

— U. S. Office of Government Ethics —

# Agency Financial Report

PREVENTING CONFLICTS OF INTEREST

2021

# MISSION

PROVIDE OVERALL  
LEADERSHIP AND  
OVERSIGHT OF THE  
EXECUTIVE  
BRANCH  
ETHICS PROGRAM  
DESIGNED TO  
PREVENT AND  
RESOLVE  
CONFLICTS OF  
INTEREST

UNITED STATES OFFICE OF  
GOVERNMENT ETHICS



November 12, 2021

The Honorable Shalanda Young  
Acting Director  
Office of Management and Budget  
725 17th Street, NW  
Washington, DC 20503

Dear Acting Director Young:

I am pleased to transmit to you the Agency Financial Report (AFR) for the U.S. Office of Government Ethics (OGE) for fiscal year 2021. The AFR includes OGE's Management Discussion and Analysis of Results and OGE's Management Assurances and Audited Financial Statements.

OGE management is responsible for establishing and maintaining effective internal controls over financial reporting, safeguarding of assets, and complying with applicable laws and regulations. In accordance with OMB guidance, I have determined to the best of my knowledge and belief that the performance and financial data included in this report are complete and reliable. OGE has received an unqualified opinion on its financial statements as of September 30, 2021, and the auditors found no material weaknesses related to OGE's compliance in internal controls over financial reporting.

If you need additional information with regard to this submission please contact Shelley Finlayson, OGE's Chief of Staff and Program Counsel, at 202-482-9314.

Sincerely,

**EMORY ROUNDS** Digitally signed by EMORY ROUNDS  
Date: 2021.11.12 08:02:19 -05'00'

Emory A. Rounds, III  
Director

Attachment



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## Part I – Management’s Discussion and Analysis

This section provides a brief description of the U.S. Office of Government Ethics’ (OGE) mission and organizational structure, a high-level discussion of OGE’s key performance goals, and an analysis of OGE’s financial statements and stewardship.<sup>1</sup>

### Mission Statement and Background

The U.S. Office of Government Ethics (OGE), established by the Ethics in Government Act of 1978, provides overall leadership and oversight of the executive branch ethics program, which is designed to prevent and resolve conflicts of interest. OGE’s mission is part of the very foundation of public service. The first principle in the Fourteen General Principles of Ethical Conduct for Government Officers and Employees is “Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws, and ethical principles above private gain.”

As the statutorily established supervising ethics office for the executive branch, OGE ensures that the ethics program remains an effective prevention mechanism to guard against conflicts of interest and violations of ethical standards. OGE works to prevent corruption in the federal executive branch in partnership with officials across government and civil society. Each day, some part of the ethics program is at work in every agency in the executive branch. The program ensures that Presidential appointees are aware of their ethical obligations and role in creating an ethical culture in their organizations as they begin government service. It ensures that public servants at all levels remain free from conflicts of interest, and even the appearance of conflicts of interest, as they carry out the responsibilities the American people have entrusted to them. It ensures that employees who are seeking to leave the government avoid conflicts of interest and, after they leave, it ensures that they do not exercise undue influence over their former agencies on behalf of others. Above all, the program works to protect the public’s trust in government.

To carry out its vital leadership and oversight responsibilities for the executive branch ethics program, OGE:

- promulgates, maintains, and advises on enforceable standards of ethical conduct for the nearly 3 million employees in over 130 executive branch agencies, including the White House;
- oversees a financial disclosure system that reaches more than 26,000 public and more than 380,000 confidential financial disclosure report filers;
- ensures that executive branch agency ethics programs are in compliance with applicable ethics laws and regulations;

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<sup>1</sup> OGE has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) in lieu of a Performance and Accountability Report. OGE will provide more detailed information regarding its performance goals and results in its fiscal year 2021 APR, which OGE will post on its [website](#) by the spring of 2022.

- offers education and training to the more than 5,000 ethics officials executive branchwide;
- conducts outreach to the general public, the private sector, and non-governmental organizations; and
- provides technical assistance to Congress; state, local, and foreign governments; associations; and international organizations.

OGE’s greatest resource is its multidisciplinary staff of attorneys, ethics and financial experts, and other key personnel. OGE is a lean organization, operating at fewer than its 80 authorized full-time equivalents (FTE). OGE is led by a Director who



**Figure 1: OGE Organizational Chart**

is confirmed by the Senate and appointed to a 5-year term by the President. As shown in the organizational chart in Figure 1, in addition to the Office of the Director, OGE is divided into four divisions that work together to carry out OGE’s mission.

### Performance Highlights

The public can have greater confidence in the integrity of executive branch programs and operations when government decisions are made free from conflicts of interest. OGE’s four strategic goals for fiscal years 2018 through 2022 – uniformity, accountability, continuity, and engagement – reflect the long-term outcomes that OGE strives to achieve in order to prevent and resolve conflicts of interest.

The daily work of OGE is driven by the strategic objectives and performance goals established under each of the overall strategic goals set forth below. In fiscal year 2021, despite additional workload associated with an election year and Presidential transition as well as the ongoing disruptions caused by COVID-19, OGE met or exceeded its performance goals and achieved an extraordinary array of successes.<sup>2</sup>

Below are performance highlights from each of OGE’s major programs that support OGE’s strategic goals.

<sup>2</sup> OGE’s performance goals are based on statistical data from a variety of existing sources, including post-training evaluations, an annual agency ethics program questionnaire, and the Annual Survey of Ethics Officials.

*Strategic Goal 1: Advance a strong, uniform executive branch ethics program*

Advancing a strong, uniform ethics program is important because of the way that the executive branch ethics program is structured. As noted above, OGE supervises a program that spans over 130 agencies and nearly 3 million employees. Thus, it is essential that the ethics program have uniform standards that OGE can administer across all agencies. To achieve this significant goal, OGE provides expert guidance and support to stakeholders both within and outside government; strengthens the expertise of officials who are integral to the executive branch ethics programs through education and on-demand support; and continuously refines ethics policy and issues interpretive guidance.

*Desk Officer Support:* OGE provides necessary support to agency ethics officials so that they can provide uniform and effective ethics guidance to nearly 3 million federal employees in the executive branch who serve the American people. OGE provides timely, expert advice on applying ethics laws and regulations, and disseminates up-to-date ethics information ethics practitioners need to do their jobs effectively. OGE's Desk Officers assist agencies in resolving difficult ethics issues requiring expertise that only the supervising ethics office can provide. In fiscal year 2021, OGE Desk Officers and attorneys responded to approximately 1,100 requests for assistance from agencies. Desk Officers also proactively engaged with agency ethics offices through meetings to provide expertise and support, and to raise awareness of the range and availability of OGE's services. On several occasions, OGE Desk Officers met with new ethics officials to provide an overview of the requirements of the ethics program and to introduce them to the services provided by OGE. Ninety percent (90%) of survey respondents indicated that Desk Officers helped them to perform their job duties.

*Congressional Affairs:* In addition to assisting executive branch ethics officials, OGE responded to requests for assistance from other key stakeholders, including Congress. OGE serves as the legislative liaison on behalf of the entire executive branch ethics program. OGE works to build congressional understanding of the executive branch ethics program and to inform congressional oversight and revisions to ethics laws. Notably, OGE responded in writing to several complex inquiries from members of Congress and provided nearly 40 telephone consultations in response to requests for technical assistance on draft legislation and a wide variety of executive branch ethics issues. During the fiscal year, OGE also tracked 104 bills of relevance to the executive branch ethics program introduced in the 117th Congress.

