

FY 2010

U.S. Office of Government Ethics



PERFORMANCE &
ACCOUNTABILITY REPORT



United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

November 12, 2010

The Honorable Barack Obama
President
United States of America
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

I am pleased to transmit to you the Performance Accountability Report (PAR) for the Office of Government Ethics (OGE) for FY 2010. The PAR includes a Summary of OGE's Key Accomplishment for FY 2010 and OGE's Management Discussion and Analysis of its Results. OGE's Management Assurances and the Audited Financial Statements.

In FY 2010, OGE focused on meeting the Agency's strategic goals and performance objectives including the implementation of the President's Executive Order 13490. While continuing its brisk pace of reviewing and certifying the financial disclosure reports of nominees to Senate-confirmed, Presidential appointments, OGE provided substantial support to United States anti-corruption foreign policy initiatives, increased its training efforts, developed a New Ethics Official Certificate Program, hosted the 17th National Government Ethics Conference and benchmarked Cabinet-level agency ethics programs.

OGE management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. In accordance with OMB guidance, I have determined that the performance and financial data included in this report are complete and reliable. I am pleased to certify, with reasonable assurance, that OGE's systems of accounting and internal control are in compliance with the provisions of the Federal Managers' Financial Integrity Act.

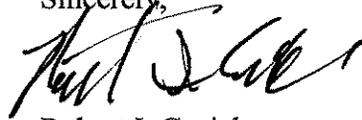
I am also pleased to report OGE has received an unqualified opinion on its financial statements, as of September 30, 2010. In addition, the auditors found no material weaknesses related to OGE's compliance and internal controls over financial reporting.

The Honorable Barack Obama

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If you need additional information with regard to these statements, please contact Don W. Fox, General Counsel, at 202-482-9292.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert I. Cusick". The signature is written in a cursive style with a large initial "R" and "C".

Robert I. Cusick

Director

UNITED STATES OFFICE OF GOVERNMENT ETHICS

About OGE

The United States Office of Government Ethics (OGE), established by the Ethics in Government Act of 1978, is the agency within the Executive Branch which provides overall direction of Executive Branch policies designed to prevent and resolve conflicts of interest and to promote high ethical standards for Executive Branch employees. Specifically, OGE is responsible for promulgating and maintaining enforceable standards of ethical conduct for nearly 4 million civilian employees and military members in over 130 Executive Branch agencies and the White House; overseeing a financial disclosure system that reaches approximately 28,000 public and over 325,000 confidential filers; conducting onsite reviews of agency ethics programs; providing education, training, and technical assistance to the over 5,700 ethics officials; conducting outreach to the general public, the private sector, and civil society; and sharing good practices with and providing technical assistance to state, local, and foreign governments and international organizations.

OGE's greatest resource is its multi-disciplinary staff of attorneys; ethics, finance, and training experts; and support staff. OGE leverages its human resources by organizing cross-functional teams to perform such diverse tasks as reviewing for financial conflicts of interest the financial disclosure filings of Senate-confirmed, Presidential appointees, training Executive Branch ethics officials, and enhancing oversight of Executive Branch ethics programs.

Mission Statement

OGE exercises leadership in the Executive Branch to prevent conflicts of interest on the part of Government employees, and to resolve those conflicts of interest that do occur. In partnership with Executive Branch departments and agencies, OGE fosters high ethical standards for employees and strengthens the public's confidence that the Government's business is conducted with impartiality and integrity. OGE's mission directly supports the President's goal of responsibly governing the Nation.

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Section I – Purpose

A. Long Term Strategic Goals

OGE established a five-year strategic plan in 2007 with three goals. The daily work of OGE is driven by performance measures for the objectives within each of these goals.

