP on the date of enactment of the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (November 2, 2015).

The 2015 Amendments also provide for agencies to adjust inflation to their CMP amounts annually in accordance with OMB guidance. Accordingly, MSPB had adjusted for inflation to CMP. MSPB published its latest adjustments for inflation to CMPs (89 FR 11163-11164, Civil Monetary Penalty Inflation Adjustment) in the Federal Register on February 14, 2024, pages 11163-11164, and which is also available on the agency website at https://www.mspb.gov.

The following table provides detailed information on each of the agency's CMPs as of February 14, 2024.

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level	Location for Penalty Update Details
5 U.S.C § 1215(a)(3), Civil Service Reform Act of 1978 (CSRA)	Disciplinary Action	1989	2024	$1,330	Federal Register 89 (Feb. 2024): 11163-11164 https://www.mspb.gov
5 U.S.C § 7326, Hatch Act Modernization Act of 2012	Penalties	2012	2024	$1,330	Federal Register 89 (Feb. 2024): 11163-11164 https://www.mspb.gov

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U.S. MERIT SYSTEMS PROTECTION BOARD

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2024 AND 2023

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 13, 2024

U.S. MERIT SYSTEMS PROTECTION BOARD

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2024 AND 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

In our audits of the fiscal years 2024 and 2023 financial statements of the U.S. Merit Systems Protection Board (MSPB), we found:

- MSPB's financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;

- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

Report on the Financial Statements

Opinion

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited MSPB's financial statements. MSPB's financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, MSPB's financial statements present fairly, in all material respects, MSPB's financial position as of September 30, 2024, and 2023, and its net costs of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. 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 MSPB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our

[1] The RSI consists of "Management's Discussion and Analysis" and the "Statement of Budgetary Resources", which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI, Financial section, and the auditor's report.

6401 GOLDEN TRIANGLE DRIVE, SUITE 310 • GREENBELT, MD 20770
PHONE: (240) 770-4900 • FAX: (301) 773-2090 • mail@brownco-cpas.com • www.brownco-cpas.com

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 these financial statements in accordance with U.S. generally accepted accounting principles;

- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;

- preparing and presenting other information included in MSPB's Agency Financial Report (AFR), and ensuring the consistency of that information with the audited financial statements and the RSI; and

- designing, implementing, and maintaining effective 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 (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness 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, including omissions, are considered to be 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 U.S. generally accepted government auditing standards, 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 our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSPB's internal control over financial reporting. 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.

- Perform other procedures we consider necessary in the circumstances.

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 financial statement audit.

Required Supplementary Information

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

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

MSPB's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in MSPB's AFR. The other information comprises the following sections: a detailed statement of management assurances and other information that is applicable in the annual report. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the 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 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 the 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 connection with our audits of MSPB's financial statements, we considered MSPB's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[3]; or to express an opinion on the effectiveness of MSPB's internal control over financial reporting. Given these limitations, during our 2024 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to MSPB's internal control over financial reporting in accordance with government auditing standards and Office of Management and Budget audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

MSPB management is responsible for designing, implementing, and maintaining effective internal control over financial reporting 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 Internal Control over Financial Reporting

In planning and performing our audit of MSPB's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered MSPB's internal control relevant to the financial statement 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 MSPB's internal control over financial reporting. Accordingly, we do not express an opinion on MSPB's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting to prove reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

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

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of MSPB's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of MSPB's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of MSPB's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to MSPB. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to MSPB that have a direct effect on the determination of material amounts and disclosures in MSPB's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to MSPB. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Brown & Company