*Integrity Support:* OGE continued to support agencies' use of *Integrity*, OGE's executive branch-wide electronic public financial disclosure filing system. In FY 2021, use of the system expanded to more than 24,600 filers. In addition to helping incoming Presidential nominees—many of whom had extremely complex financial disclosure filings—to more accurately and easily complete their disclosures, the system enabled the executive branch to seamlessly continue the public financial disclosure process throughout the Presidential transition and the pandemic. During this time, the value of *Integrity* in facilitating OGE's mission critical work was even more apparent, when virtual access was essential and public trust mattered most. OGE continued to provide

necessary *Integrity* help desk services and user resources, including written online tools, and live orientations and training.

*Training:* OGE provided ethics training to ethics officials across the executive branch, which is essential to ensuring uniformity in the application of ethics laws and policy. In fiscal year 2021, OGE offered a wide array of educational offerings to ensure that ethics officials had access to the expertise and tools needed to do their jobs. OGE's virtual [library](#) includes more than 170 education resources designed for use by ethics officials, including recordings of training presentations, slide decks, and job aids, which can be searched and sorted by topic, type, and complexity.

In fiscal year 2021, OGE continued to publish curricula and resources that helped ethics officials provide expert counsel, identify and resolve conflicts of interest, deliver quality training, and manage effective programs. In fiscal year 2021, OGE created a new [resource](#) for ethics officials who have to counsel Special Government Employees (SGEs) or otherwise deal with the unique ethical issues posed by SGEs. In addition, OGE provided trainings and new resources related to [reviewing confidential and public financial disclosure reports](#), as well as resources on [strategic communications](#) planning for incoming leadership.

In fiscal year 2021, OGE provided orientation sessions to new Designated Agency Ethics Officials (DAEO) and Alternate Designated Agency Ethics Officials (ADAEO) to introduce them to their roles and responsibilities as ethics program leaders and advocates. Nearly 70 senior officials participated in these training sessions. Overall, OGE's training was rated as effective, with ninety-two (92%) percent of participants surveyed reporting that they can more effectively perform their ethics job functions as a result of attending courses offered by OGE.

*Consultations:* In fiscal year 2021, OGE met individually with 93 ethics program leaders from 23 agencies across the executive branch to help them formulate communications strategies to promote ethics in their agencies. OGE met with leaders from the Department of Defense, Department of Homeland Security, and the Social Security Administration, among others.

*Ethical Leadership:* Ethical culture begins with ethical leadership throughout an organization, from the top down. OGE engaged agency leaders on the importance of ethics and sensitized federal managers to ethics issues. In fiscal year 2021, OGE's Director sent a welcome letter discussing these important responsibilities to each of 155 incoming Presidential appointees as they were confirmed by the Senate. Within each letter, OGE's Director encouraged new leaders to remain "fully committed to our singular duty: to serve the public," and urged them to regularly remind their teams of this duty, to reiterate that each department and agency has dedicated and well-supported ethics officials to help with the tough issues, and to always consider their own oaths as they carry out their important duties.

*Regulatory Modernization:* OGE continued its work to modernize the Standards of Conduct in fiscal year 2021. Pursuant to the Ethics in Government Act, OGE has submitted proposed amendments to the Department of Justice that reflect OGE's experience applying the Standards of Conduct since their inception. The proposed changes would incorporate past interpretive guidance, add and update regulatory examples, improve clarity, update citations, and make technical corrections. In fiscal year 2021, OGE also continued its work on a proposed regulation related to legal expense funds. In January 2021, after receiving and incorporating comments from executive branch agencies, OGE submitted the proposed regulation to OMB for publication in the *Federal Register*. Subsequently, OMB requested that OGE restart the executive branch regulatory review process and OGE is currently working through that process. The proposed regulation will ensure that legal expense funds for executive branch employees will be transparent, open, and accessible to the public.

*Advice and Guidance:* In addition to providing day-to-day assistance through the Desk Officer program, OGE issued 14 legal advisories providing guidance on emerging ethics issues and in response to agency ethics officials on specific questions from employees. For example, OGE was charged with implementing [Executive Order 13989: Ethics Commitments by Executive Branch Personnel](#), in coordination with the White House. As a result, OGE issued [multiple advisories](#) providing guidance on this executive order. OGE published legal advisories on other emerging ethics issues, including an [advisory](#) highlighting legislation relevant to the executive branch ethics program and specific agencies.

In addition to legal advisories, OGE issued 18 timely and informative program advisories covering ethics program requirements, including an [advisory](#) detailing updates to the Certification of Ethics Agreement Compliance required to be filed with OGE by Presidential appointees following their confirmation by the Senate.

A survey of executive branch ethics officials found that ninety-six percent (96%) of respondents reported that OGE's advisories help them perform their job duties.

*Strategic Goal 2: Hold the executive branch accountable for carrying out an effective ethics program*

OGE not only supports the ethics officials who carry out the program executive branchwide, it also ensures that agencies have effective ethics programs. OGE accomplishes this by monitoring agency compliance with executive branch ethics program requirements and monitoring senior leaders' compliance with individual ethics commitments. In performing its oversight function, OGE ensures that executive branch agencies are held accountable for carrying out effective ethics programs. Through its program review, data collection, and financial disclosure review activities, OGE evaluates the processes and systems in place at the agency level to ensure consistent and successful ethics program management.

*Program Reviews:* Through agency ethics program reviews – plenary, inspection, and follow-up reviews – OGE ensures consistent and sustainable agency ethics program compliance with established executive branch ethics laws, regulations, and policies, and provides recommendations for meaningful program improvement. Program reviews include an examination of agency ethics program materials such as financial disclosure reports, documentation of ethics advice provided to employees, training records, and ethics agreement compliance tracking. In fiscal year 2021, OGE conducted 33 program reviews and 17 follow-up reviews. Reports on each of these 50 reviews were published and posted on OGE’s [website](#). In fiscal year 2021, OGE’s ethics program reviews resulted in 66 recommendations addressing specific ethics program deficiencies. In cases in which OGE identified a program weakness during a program review, OGE met its target for the percentage of program reviews that resulted in improvements in the agency’s ethics program.

*Annual Financial Disclosure:* OGE also helps ensure that senior officials remain free from conflicts of interest by timely reviewing the public new entrant, annual, termination, and transaction financial disclosure reports of executive branch leaders appointed by the President and confirmed by the Senate (PAS), as well as other reports filed by Designated Agency Ethics Officials (DAEOs) and certain White House officials. In fiscal year 2021, OGE closed ninety-eight (98%) percent of its reviews of public financial disclosure reports, including new entrant, annual, termination, and periodic transaction reports required to be submitted to OGE, within 60 days of receipt.

As a result of the Presidential transition, there was a significant increase in termination reports in fiscal year 2021. Even with the notable increase, OGE carried out this work by successfully closing 1,807 public financial disclosure reports (new entrant, annual, termination, and periodic transaction reports) in fiscal year 2021.

*Resolving Conflicts of Interest:* OGE continued working to ensure that executive branch leaders appointed by the President and confirmed by the Senate (PAS) remain free of conflicts of interest after taking office. OGE does this by identifying and resolving potential conflicts of interest on the part of PAS nominees and by establishing written ethics agreements with them prior to confirmation. OGE then monitors PAS ethics agreement compliance through the collection and review of documentation provided by agency ethics officials. Certification of Ethics Agreement Compliance reports require appointees to attest to their ethics agreement compliance. OGE continued the practice of posting these certifications on its website. In fiscal year 2021, 146 PAS appointees were required to certify that they had complied with their ethics agreements. OGE received certifications from 142 (97%) of the PAS appointees, affirming compliance with all ethics agreement requirements by the applicable due date.