- *Strengthening Ethical Culture Within the Executive Branch:*
 - Objective 1.1: Improve the Effectiveness of Ethics Policy
 - Objective 1.2: Enhance Assistance to and Oversight of Agency Ethics Programs
 - Objective 1.3: Increase Employees’ Awareness of Their Ethics Responsibilities
 - Objective 1.4: Increase OGE’s Focus on Senior Officials’ Roles in Implementing Ethics Programs

- *Preventing Conflicts of Interest:*
 - Objective 2.1: Enhance Assistance to the President and the Senate in the Presidential Appointment Process
 - Objective 2.2: Monitor Continued Compliance with Conflict of Interest Laws
 - Objective 2.3: Administer an Effective Confidential Financial Disclosure System

- *Promoting Good Governance:*
 - Objective 3.1: Support and Cooperate with Federal, State, and Local Agencies Implementing Programs that Help Support Good Governance
 - Objective 3.2: Enhance Outreach to the Public and Private Sector and Civil Society
 - Objective 3.3: Support United States Foreign Policy Anti-Corruption and Good Governance Initiatives

B. Performance Measures

OGE tracks its progress toward achieving its strategic goals through specific objectives assessed with reference to established performance measures. Baseline data for the majority of measures was established by merging statistical data from a variety of existing sources, including ethics training surveys, annual ethics program questionnaires, employee ethics surveys, and surveys of ethics officials. Over time, some performance targets have been modified as a result of surveys and OGE’s experience in implementing the Strategic Plan. A few current targets are less than current performance levels. Other targets have been raised based on past positive results in meeting the targets. For example, OGE raised its targets related to the percentage of ethics officials who rate OGE as responsive to emerging ethics program issues, who say that they receive the guidance necessary to do their jobs effectively, and who are satisfied with education and training products provided by OGE to support ethics officials (*See Figures 1 and 2.*). Generally, targets have been set pursuant to a five-year-old Strategic Plan. In deciding whether to adjust targets upward when performance levels have been met or exceeded, OGE balances the availability of resources to meet other targets and emerging issues such as those presented by Executive Order 13490 entitled “Ethics Commitments by Executive Branch Personnel,” issued by the President on January 21, 2009. OGE is currently developing a new Strategic Plan; objectives, measures, and targets will be re-evaluated and appropriately modified.

Section II – Fiscal Year 2010 Key Accomplishments

A. Summary Results

Key themes addressed in working to meet OGE’s strategic goals and performance objectives in FY 2010 included: implementing the President’s Executive Order 13490, resolving potential conflicts of interest for Presidential nominees requiring Senate confirmation, training, benchmarking Cabinet-level agency ethics programs, and providing substantial support to United States anti-corruption foreign policy initiatives.

In FY 2010, OGE undertook numerous efforts to ensure the effective implementation of the President’s first Executive Order, Executive Order 13490 of January 21, 2009, “Ethics Commitments by Executive Branch Personnel,” (Order). OGE also continued to increase its training efforts by developing and conducting a New Ethics Official Certificate Program; hosting the 17th National Government Ethics Conference; providing in-person, instructor-led courses; and expanding the number of courses offered in a web-based format. Finally, OGE successfully completed a comprehensive benchmarking of every Cabinet-level agency in FY 2010. The benchmarking project allowed OGE to identify model practices, vulnerabilities, and needs of the Executive Branch ethics program at the broadest level.

In addition to the measurable accomplishments highlighted in detail in this report, OGE achieved the following in FY 2010 to meet its strategic goals and performance objectives:

- Developed a legislative proposal to reauthorize OGE and to update the Ethics in Government Act: (1) to allow OGE to be more flexible in adapting to new technologies and a changing financial and Government workplace climate, (2) to further streamline the review of the financial disclosure forms of nominees to Senate-confirmed, Presidential appointments for financial conflicts of interest; and (3) to ensure OGE’s Director has sufficient tools to fulfill his statutory responsibilities. (Budget Priority 1 – Modernizing Government Ethics Laws, Regulations, and Programs)
- Developed, through participation with the Federal Acquisition Regulatory (FAR) Council law team, a unified, Government-wide set of ethical requirements for Government contractors implemented through standardized contract clauses. (Budget Priority 1 – Modernizing Government Ethics Laws, Regulations, and Programs)
- Represented the Executive Branch ethics community to the Congress and provided ethics expertise on legislative proposals with Executive Branch-wide implications. In addition, OGE updated ethics officials on legislative developments affecting the federal ethics community and individual agencies. (Budget Priority 1 – Modernizing Government Ethics Laws, Regulations, and Programs)
- Began redesigning OGE’s website to increase accessibility to government ethics documents, an effort that has been OGE’s flagship technology initiative. As part of this initiative, OGE developed and executed an acquisition strategy to acquire a web content management solution for OGE’s new website. (Budget Priority 2 – Harnessing Technology to Promote Transparency, Training, and Oversight)