Greenbelt, Maryland
November 13, 2024

MERIT SYSTEMS PROTECTION BOARD
BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Assets		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	$ 14,382,522	$ 16,211,168
Advances and Prepayments	239,839	33,969
Total Intragovernmental Assets	14,622,361	16,245,137
Other than Intragovernmental Assets		
Accounts Receivable, Net (Note 3)	5,087	2,082
Property, Plant, and Equipment, Net (Note 4)	1,448,056	1,745,152
Total Other than Intragovernmental Assets	1,453,143	1,747,234
Total Assets	**$ 16,075,504**	**$ 17,992,371**
Liabilities (Note 5)		
Intragovernmental Liabilities		
Accounts Payable	$ -	$ 81,579
Other Liabilities (Note 7)	324,873	634,741
Total Intragovernmental Liabilities	324,873	716,320
Other than Intragovernmental Liabilities		
Accounts Payable	251,109	342,914
Federal Employee Salary, Leave, and Benefits Payable	3,840,297	4,813,018
Pension, Post-Employment, and Veterans Benefits Payable	394,966	110,704
Other Liabilities (Note 7)	3,783	8,850
Total Other than Intragovernmental Liabilities	4,490,155	5,275,486
Total Liabilities	**$ 4,815,028**	**$ 5,991,806**
Net Position		
Unexpended Appropriations		
Funds from Other than Dedicated Collections	$ 1,705,482	$ 4,185,800
Total Unexpended Appropriations (Consolidated)	1,705,482	4,185,800
Cumulative Results of Operations		
Funds from Other than Dedicated Collections	9,554,994	7,814,765
Total Cumulative Results of Operations (Consolidated)	9,554,994	7,814,765
Total Net Position	**$ 11,260,476**	**$ 12,000,565**
Total Liabilities and Net Position	**$ 16,075,504**	**$ 17,992,371**

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

MERIT SYSTEMS PROTECTION BOARD
STATEMENTS OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Gross Program Costs:		
Adjudication		
Adjudication Progam Gross Costs	$ 47,613,446	$ 45,960,181
Adjudication Progam Less: Earned Revenue	(416,511)	(318,724)
Net Program Costs	$ 47,196,935	$ 45,641,457
Management Support		
Management Support Program Gross Costs	$ 5,760,948	$ 5,882,145
Management Support Program Less: Earned Revenue		
Net Program Costs	$ 5,760,948	$ 5,882,145
Merit Systems Studies		
Merit Systems Studies Program Gross Costs	$ 1,542,433	$ 2,122,400
Merit Systems Studies Program Less: Earned Revenue		
Net Program Costs	$ 1,542,433	$ 2,122,400
Net Cost of Operations	**$ 54,500,316**	**$ 53,646,002**

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

MERIT SYSTEMS PROTECTION BOARD
STATEMENTS OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Unexpended Appropriations		
Beginning Balance	$ 4,185,800	$ 6,080,925
Beginning Balance, as Adjusted	$ 4,185,800	$ 6,080,925
Appropriations Received	$ 49,135,000	$ 49,655,000
Other Adjustments	(1,043,167)	(570,119)
Appropriations Used	(50,572,151)	(50,980,006)
Net Change in Unexpended Appropriations	(2,480,318)	(1,895,125)
Total Unexpended Appropriations	**$ 1,705,482**	**$ 4,185,800**
Cumulative Results of Operations		
Beginning Balance	$ 7,814,765	$ 5,391,172
Beginning Balance, as Adjusted	$ 7,814,765	$ 5,391,172
Appropriations Used	50,572,151	50,980,006
Transfers-In/(Out) without Reimbursement	2,345,000	2,345,000
Imputed Financing (Note 10)	3,323,394	2,744,589
Net Cost of Operations	(54,500,316)	(53,646,002)
Net Change in Cumulative Results of Operations	1,740,229	2,423,593
Total Cumulative Results of Operations	**$ 9,554,994**	**$ 7,814,765**
Net Position	**$ 11,260,476**	**$ 12,000,565**