*Annual Questionnaire:* OGE assesses agency ethics program compliance through the Annual Agency Ethics Program Questionnaire (Annual Questionnaire). Through the Annual Questionnaire, OGE collects ethics program data from each of the more than 130 executive branch agencies. Agency responses to the Annual Questionnaire give OGE a snapshot view of each agency’s ethics program and ensure that each agency does a year-

end assessment of its own ethics program. In fiscal year 2021, OGE continued to share key highlights from its Annual Questionnaire with ethics officials and the public by posting on its website a report summarizing highlights and trends ascertained from collected data, as well as each agency's responses to the Annual Questionnaire. This allows the public to have insight into individual agency ethics programs and allows agencies to share model practices.

*Enforcement Activities:* Accountability of the executive branch ethics program also includes monitoring enforcement activities conducted by other agencies. Agencies are required to concurrently notify OGE's Director when any matter involving a potential violation by an executive branch employee of 18 U.S.C. §§ 202-209 is referred for investigation or prosecution to the Department of Justice. Agencies use OGE Form 202 (Notification of Conflict of Interest Referral) to submit these notifications and information regarding the disposition of the matter. OGE tracks and follows up on conflicts of interest referrals to the Department of Justice to ensure that agencies are considering disciplinary or other corrective action in the event of declinations of prosecution. In fiscal year 2021, OGE continued to post quarterly dashboards displaying the number of notifications submitted each quarter.

*Strategic Goal 3: Contribute to the continuity of senior leadership in the executive branch*

OGE has a vital role in supporting the President's constitutional duty to nominate and appoint officers to the executive branch, and to prevent the highest officials in government from having conflicts of interest.

*Prepared for a Presidential Transition:* In fiscal year 2021, OGE successfully prepared for a full Presidential transition during extraordinary circumstances, including not only challenges related to the pandemic, but also the delay in the election outcome determination that shortened the available time between ascertainment and the inauguration. Fortunately, OGE and the ethics community prepared for this possibility, and OGE was ready to "hit the ground running" immediately following ascertainment, ensuring continuity of leadership in the executive branch. For more than a year, OGE prepared for the Presidential transition, ensuring it was ready to carry out its unique role in the Presidential appointments process as the leader of the executive branch ethics program. OGE actively participated in executive branch-wide election readiness efforts, engaged with stakeholders, provided expert briefings and training, and made critical Presidential transition resources available.

*Served on the Agency Transition Directors Council and Engaged Stakeholders:* OGE fulfilled its statutory responsibilities under the Presidential Transition Act by actively participating as a member of the executive branch-wide Agency Transition Directors Council. OGE also actively lent its expertise and experience to the Agency Transition Directors Roundtable through the Partnership for Public Service's Center for Presidential Transition. OGE met with representatives of the major campaigns to provide resources, training, and support regarding the nominee review process, ethics proposals,

and the *Integrity* electronic filing system, and presented to external stakeholders, congressional staff, and other interested parties about its preparations.

*Conducted Election Readiness Training:* OGE developed and implemented comprehensive transition-related training for OGE staff and ethics officials. OGE hosted multiple training events for ethics officials, including discussions with experts on Presidential transitions to help the community know what to expect, courses to ensure ethics officials had the expertise to carry out their enhanced responsibilities, as well as practical workshops to help ensure agency ethics programs were in top form to assist in the Presidential transition. Internally, OGE built capacity to handle the surge in volume of nominee financial disclosure reports associated with a transition by drawing on cross-functional professional staff, including recently filled vacancies, and implementing an intensive experiential learning plan over the year prior to the election. In addition, OGE trained and collaborated with a variety of external stakeholders. For example, because of its unique role, OGE provided training to Senate staff on OGE's role in the nomination process.

*Transition Preparation for OGE's Agency Review Team:* In addition to its executive branch-wide role, OGE also prepared to be reviewed as an agency by the incoming administration through an assigned agency review team. To prepare, OGE developed agency-wide materials, including OGE's Agency Profile, to explain the agency's mission, operations, current challenges, and opportunities. OGE's Profile provides an overview of the executive branch ethics program and OGE. It includes detailed information about OGE's leadership, structure, and components; major functional areas; and critical management practices. OGE provided a briefing to its review team, the Profile, and additional materials responsive to the review team's requests during the transition and received positive feedback on its materials and responsiveness.

*Provided Key Transition Resources:* To ensure election readiness, OGE developed and made available [numerous](#) tools and documents to help new leaders understand their ethics responsibilities and support the transition team and new administration. OGE used the materials to deliver briefings, presentations, and ongoing support to the campaigns, transition team, potential nominees, appointees, and ethics officials.

- [OGE's Presidential Transition Guide](#) The Presidential Transition Act requires Federal agencies to prepare for a possible Presidential transition in each Presidential election year. OGE developed this Guide as a resource for the Presidential Transition Team to explain the nominee ethics process, provide strategies for establishing a strong ethical culture in a Presidential administration, and share useful reference materials.
- [OGE's Nominee Guide](#) OGE developed this Guide as a resource for potential Senate-confirmed, Presidential nominees. It is organized to take a nominee

through the life cycle of a person who will serve as a Senate-confirmed Presidential appointee (PAS official).

- [OGE’s Nominee Public Financial Disclosure Review Checklists](#) OGE developed this collection of public financial disclosure checklists for prospective incoming Presidential nominees who file public financial disclosure reports, as well as for agency reviewers. The collection includes a general checklist applicable to all nominees and supplemental checklists that target certain categories of professionals.
- [OGE’s Guide to Drafting Nominee Ethics Agreements](#) Ethics agreements reflect a nominee’s commitments to resolve their conflicts of interest and comply with the ethics laws and regulations. Agency ethics officials, in collaboration with OGE staff, draft each ethics agreement using standardized language, tailored as appropriate, from this Guide.
- [OGE’s Integrity User Guide](#) Presidential nominees in the executive branch file public financial disclosure reports through *Integrity*, the executive branch electronic financial disclosure system. The online user manual for *Integrity* provides useful explanations of the system’s features.

*Nominee Financial Disclosure:* During Presidential transitions, the number of nominee financial disclosure reports being reviewed by OGE typically doubles in volume and the reports increase in complexity. In fiscal year 2021, this trend continued, as OGE worked to analyze and resolve potential conflicts of interest of hundreds of the highest-level, incoming executive branch leaders. OGE’s review of nominees’ disclosures presented a critical opportunity to evaluate their financial interests for potential conflicts of interest and introduced top leaders to the importance of ethical leadership. OGE requires PAS officials to publicly confirm that they have timely complied with the written commitments they made during their confirmation process by completing and signing a Certification of Ethics Agreement Compliance, which OGE posts to its [website](#). In fiscal year 2021, OGE reviewed the reports of nominees for approximately 47 percent (47%) of the PAS positions. OGE cleared 87 percent (87%) of the nominee reports it received in fiscal year 2021.

#### *Strategic Goal 4: Engage the public in overseeing government integrity*

OGE’s prevention mission involves informing the public about the systems in place to detect and resolve conflicts of interest of their government leaders. This allows the public to engage in overseeing the integrity of its government. OGE accomplishes this by describing its missions, programs, and work, and by making ethics information publicly available.