- With the Office of Science and Technology Policy in the Executive Office of the President, OGE determined the content of the Ethics.gov project. In connection with this project, OGE removed a barrier to the posting of Ethics Pledge waivers on the Internet by securing a routine use exception from OPM. (Budget Priority 2 – Harnessing Technology to Promote Transparency, Training, and Oversight)
- Tested several agencies’ financial disclosure e-filing systems to determine whether there is an existing system that could be deployed to allow those individuals who file with OGE, including all Presidential nominees, to prepare their financial disclosure reports electronically. As a result of this effort, OGE has identified an existing system potentially suitable for this use. (Budget Priority 2 – Harnessing Technology to Promote Transparency, Training, and Oversight)
- Continued to work with agencies to ensure that systems they implement meet standards established by agencies’ CIOs and embedded information is accurate. In FY 2010, 13 agencies used an electronic filing system. This number steadily increases every year. (Budget Priority 2 – Harnessing Technology to Promote Transparency, Training, and Oversight)
- Continued its brisk pace of reviewing and certifying the financial disclosure reports of nominees to Senate-confirmed, Presidential appointments. In FY 2010, OGE reviewed the reports of nominees for over 35 percent of the Senate-confirmed, Presidential appointee positions. Since the start of the Presidential transition in January 2009, OGE has reviewed the reports of nominees for approximately 80 percent of the Presidentially-appointed positions requiring Senate-confirmation. In the course of this process, OGE carefully ensured that all of these nominees’ financial disclosure reports were compliant with disclosure and conflicts of interest requirements. OGE and agency ethics officials also introduced the nominees to the broader scope of the Executive Branch’s ethical requirements. In addition, OGE emphasized the need for ethical leadership and impressed upon these nominees the importance of the ethics programs at their agencies. (Budget Priority 3 – Promoting Continuity and Succession Planning of the Executive Branch Ethics Program)

B. Implementation of Executive Order 13490

The Order requires that full-time, non-career Presidential appointees take an “Ethics Pledge” relating to lobbyist gifts, the “revolving door ban,” and hiring employees based on merit. Pursuant to the Order, OGE is required to provide an annual public report on administration of the Ethics Pledge and the Order. OGE’s first annual public report was released on March 31, 2010.

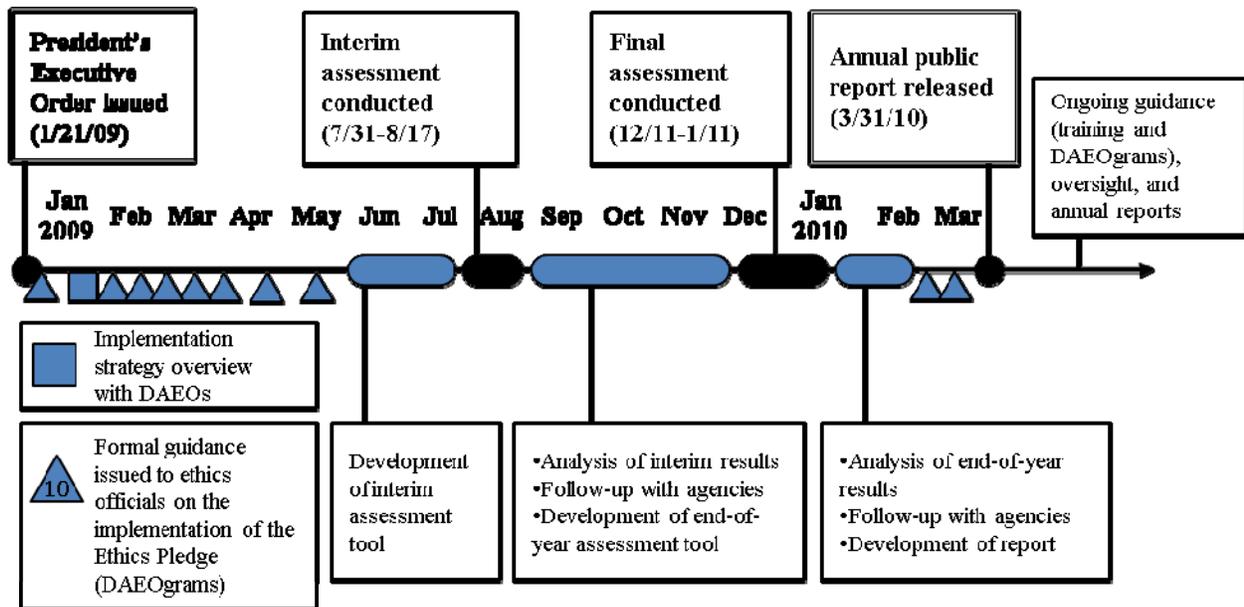
OGE’s oversight was multifaceted. OGE met with Designated Agency Ethics Officials (DAEOs) and provided ongoing formal and informal guidance. In addition, OGE developed and administered assessment questionnaires, and drafted and released the first annual public report.