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

MERIT SYSTEMS PROTECTION BOARD
STATEMENTS OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Budgetary Resources		
Unobligated Balance From Prior Year Budget Authority, Net (Note 11)	$ 6,010,836	$ 6,177,355
Appropriations	49,135,000	49,655,000
Spending Authority from Offsetting Collections	2,761,511	2,663,794
Total Budgetary Resources	**$ 57,907,347**	**$ 58,496,149**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 52,280,029	$ 52,206,227
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	4,476,826	4,886,217
Unapportioned, Unexpired Accounts	-	97,873
Unexpired Unobligated Balance, End of Year	4,476,826	4,984,090
Expired Unobligated Balance, End of Year	1,150,492	1,305,832
Unobligated Balance, End of Year (Total)	5,627,318	6,289,922
Total Budgetary Resources	**$ 57,907,347**	**$ 58,496,149**
Outlays, Net and Disbursements, Net		
Outlays, Net (Total)	$ 49,920,479	$ 48,558,527
Distributed Offsetting Receipts		(45)
Agency Outlays, Net	**$ 49,920,479**	**$ 48,558,482**

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

MERIT SYSTEMS PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS

UPDATE

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Merit Systems Protection Board (MSPB) is an independent quasi-judicial agency in the Executive branch that serves as the guardian of federal merit systems. The Board was established by the Civil Service Reform Act of 1978 (CSRA) with a mission of ensuring that employees are protected against abuses by agency management, that Executive branch agencies make employment decisions in accordance with the merit systems principles, and that federal merit systems are kept free of prohibited personnel practices. The MSPB reporting entity is comprised of General Funds and General Miscellaneous Receipts.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. MSPB manages Operations and Facilities, Engineering and Development General Fund accounts.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

The MSPB has rights and ownership of all assets reported in these financial statements. The reporting entity is a component of the U.S Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. The MSPB does not possess any nonentity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the MSPB. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the MSPB in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* as amended, and the MSPB's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the MSPB's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates 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 MSPB's funds with Treasury in expenditure, and receipt fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The MSPB does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. When the reporting entity seeks to use Fund Balance with Treasury or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed for the agency on demand.

E. Accounts Receivable

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

F. Property, Equipment, and Software

Property, equipment, and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The MSPB's capitalization threshold is $50,000 for individual purchases and $500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

Description	Useful Life (years)
Leasehold Improvements	10
Office Equipment	10
Software	5

G. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

H. Liabilities

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

The MSPB reports its liabilities under two categories, Intragovernmental and 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 other payroll liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

J. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the MSPB'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 MSPB terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

The MSPB's employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the MSPB'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 MSPB matches any employee contribution up to an additional four percent of pay. For FERS participants, the MSPB also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the MSPB remits the employer's share of the required contribution.

The MSPB recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the MSPB for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The MSPB recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The MSPB does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

The MSPB'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 MSPB with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The MSPB recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the MSPB through the recognition of an imputed financing source.

M. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

N. Reclassification

Certain fiscal year 2023 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

O. 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, 2024 and 2023, were as follows:

		2024		2023
Status of Fund Balance With Treasury				
Unobligated Balance				
Available	$	4,476,826	$	4,886,217
Unavailable		1,150,492		1,403,705
Obligated Balance Not Yet Disbursed		8,755,204		9,921,246
Total	**$**	**14,382,522**	**$**	**16,211,168**

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, 2024 and 2032, were as follows:

		2024		2023
Other than Intragovernmental				
Accounts Receivable	$	5,087	$	2,082
Total Accounts Receivable	**$**	**5,087**	**$**	**2,082**

The accounts receivable is primarily made up of employee receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2024 and 2023.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET

Schedule of General Property, Plant and Equipment, Net as of September 30, 2024, and 2023:

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2024			
Major Class:			
Leasehold Improvements	$ 2,083,761	$ 2,055,046	$ 28,715
Furniture and Equipment	1,583,327	1,069,304	514,023
Software	10,768,670	9,863,352	905,318
Total	**$ 14,435,758**	**$ 12,987,702**	**$ 1,448,056**
2023			
Major Class:			
Leasehold Improvements	$ 2,083,761	$ 2,041,835	$ 41,926
Furniture and Equipment	1,712,094	1,063,420	648,674
Software In Development	917,192	-	917,192
Software	9,749,616	9,612,256	137,360
Total	**$ 14,462,663**	**$ 12,717,511**	**$ 1,745,152**

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the MSPB as of September 30, 2024 and 2023, 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.