*Proactive Stakeholder Engagement:* In fiscal year 2021, OGE proactively engaged with stakeholders, including through holding listening sessions on OGE’s [draft strategic plan](#) for fiscal years 2022-26. OGE began assessing equity within the executive

branch ethics program by holding listening sessions with ethics officials to identify any barriers to equity within the ethics program. In addition, OGE conducted tribal consultations to engage in regular, meaningful, and robust consultation with tribal officials in the development of policies with tribal implications, in accordance with the President's [Memorandum on Tribal Consultation and Strengthening Nation-to-Nation Relationships](#).

*Open Government:* There are a number of external demands for information from OGE, reflecting increased public interest in OGE's work. In fiscal year 2021, OGE processed 8,800 requests from the public and the news media to inspect nearly 18,500 documents under the Ethics in Government Act, including public financial disclosure reports, periodic transaction reports, certificates of divestiture, and other covered records. This is one-hundred and twelve percent (111%) more than the previous year.

*FOIA:* The Freedom of Information Act (FOIA) is critical in helping to ensure transparency in government, providing the public with access to [important documents](#). OGE has prioritized implementing FOIA guidelines by maintaining and updating its effective system for responding to FOIA requests, along with increasing proactive disclosures, utilizing technology, improving timeliness in responding to requests, and applying a presumption of openness in responding to requests. In fiscal year 2021, OGE reduced the backlog of FOIA requests caused by a dramatic increase in FOIA requests in prior fiscal years. OGE also continues to conduct regular self-assessments of its FOIA processing procedures and response templates and, when appropriate, make changes to increase efficiency, improve search processes, increase transparency, and otherwise improve the operation of OGE's FOIA program. In fiscal year 2021, OGE responded to 109 FOIA requests.

*Provided Relevant, Understandable Information:* In order to enhance public confidence in the impartiality of government decision-making, OGE worked to communicate effectively about the ethics program and created communications that were accurate, compelling, relevant, tailored to each targeted audience, and delivered through effective communication channels. For example, using social media, including [Twitter](#), [YouTube](#) and [LinkedIn](#), OGE created content to help citizens understand the structure of the ethics program, learn how to access various ethics documents, and contribute to government accountability. OGE used social media to keep citizens informed about OGE's efforts to prepare the executive branch ethics program for the Presidential election and how to access financial disclosures and related ethics documents for Presidential nominees.

*Collaborated with and Engaged a Broad Array of Stakeholders:* To share information and foster valuable collaboration, OGE continued to participate as a member of private sector, state, and local ethics organizations, such as the Council on Governmental Ethics Laws (COGEL) and the Association for Practical and Professional Ethics (APPE), in addition to federal interagency groups. OGE also accepted speaking invitations to address its external audiences, including invitations from professional

associations and international anti-corruption groups, to discuss topics including conflicts of interest, ethical leadership, and program management.

*Timely Responded to External Requests for Information and Assistance:* In fiscal year 2021, OGE responded to approximately 150 requests for assistance from the press to support more accurate reporting about the ethics laws and regulations and OGE's work. These interactions multiplied OGE's ability to reach the public to promote further understanding of the executive branch ethics program and its role in ensuring government integrity. OGE also responded to requests for assistance from other stakeholders, including more than 260 requests from private citizens. This engagement promoted understanding of the executive branch ethics program and related ethics laws and regulations.

*International:* OGE also continued to engage with professional organizations, good government, and interagency groups to discuss emerging ethics issues and trends, share model practices, develop sound ethics policies, and combine resources to more effectively ensure that government decisions are made for the benefit of the public and not for private gain. This included providing support to the international community. In fiscal year 2021, OGE briefed four foreign delegations comprising 69 individuals representing 36 countries.

All of these interactions increased OGE's ability to reach the public to promote further understanding of the executive branch ethics program and its role in ensuring government integrity.

*Management Objectives: Sustain a strong culture of performance; strengthen organizational compliance and fiscal stewardship; and continuously enhance OGE's information systems and processes*

OGE devotes significant resources toward sustaining a strong culture of performance, strengthening organizational compliance and fiscal stewardship, and continuously enhancing OGE's information systems and processes. These efforts are critical to OGE achieving its mission-focused strategic objectives. OGE accomplishes this by focusing on employee development, refining its administrative practices and policies, and ensuring secure and efficient operations of its information technology systems.

*Employee Development:* OGE is committed to meeting its employees' professional development needs by providing significant education and training opportunities and support through the dedication of time and resources. In fiscal year 2021, OGE continued its use of a unique professional development program called the Employee Development Plan (EDP) process, which results in the achievement of measurable professional development targets annually for staff at all levels.

*Strengthened OGE's culture of performance:* Through frequent and varied internal communications, OGE strengthened its culture of performance. OGE conducted

monthly return to 1201 “all hands” meetings with OGE’s entire staff to discuss challenges associated with the pandemic and completing mission-work virtually, as well as safeguards and policies related to returning to the office. In addition, OGE continued to conduct quarterly all hands performance meetings to highlight OGE’s progress toward meeting agency goals. At those meetings a staff member from each division formally presents progress on achieving the division’s performance goals and signals upcoming projects and cross-functional work opportunities. Also, each division regularly held staff meetings to focus on progress toward division goals, share successes, and increase collaboration and information sharing. Throughout the year, OGE actively sought input from staff on a variety of operational and programmatic issues, including on the development of OGE’s new strategic plan.

*Created collaboration, inclusion, and recognition among staff:* OGE held regular special emphasis program meetings in fiscal year 2021, which were open to OGE’s entire staff and included numerous speakers from the federal and local communities including the Chair of the Federal Election Commission for Women’s History Month and EPA’s senior counsel for ethics for Asian American and Pacific Islander Heritage Month. In recognition of the stresses of COVID-19, OGE held frequent support meetings for employees who are also caregivers and highlighted employee wellness tips at “Wellness Wednesday” meetings. To increase collaboration and efficiency, OGE held regular “Working Smarter” workshops to share insights related to using technology. In addition, to recognize outstanding performance and progress toward the agency’s performance goals, OGE held agency wide employee recognition events, including multiple themed days during public service recognition week, an agency wide event, and an end of fiscal-year awards ceremony.

*Standardizing Procedures:* OGE strives for excellence by continuously reviewing and refining its strategies and processes for achieving its mission. As part of this effort, OGE continues to review and standardize its procedures and to implement new technological solutions to increase efficiency and effectiveness.

*Implemented Executive Orders:* In fiscal year 2021, OGE worked to implement dozens of executive orders issued by the new administration that called for OGE to take action on a wide ranges of issues from procurement and voting to diversity and inclusion. For example, in fiscal year 2021, OGE took significant steps to implement Executive Order 13895: Advancing Racial Equity and Support for Underserved Communities Through the Federal Government. OGE has a unique connection to this important work. The 13th [Principle of Ethical Conduct](#) requires employees to “adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or handicap.” OGE has focused its immediate efforts on conducting equity assessments on its hiring practices, communications, and procurement practices. OGE also began assessing equity within the larger executive branch ethics program by holding listening sessions with ethics officials to identify any barriers to equity within the ethics program. Using information from the assessment, OGE will develop strategies to advance equity within these program areas. Reflecting

this work, OGE's [draft strategic plan](#) for fiscal years 2022-26 includes OGE's new crosscutting objective to advance equity in OGE's programs and operations.

*Enhanced OGE's records management and privacy programs:* OGE continued to enhance its records management program in order to ensure agency records are available to the public and OGE staff, and to comply with records management requirements. This work included: developing and conducting new training for records liaisons; conducting Controlled Unclassified Information (CUI) training, annual records management training, and onboarding new OGE employees; working with the National Archives and Records Administration (NARA) on general and OGE specific records schedules; issuing records management guidance; conducting an inventory of agency records systems and repositories; updating agency-specific disposition schedules; and updating branch and division records file plans.

In fiscal year 2021, OGE continued to safeguard privacy, maintaining critical executive branch-wide systems of records related to the ethics program, including *Integrity*. To safeguard privacy, OGE's privacy program worked to ensure that the agency complies with the requirements of the Privacy Act and the executive branch privacy program requirements as established by OMB. This work included: reviewing new and proposed IT systems and projects that collect and manage privacy protected information and recertifying existing IT systems and projects; preparing and updating privacy-related documents, such as Systems of Records Notices (SORNs) and Privacy Impact Assessments (PIAs); and consulting on privacy issues as they arise.

*IT Infrastructure:* OGE maintains a resilient, stable, and secure IT infrastructure necessary to conducting its mission-critical work every day. In fiscal year 2021, OGE was able to continue delivering its mission critical work because of its existing virtual capabilities and maintenance. As potential security threats against automated systems grow and become more complex, OGE remained proactive to ensure that any threats are reduced and mitigated, if not eliminated. OGE upgraded its infrastructure to mitigate the risk of potential failure, to address evolving technology, and to prevent security breaches. Specifically, in fiscal year 2021, OGE completed IT updates necessary to maintain the security and efficiency of OGE's ongoing daily operations, including critical software updates.

*Cybersecurity Risk Assessment:* In fiscal year 2021, OGE undertook a complete assessment of the cybersecurity risks associated with the agency's network, website, and internal applications. OGE used the results of this assessment to develop mitigation strategies that are tracked and managed through a Plan of Action and Milestones (POAM) process. Also, in fiscal year 2021, OGE secured an independent, third-party review of its systems and efforts at mitigation to ensure OGE meets cybersecurity compliance targets.

*Integrity:* In fiscal year 2021, OGE continued to successfully operate [Integrity](#), its executive branch-wide electronic public financial disclosure filing system, during a time of high demand, as a result of the Presidential transition. With more than 24,600 public

filers now using the system, OGE focused on ensuring high-quality system operations and support for *Integrity*. In addition to helping incoming PAS nominees, many of whom had extremely complex financial disclosure filings, more accurately and easily complete their disclosures, the system enabled the executive branch to seamlessly continue the public financial disclosure process, despite the COVID-19 pandemic.

*Maintained and Developed Internal Applications:* In fiscal year 2021, OGE worked to develop a redesigned agency-wide intranet, in conformance with the IDEA Act, for sharing information, collaboration tools, workflow tools, operational systems, and other computing services to enhance productivity among OGE staff. In addition, in fiscal year 2021, OGE supported and refined numerous internal applications that streamlined workflows for agency programs, made data more retrievable, enhanced management practices, and strengthened compliance activities. These applications that support major programs, such as the desk officer and financial disclosure programs as well as internal operations such as requisition, budget formulation, and equipment tracking.

## **Conclusion**

The above performance highlights demonstrate that through targeted strategies and careful tasking of its small, cross-functional staff, OGE has been successful in achieving its strategic goals and accomplishing its mission. As noted at the beginning of the Management's Discussion and Analysis section, OGE will provide more detailed information regarding its performance goals and results in its fiscal year 2021 Annual Performance Report (APR).

## **Analysis of Financial Statements and Stewardship**

In fiscal year 2021, OGE maintained an unmodified opinion on its financial statements and no material internal control weaknesses were found. OGE is committed to effectively and efficiently managing funds annually appropriated by Congress to incur obligations for salary and expenses necessary to execute OGE mission goals. There were no significant changes to OGE's financial position as it remained stable with efforts to increase efficiency and effectiveness in several areas. Notably, these efforts included essential investments in human resources and critical systems.

Prior to and immediately after the election of the new President, OGE experienced more than a doubling of its workload for reviewing financial disclosure reports of nominees requiring Senate confirmation. This required OGE to shift resources to support the Administration in the Senate confirmation process all in the middle of a devastating pandemic. In addition to helping incoming presidential nominees—many of whom have extremely complex financial disclosure filings—more accurately and easily complete their disclosures, OGE enabled the executive branch to seamlessly continue the public financial disclosure process throughout the COVID-19 pandemic with the extensive use of its electronic financial disclosure filing application - *Integrity*. During

the pandemic, the value of *Integrity* has been even more apparent, when virtual access has been essential and public trust matters most.

With regard to the COVID-19 pandemic's effect on OGE's resources, OGE employees requested assistance under the American Rescue Plan (ARP) of 2021 (Public Law 117-2). The Act includes provisions authorizing Emergency Paid Leave (EPL) under strict provisions for COVID-19 related leave. OPM approved, as of 30 September 2021, \$2,671.00 to OGE's appropriation. Additional requests are pending but have not been acted upon by OPM as of 30 September 2021. OGE did not request nor receive any other additional funds due to the COVID-19 pandemic. OGE was able to save over \$55,000 due to reduced requirements while spending approximately \$24,000 for COVID-19 related health and safety measures and additional IT equipment and services when employees return to OGE work space. OGE remained on a mandatory telework schedule for all employees during FY2021 with no adverse impact on mission accomplishment. OGE has implemented plans to implement a pilot remote work initiative and expanded enhanced telework schedules for OGE employees with eligibility based on a review of employees' position descriptions.

### **Forward Looking Information**

Numerous external factors shape OGE's operating environment. Understanding their influence is essential for mitigating risk and achieving performance goals. For example, prior to and immediately after a Presidential election, regardless of the outcome, OGE experiences a particularly large and varied workload, requiring it to shift resources to support the Administration in the Senate confirmation process. OGE must balance its vital role in ensuring that Presidential nominees for civilian positions requiring Senate confirmation are free of conflicts of interest with its mission-critical work that is not directly related to a transition. OGE's *2018-2022 Strategic Plan* and subsequent *Annual Performance Plans* respond to these factors by prioritizing the agency's work accordingly.

## Analysis of Systems, Control, and Legal Compliance

### **Annual Assurance Statement on Internal Controls and Internal Controls over Financial Reporting**

OGE's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). OGE conducted its assessment in compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. After a thorough review of the results, and to the best of my knowledge and belief, OGE can provide reasonable assurance that its internal controls over the effectiveness and efficiency of operations were in compliance with applicable laws and regulations as of September 30, 2021. No material weaknesses were found in the design or operations of the internal controls.

OGE relies on the U.S. Department of Treasury, Bureau of Fiscal Service (BFS), a financial management shared service provider, for its accounting and financial systems and to meet its financial reporting requirements. OGE has no in-house financial systems but rather uses systems hosted/provided by BFS. OGE uses Oracle Financials which we consider to be a reliable and effective financial system. OGE obtains the Statement on Standards for Attestation Engagements (SSAE) 18 Service Organization Control (SOC) audits and Bridge Letters from BFS and reviews the statement to assist in assessing internal controls over OGE's financial reporting. After a thorough review of the results, OGE has not discovered any significant issues or deviations in its financial reporting during fiscal year 2021. Therefore, OGE concludes that the internal controls over financial reporting are sufficiently strong.

**EMORY ROUNDS** Digitally signed by EMORY ROUNDS  
Date: 2021.09.30 09:30:32 -0400'

Emory A. Rounds, III  
Director  
U.S. Office of Government Ethics

## **Part II – Financial Statements and Independent Auditor’s Report**

### **Limitations of the Financial Statements**

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to 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.