	2024	2023
Intragovernmental-FECA	$ 106,854	$ 105,072
Intragovernmental-Unemployment Insurance	-	6,051
Unfunded Leave	3,121,299	3,090,643
Actuarial FECA	394,966	110,704
Other Payroll Liabilities	88	-
Total Liabilities Not Covered by Budgetary Resources	$ 3,623,207	$ 3,312,470
Total Liabilities Covered by Bugetary Resources	1,191,821	2,679,336
Total Liabilities	**$ 4,815,028**	**$ 5,991,806**

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the MSPB's behalf and payable to the DOL. The MSPB also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. ACTUARIAL FECA LIABILITY

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

The MSPB bases its estimate for FECA actuarial liability on the DOL's FECA model. The DOL method of determining the liability uses historical benefits payment patterns for a specific incurred period to predict the ultimate payments for the period. Based on the information provided by the DOL, the MSPB's liability as of September 30, 2024 and 2023, was $394,966 and $110,704, respectively.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2024, and 2023, were as follows:

	Current	Non-Current	Total
2024			
Intragovernmental:			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 49,587	$ -	$ 49,587
Employer Contributions and Payroll Taxes Payable	168,432	-	168,432
Unfunded FECA Liability	89,021	17,833	106,854
Total Intragovernmental	$ 307,040	$ 17,833	$ 324,873
Other than Intragovernmental:			
Other Liabilities w/o Related Budgetary Obligations	$ 88	$ -	$ 88
Other Liabilities w/Related Budgetary Obligations	3,695	-	3,695
Total Other than Intragovernmental	$ 3,783	$ -	$ 3,783
Total Other Liabilities	**$ 310,823**	**$ 17,833**	**$ 328,656**
2023			
Intragovernmental:			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 118,113	$ -	$ 118,113
Employer Contributions and Payroll Taxes Payable	405,505	-	405,505
Unfunded FECA Liability	23,716	81,356	105,072
Other Unfunded Employment Related Liability	6,051	-	6,051
Total Intragovernmental	$ 553,385	$ 81,356	$ 634,741
Other than Intragovernmental:			
Other Liabilities w/Related Budgetary Obligations	$ 8,850	$ -	$ 8,850
Total Other than Intragovernmental	$ 8,850	$ -	$ 8,850
Total Other Liabilities	**$ 562,235**	**$ 81,356**	**$ 643,591**

NOTE 8. LEASES

The MSPB occupies office space at various locations nationwide. (Atlanta, Chicago, Dallas, Denver, New York, Philadelphia, Oakland, Arlington, VA and in Washington DC.) The lease agreement is with the General Service Administration (GSA) and is accounted for as an intragovernmental operating lease. The lease term began on July 26, 2013, and expires on December 31, 2036. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total intragovernmental operating lease expense for fiscal years 2024 and 2023 were $3,786,636 and $3,733,986, respectively.

Below is a schedule of future payments for the term of the lease:

	Buildings	Total Federal
Fiscal Year		
2025	$ 3,700,908	$ 3,700,908
2026	3,793,311	3,793,311
2027	3,390,260	3,390,260
2028	3,071,247	3,071,247
2029	2,714,592	2,714,592
2030-2034	13,377,588	13,377,588
2035-2037	2,757,319	2,757,319
Total	**$ 32,805,225**	**$ 32,805,225**

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

NOTE 9. COMMITMENTS AND CONTINGENCIES

The MSPB did not have any material contingent liabilities that met disclosure requirements as of September 30, 2024, and 2023.

NOTE 10. INTER-ENTITY COSTS

MSPB recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. MSPB recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees.