UNITED STATES OFFICE OF  
**GOVERNMENT ETHICS**



Preventing Conflicts of Interest  
in the Executive Branch

OFFICE OF GOVERNMENT ETHICS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

OFFICE OF GOVERNMENT ETHICS		
BALANCE SHEET		
AS OF SEPTEMBER 30, 2021 AND 2020		
(In Dollars)		
	2021	2020
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 5,138,331	\$ 3,718,433
Advances and Prepayments	-	42,191
Total Intragovernmental	5,138,331	3,760,624
With the Public:		
General Property, Plant, and Equipment, Net (Note 3)	88,405	140,895
Total With the Public	88,405	140,895
<b>Total Assets</b>	<b>\$ 5,226,736</b>	<b>\$ 3,901,519</b>
<b>Liabilities:</b>		
Intragovernmental:		
Accounts Payable	\$ 798,369	\$ 282,871
Other Liabilities (Note 6)	254,362	219,747
Other Liabilities (Without Reciprocals)	51,234	40,118
Benefit Program Contributions Payable	203,129	179,628
Total Intragovernmental	1,052,731	502,618
With the Public:		
Accounts Payable	26,082	81,412
Federal Employee [and Veteran] Benefits Payable	1,600,504	1,428,077
Other Liabilities (Note 6)	698,416	545,857
Total With the Public	2,325,002	2,055,346
<b>Total Liabilities (Note 4)</b>	<b>\$ 3,377,733</b>	<b>\$ 2,557,964</b>
<b>Net Position:</b>		
Unexpended Appropriations - Funds from Other than Dedicated Collections	\$ 3,416,721	\$ 2,695,321
Total Unexpended Appropriations	3,416,721	2,695,321
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(1,567,718)	(1,351,766)
Total Cumulative Results of Operations	(1,567,718)	(1,351,766)
Total Net Position	1,849,003	1,343,555
<b>Total Liabilities and Net Position</b>	<b>\$ 5,226,736</b>	<b>\$ 3,901,519</b>

OFFICE OF GOVERNMENT ETHICS		
STATEMENT OF NET COST		
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020		
(In Dollars)		
	2021	2020
<b>Gross Program Costs:</b>		
Salaries and Expenses		
Gross Costs	\$ 18,571,424	\$ 16,234,912
Less: Earned Revenue	(11,436)	(7,451)
<b>Net Program Costs</b>	<b>\$ 18,559,988</b>	<b>\$ 16,227,461</b>

<b>OFFICE OF GOVERNMENT ETHICS</b>		
<b>STATEMENT OF CHANGES IN NET POSITION</b>		
<b>FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020</b>		
<b>(In Dollars)</b>		
	<b>2021</b>	<b>2020</b>
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 2,695,321	\$ 490,603
Appropriations Received	18,600,000	17,500,000
Other Adjustments	(52,939)	(15,104)
Appropriations Used	(17,825,661)	(15,280,178)
Net Change in Unexpended Appropriations	721,400	2,204,718
<b>Total Unexpended Appropriations - Ending</b>	<b>\$ 3,416,721</b>	<b>\$ 2,695,321</b>
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ (1,351,766)	\$ (841,397)
Appropriations Used	17,825,661	15,280,178
Transfers In/Out Without Reimbursement	2,671	-
Imputed Financing (Note 9)	527,140	436,914
Other	(11,436)	-
Net Cost of Operations	(18,559,988)	(16,227,461)
Net Change in Cumulative Results of Operations	(215,952)	(510,369)
<b>Cumulative Results of Operations - Ending</b>	<b>\$ (1,567,718)</b>	<b>\$ (1,351,766)</b>
<b>Net Position</b>	<b>\$ 1,849,003</b>	<b>\$ 1,343,555</b>

<b>OFFICE OF GOVERNMENT ETHICS</b>		
<b>STATEMENT OF BUDGETARY RESOURCES</b>		
<b>FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020</b>		
<b>(In Dollars)</b>		
	<b>2021</b>	<b>2020</b>
<b>Budgetary Resources:</b>		
Unobligated balance from prior year budget authority, net (Note 10)	\$ 1,742,857	\$ 338,683
Appropriations	18,600,000	17,500,000
Spending authority from offsetting collections	2,672	7,451
<b>Total Budgetary Resources</b>	<b>\$ 20,345,529</b>	<b>\$ 17,846,134</b>
<b>Status of Budgetary Resources:</b>		
New obligations and upward adjustments (total)	\$ 19,187,573	\$ 17,426,138
Apportioned, unexpired accounts	54,600	286,781
Unexpired unobligated balance, end of year	54,600	286,781
Expired unobligated balance, end of year	1,103,356	133,215
Unobligated balance, end of year (total)	1,157,956	419,996
<b>Total Budgetary Resources</b>	<b>\$ 20,345,529</b>	<b>\$ 17,846,134</b>
<b>Outlays, Net and Disbursements, Net:</b>		
Outlays, net (total)	17,127,163	17,887,064
<b>Agency outlays, net</b>	<b>\$ 17,127,163</b>	<b>\$ 17,887,064</b>

<b>OFFICE OF GOVERNMENT ETHICS</b>	
<b>VARIANCE ANALYSIS OF FINANCIAL STATEMENTS</b>	
<b>FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020</b>	
<b>Balance Sheet</b>	
	No significant variances between the comparative periods.
<b>Statement of Net Cost</b>	
	No significant variances between the comparative periods.
<b>Statement of Changes in Net Position</b>	
	No significant variances between the comparative periods.

## Notes to the Financial Statements



## UNITED STATES OFFICE OF GOVERNMENT ETHICS NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **A. Reporting Entity**

The U.S. Office of Government Ethics (OGE), established by the Ethics in Government Act of 1978, provides overall leadership and oversight of the executive branch ethics program designed to prevent and resolve conflicts of interest. OGE’s mission is part of the very foundation of public service. The first principle in the Fourteen Principles of Ethical Conduct for Government Officers and Employees is “public service is a public trust, requiring employees to place loyalty to the Constitution, the laws and ethical principles above private gain”. Public servants are expected to make impartial decisions based on the interests of the public when performing their job duties. OGE in concert with agency ethics practitioners throughout the executive branch, ensures that employees fulfill this great trust.

To carry out its leadership and oversight responsibilities, OGE promulgates and maintains enforceable standards of ethical conduct for approximately 2.7 million employees in over 130 executive branch agencies and the White House; oversees a financial disclosure systems that reaches more than 26,000 public and more than 380,000 confidential financial disclosure report filers; ensures that executive branch agency ethics programs are in compliance with applicable ethics laws and regulations; provides education and training to the approximately 4,500 ethics officials executive branch-wide; conducts outreach to the general public, the private sector, and civil society; and provides technical assistance to state, local, and foreign governments and international organizations.

OGE's greatest resource is its multidisciplinary staff of attorney, ethics and finance experts, and support personnel. OGE is a lean organization, operating at fewer than its 80 authorized full-time equivalents, and accomplishes its responsibilities by organizing cross-functional teams to perform such diverse tasks as working with Presidential nominees for appointments requiring Senate confirmation to resolve potential financial conflicts of interest, training executive branch ethics officials, and conducting oversight of executive branch ethics programs. OGE is led by a Director who is appointed to a five-year term by the President and confirmed by the Senate.

OGE's General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. 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.

OGE 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. OGE 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 OGE. 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 OGE 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 OGE 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 OGE'S use of

budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

**C. Basis of Accounting**

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

**D. Fund Balance with Treasury**

FBWT is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the OGE’s funds with Treasury in expenditure, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The OGE does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. When the reporting entity seeks to use FBWT 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 OGE 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. OGE’S capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Building	9
Leasehold Improvements	5
Office Furniture	5

Computer Equipment	3
Office 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 OGE as a result of transactions or events that have already occurred.

OGE reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

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

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

**I. Annual, Sick, and Other Leave**

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

## **J. Accrued and Actuarial Workers' Compensation**

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the OGE 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 OGE 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**

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

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

OGE 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**

OGE 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 OGE with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The OGE 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 OGE through the recognition of an imputed financing source.

## **M. Use of Estimates**

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

## **N. Reclassification**

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

## **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, 2021 and 2020, were as follows:

	2021	2020
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 54,600	\$ 286,781
Unavailable	1,103,356	133,215
Obligated Balance Not Yet Disbursed	3,980,375	3,298,437
<b>Total</b>	<b>\$ 5,138,331</b>	<b>\$ 3,718,433</b>

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

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

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

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 11).

### NOTE 3. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

Schedule of General Property, Plant and Equipment, Net as of September 30, 2021:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 57,406	\$ 51,027	\$ 6,379
Furniture & Equipment	165,215	165,215	-
Software	5,331,239	5,249,213	82,026
<b>Total</b>	<b>\$ 5,553,860</b>	<b>\$ 5,465,455</b>	<b>\$ 88,405</b>

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

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 57,406	\$ 44,649	\$ 12,757
Furniture & Equipment	165,215	156,027	9,188
Software	5,331,239	5,212,289	118,950
<b>Total</b>	<b>\$ 5,553,860</b>	<b>\$ 5,412,965</b>	<b>\$ 140,895</b>

### NOTE 4. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for OGE as of September 30, 2021 and 2020, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2021	2020
Intragovernmental – FECA	\$ 83,203	\$ 84,035
Intragovernmental – Unemployment Insurance	-	643
Unfunded Leave	1,072,080	898,545
Actuarial FECA	503,510	508,847
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 1,658,793</b>	<b>\$ 1,492,070</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>1,718,940</b>	<b>1,065,894</b>
<b>Total Liabilities</b>	<b>\$ 3,377,733</b>	<b>\$ 2,557,964</b>

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on OGE behalf and payable to the

DOL. OGE 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 5. 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 OGE'S employees are administered by the DOL and ultimately paid by OGE when funding becomes available.

OGE 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, OGE's liability as of September 30, 2021 and 2020, was \$503,510 million and 508,847 million, respectively.

#### NOTE 6. OTHER LIABILITIES

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

	Current	Total
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 51,234	\$ 51,234
Employer Contributions and Payroll Taxes Payable	119,925	119,925
Unfunded FECA Liability	83,203	83,203
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 254,362</b>	<b>\$ 254,362</b>
With the Public		
Accrued Funded Payroll and Leave	\$ 698,416	\$ 698,416
<b>Total Public Other Liabilities</b>	<b>\$ 698,416</b>	<b>\$ 698,416</b>
<b>Total Other Liabilities</b>	<b>\$ 952,778</b>	<b>\$ 952,778</b>

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

	Current	Total
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 40,118	\$ 40,118
Employer Contributions and Payroll Taxes Payable	94,951	94,951
Unfunded FECA Liability	84,035	84,035
Other Unfunded Employment Related Liability	643	643
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 219,747</b>	<b>\$ 219,747</b>
With the Public		
Accrued Funded Payroll and Leave	\$ 545,752	\$ 545,752
Other Liabilities w/Related Budgetary Obligations	105	105
<b>Total Public Other Liabilities</b>	<b>\$ 545,857</b>	<b>\$ 545,857</b>
<b>Total Other Liabilities</b>	<b>\$ 765,604</b>	<b>\$ 765,604</b>

## NOTE 7. LEASES

### Operating Leases

OGE occupies office space under a lease agreement that is accounted for as an operating lease. The lease term begins on February 2, 2014 and expires on February 1, 2024. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2021 and 2020 were \$1,303,809 and \$1,298,842 respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Asset Category Building	Totals Federal
2022	\$ 1,375,481	\$ 1,375,481
2023	1,392,523	1,392,523
2024	441,878	441,878
<b>Net Capital Lease Liability</b>	<b>\$ 3,209,882</b>	<b>\$ 3,209,882</b>

## NOTE 8. COMMITMENTS AND CONTINGENCIES

OGE did not have any material contingent liabilities that met disclosure requirements as of September 30, 2021 and 2020.

## NOTE 9. INTER-ENTITY COSTS

OGE 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. OGE recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2021 and 2020, respectively, inter-entity costs were as follows:

	2021	2020
Office of Personnel Management	\$ 527,140	\$ 436,914
<b>Total Imputed Financing Sources</b>	<b>\$ 527,140</b>	<b>\$ 436,914</b>

## NOTE 10. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2021, and 2020, consisted of the following:

	2021	2020
Unobligated Balance Brought Forward From Prior Year, October 1	\$ 419,996	\$ 295,219
Recoveries of Prior Year Obligations	1,375,800	58,568
Other Changes in Unobligated Balances	(52,939)	(15,104)
<b>Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)</b>	<b>\$ 1,742,857</b>	<b>\$ 338,683</b>

## NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2021, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ -	\$ -	\$ -
Unpaid Undelivered Orders	2,221,269	40,168	2,261,437
<b>Total Undelivered Orders</b>	<b>\$ 2,221,269</b>	<b>\$ 40,168</b>	<b>\$ 2,261,437</b>

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

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 42,191	\$ -	\$ 42,191
Unpaid Undelivered Orders	2,125,616	106,926	2,232,542
<b>Total Undelivered Orders</b>	<b>\$ 2,167,807</b>	<b>\$ 106,926</b>	<b>\$ 2,274,733</b>

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

The President’s Budget that will include fiscal year 2021 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2022 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2022 Budget of the United States Government, with the "Actual" column completed for 2020, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Combined Statement of Budgetary Resources	\$ 18	\$ 17	\$ 18
Budget of the U.S. Government	\$ 18	\$ 17	\$ 18

**NOTE 13. RECONCILIATION OF NET COST TO NET OUTLAYS**

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

Reconciliation of Net Cost to Net Outlays as of September 30, 2021:

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

	Intragovernmental	With the Public	Total
<b>Net Operating Cost (SNC)</b>	\$ 7,707,282	\$ 10,852,706	\$ 18,559,988
<b>Components of Net Cost Not Part of the Budgetary Outlays</b>			
Property, Plant, and Equipment Depreciation Expense	-	(52,491)	(52,491)
<b>Increase/(Decrease) in Assets:</b>			
Other Assets	(42,191)	-	(42,191)
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable	(515,498)	55,332	(460,166)
Federal Employee and Veteran Benefits Payable	-	(172,428)	(172,428)
Other Liabilities	(34,616)	(152,558)	(187,174)
<b>Financing Sources:</b>			
Imputed Cost	(527,140)	-	(527,140)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlays</b>	<b>\$ (1,119,445)</b>	<b>\$ (322,145)</b>	<b>\$ (1,441,590)</b>
<b>Financing Sources:</b>			
Transfers Out (In) Without Reimbursements	(2,671)	-	(2,671)
<b>Total Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>	<b>\$ (2,671)</b>	<b>\$ -</b>	<b>\$ (2,671)</b>
<b>Misc Items</b>			
Non-Entity Activity	11,436	-	11,436
<b>Total Other Reconciling Items</b>	<b>\$ 11,436</b>	<b>\$ -</b>	<b>\$ 11,436</b>
<b>Total Net Outlays (Calculated Total)</b>	<b>\$ 6,596,602</b>	<b>\$ 10,530,561</b>	<b>\$ 17,127,163</b>
<b>Budgetary Agency Outlays, Net (SBR 4210)</b>			<b>\$ 17,127,163</b>
Budgetary Agency Outlays, Net			\$ 17,127,163