The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2024, and 2023, respectively, inter-entity costs were as follows:

	2024	2023
Office of Personnel Management	$ 3,323,394	$ 2,744,589
Total Imputed Financing Sources	**$ 3,323,394**	**$ 2,744,589**

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, 2024, and 2023 consisted of the following:

		2024		2023
Unobligated Balance Brought Forward from Prior Year, October 1	$	6,289,922	$	5,675,382
Recoveries of Prior Year Obligations		764,081		1,072,092
Other Changes in Unobligated Balances		(1,043,167)		(570,119)
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	**$**	**6,010,836**	**$**	**6,177,355**

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2024, and 2023 were as follows:

		Intragovernmental		Other than Intragovernmental		Total
2024						
Paid Undelivered Orders	$	239,839	$	-	$	239,839
Unpaid Undelivered Orders		3,690,604		3,872,779		7,563,383
Total Undelivered Orders	**$**	**3,930,443**	**$**	**3,872,779**	**$**	**7,803,222**
2023						
Paid Undelivered Orders	$	33,969	$	-	$	33,969
Unpaid Undelivered Orders		3,563,658		3,678,250		7,241,908
Total Undelivered Orders	**$**	**3,597,627**	**$**	**3,678,250**	**$**	**7,275,877**

NOTE 13. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2024 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2025 and can be found at the OMB website: [http://www.whitehouse.gov/omb/.](http://www.whitehouse.gov/omb/) The Fiscal Year 2025 Budget of the United States Government, with the "Actual" column completed for 2023, 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	$	58	$	52	$	-	$	49
Unobligated Balance Not Available		(1)		-		-		-
Difference Due to Rounding		1		-		-		(1)
Budget of the U.S. Government	**$**	**58**	**$**	**52**	**$**	**-**	**$**	**48**

NOTE 14. CUSTODIAL ACTIVITY

The MSPB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of the MSPB nor material to the overall financial statements. The MSPB's total custodial collections are $0 and $45 for the years ended September 30, 2024, and 2023, respectively.

NOTE 15. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

Reconciliation of Net Cost to Net Outlays as of September 30, 2024:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 17,514,772**	**$ 36,985,544**	**$ 54,500,316**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(398,958)	(398,958)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	3,005	3,005
Advances and Prepayments	205,870	-	205,870
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	81,579	91,805	173,384
Federal Employee Salary, Leave, and Benefits Payable	-	972,721	972,721
Pension, Other Post-Employment, and Veterans Benefits Payable	-	(284,262)	(284,262)
Other Liabilities	309,868	5,067	314,935
Financing Sources:			
Imputed Cost	(3,323,394)	-	(3,323,394)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (2,726,077)**	**$ 389,378**	**$ (2,336,699)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	$ -	$ 101,862	$ 101,862
Financing Sources:			
Transfers Out (In) Without Reimbursements	$ (2,345,000)	$ -	$ (2,345,000)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ (2,345,000)**	**$ 101,862**	**$ (2,243,138)**
Total Net Outlays (Calculated Total)	**$ 12,443,695**	**$ 37,476,784**	**$ 49,920,479**
Budgetary Agency Outlays, net			**$ 49,920,479**

The reconciliation of Net Cost to Net Outlays as of September 30, 2023:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 17,381,689**	**$ 36,264,313**	**$ 53,646,002**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(243,423)	(243,423)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	(395)	(395)
Advances and Prepayments	5,684	-	5,684
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	24,525	(99,014)	(74,489)
Federal Employee Salary, Leave, and Benefits Payable	-	425,779	425,779
Other Liabilities	(117,552)	6,510	(111,042)
Financing Sources:			
Imputed Cost	(2,744,589)	-	(2,744,589)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (2,831,932)**	**$ 89,457**	**$ (2,742,475)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Transfers Out (In) Without Reimbursements	$ (2,345,000)	$ -	$ (2,345,000)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ (2,345,000)**	**$ -**	**$ (2,345,000)**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	$ -	$ (45)	$ (45)
Custodial/Non-Exchange Revenue	$ 45	$ (45)	$ -
Total Other Reconciling Items	**$ 45**	**$ (90)**	**$ (45)**
Total Net Outlays (Calculated Total)	**$ 12,204,802**	**$ 36,353,680**	**$ 48,558,482**
Budgetary Agency Outlays, net			**$ 48,558,482**