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

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

	Intragovernmental	With the Public	Total
<b>Net Operating Cost (SNC)</b>	\$ 5,658,046	\$ 10,569,415	\$ 16,227,461
<b>Components of Net Cost Not Part of the Budgetary Outlays</b>			
Property, Plant, and Equipment Depreciation Expense	-	(337,387)	(337,387)
<b>Increase/(Decrease) in Assets:</b>			
Accounts Receivable, Net	-	(956)	(956)
Other Assets	(46,114)	-	(46,114)
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable	2,815,878	(47,710)	2,768,168
Federal Employee and Veteran Benefits Payable	-	(181,099)	(181,099)
Other Liabilities	(29,012)	(77,083)	(106,095)
<b>Financing Sources:</b>			
Imputed Cost	(436,914)	-	(436,914)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlays</b>	<b>\$ 2,303,838</b>	<b>\$ (644,235)</b>	<b>\$ 1,659,603</b>
<b>Misc Items</b>			
Custodial/Non-Exchange Revenue	(400)	400	-
<b>Total Other Reconciling Items</b>	<b>\$ (400)</b>	<b>\$ 400</b>	<b>\$ -</b>
<b>Total Net Outlays (Calculated Total)</b>	<b>\$ 7,961,484</b>	<b>\$ 9,925,580</b>	<b>\$ 17,887,064</b>
<b>Budgetary Agency Outlays, Net (SBR 4210)</b>			<b>\$ 17,887,064</b>
Budgetary Agency Outlays, Net			\$ 17,887,064



**BROWN & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

## INDEPENDENT AUDITOR'S REPORT

U.S. Office of Government Ethics  
Washington, D.C.

In our audits of the fiscal years 2021 and 2020 financial statements of the U.S. Office of Government Ethics (OGE), we found:

- OGE's financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

### **Report on the Financial Statements**

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No.107-289), we have audited OGE's financial statements. OGE's financial statements comprise the balance sheets as of September 30, 2021, and 2020; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and the provisions of OMB Bulletin No. 21-04, *Audit*

*Requirements for Federal Financial Statements.* We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Management's Responsibility

OGE management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

### Opinion on Financial Statements

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

## Other Matters

### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

### Other Information

OGE's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on OGE's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

### **Report on Internal Control over Financial Reporting**

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

### Management's Responsibility

OGE management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial

statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

In planning and performing our audit of OGE's financial statements as of and for the year ended September 30, 2021, in accordance with U.S. generally accepted government auditing standards, we considered the OGE's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OGE's internal control over financial reporting. Accordingly, we do not express an opinion on the OGE's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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

### Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

### Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be

material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the OGE's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the OGE's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the OGE'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 OGE's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

#### Management's Responsibility

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

#### Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to OGE that have a direct effect on the determination of material amounts and disclosures in OGE's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to OGE.

#### 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 2021 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 OGE. Accordingly, we do not express such an opinion.

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

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



Greenbelt, Maryland  
November 12, 2021

## Part III – Other Information

### Management Assurances

To avoid any potential over-obligation of funds, OGE implements Budget Authority fund control limits at the shared service provider level to ensure compliance with the Anti-Deficiency Act while validating the availability of funds prior to approving all purchase requests.

OGE is a small agency with fewer than 80 employees. Potential for fraud, waste and abuse exists in any organization and at any level, however, OGE is proactive in taking the necessary measures to significantly reduce fraud, waste and abuse by implementing financial and administrative internal controls to monitor the potential risk. These controls are routinely evaluated and, if necessary, redesigned to increase their effectiveness and address potential weak areas.

OGE's internal controls include, but are not limited to, a separation of duties and responsibilities of actionable personnel so that no one person has complete control over a financial transaction. There are a minimum of three distinct levels of administrative review within OGE, along with additional reviews of the transaction by our financial shared service provider (FSSP). Routine reports on payroll, beneficiary payments, contracts, and purchase and travel cards are run and evaluated by multiple personnel at both the FSSP and agency level. Agency senior leadership is routinely briefed on the contents of these reports. All agency purchases are approved through the supervisory chain, validated by the Budget Officer and cross-referenced by budgetary personnel at the FSSP. Receipt of procured items is obtained by employee signature and reviewed and verified by an approving official outside the procurement action chain. Invoice payments are verified by the Contracting Officer's Representative, the Budget Officer, and again at the FSSP level. Audits of Government Purchase Card transactions are conducted annually by FSSP auditors to ensure compliance and use of proper procedures. Signed receipt of controlled items (mobile phones, laptops, etc.) is mandatory. Data is reviewed and approved by OGE management and the CIO, verified on an annual basis, and updated as needed. OGE continues to monitor and evaluate implemented internal controls on an annual basis, constantly seeking improved methods and accountability to safeguard against potential fraudulent practices.

OGE has implemented an Enterprise Risk Management (ERM) framework to take appropriate steps to mitigate agency-wide risks. All members of OGE's management team review the agency's existing risk registry, participate in a risk assessment and mitigation process, and receive an ERM briefing at OGE's Strategic Objectives Review meeting, including a facilitated discussion of the significant risks facing OGE. OGE leadership meets periodically to conduct risk assessments, catalogue those risks, assign risk owners, establish risk mitigation actions, hold risk owners accountable, and update the risk registry.

OGE actively works to leverage technology to increase security and efficiency as discussed in the performance highlights above. With regard to security, OGE works to proactively ensure that any potential security threats are reduced and mitigated, if not eliminated, as necessary to achieve OGE’s ongoing daily operations and successful completion of its mission work. This work includes comprehensive, annual independent security audits and mitigation strategies that are tracked and managed through a Plan of Action and Milestones (POAM) process, ongoing software and infrastructure updates, and monitoring risk through the agency’s ERM process. In particular, OGE strives to create a secure technical environment that protects the privacy and integrity of the financial information entrusted to OGE.

### Civil Monetary Penalty Adjustment for Inflation

Statutory Authority	Penalty (Name or Description )	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level (\$ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Ethics in Government Act of 1978 as amended	5 CFR 2634.702(a) - Breaches by trust fiduciaries and interested parties; 2634.703 -Misuse of public reports; and 2636.104(a) – Civil, disciplinary and other action	1978	2021	\$20,731.00	U.S. Office of Government Ethics	86 FR 7635  <a href="https://www.federalregister.gov/documents/2021/02/01/2021-00714/2021-civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations">https://www.federalregister.gov/documents/2021/02/01/2021-00714/2021-civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations</a>
Ethics in Government Act of 1978 as amended	5 CFR 2634.702(b) - Breaches by trust fiduciaries and interested parties	1978	2021	\$10,366.00	U.S. Office of Government Ethics	86 FR 7635  <a href="https://www.federalregister.gov/documents/2021/02/01/2021-00714/2021-civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations">https://www.federalregister.gov/documents/2021/02/01/2021-00714/2021-civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations</a>
Ethics in Government Act of 1978 as amended	5 CFR 2634.701(b) - Failure to file or falsifying reports	1978	2021	\$62,313.00	U.S. Office of Government Ethics	86 FR 7635  <a href="https://www.federalregister.gov/documents/2021/02/01/2021-00714/2021-civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations">https://www.federalregister.gov/documents/2021/02/01/2021-00714/2021-civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations</a>