To assess compliance with the Ethics Pledge and the Order, OGE administered two assessment questionnaires; responses were received from all 130 Executive Branch agencies and the White House. The interim, mid-year, assessment of the implementation process was conducted in July and August 2009. The final assessment focused on implementation of the Ethics Pledge as of December 31, 2009.

As required, all 2,638 appointees serving at the end of 2009 signed the Ethics Pledge.

100% Compliance Achieved

Below is a graphical representation of highlights of OGE’s year-long work to ensure effective implementation of the Ethics Pledge and the Order and to timely release the annual public report.



In FY 2010, OGE also published two additional substantive policy memoranda to implement the Ethics Pledge contained in Executive Order 13490, bringing the number of substantive policy guidance documents on the Pledge to 10.

Through providing guidance, administering the assessments, and releasing the annual public report, OGE has largely implemented the Ethics Pledge. OGE is now in the initial stages of implementing other provisions of the Order and will continue these efforts into FY 2011 and beyond. Implementing the next phase of the Order includes:

- extending the Ethics Pledge’s post-Government cooling-off period to all Executive Branch procurement personnel,
- evaluating for the President the adequacy of current restrictions on procurement lobbying and related disclosure requirements,

- reporting to the President on activities involving lobbying for Presidential pardons,
- revising the Standards of Ethical Conduct to apply the lobbyist gift ban to all Executive Branch employees, and
- reporting annually to the President on implementation of the Ethics Pledge.

Over the next two years, OGE will continue to provide interpretive guidance, training, and support to ethics officials in every agency. OGE also will review compliance with the Ethics Pledge and will develop and produce the separate, required annual reports. Additionally, OGE will collaborate with other Executive Branch agencies as required by several of the remaining Order provisions. For example, the Director of OGE is required to consult with the Attorney General, the Counsel to the President, and the Director of the Office of Personnel Management to develop a plan for extending the post-Government cooling-off period to procurement employees. Likewise, any changes to the Standards of Ethical Conduct currently require OGE to consult with the Office of Personnel Management and the Department of Justice.

C. Training

Training is a particularly important aspect of successful continuity and succession planning. Retirements and employee turnover rates throughout the Federal Government underscore the need for widely-available, effective training in the technically challenging arena of Government ethics. In FY 2010, registrations for OGE's training exceeded 2,600.

New Ethics Official Certificate Program

In FY 2010, OGE launched an initiative to improve the training delivered to new ethics officials; the New Ethics Official Certificate Program provided comprehensive training to over 200 new ethics officials. OGE delivered the original 2-day course to a group of 154 new ethics officials in May 2010, in Chicago, Illinois. Having revised and extended the course to 3 days, OGE delivered the course to 64 new ethics officials in September 2010, in Atlanta, Georgia. Post training evaluations administered to the participants showed that 97 percent (1) were satisfied with the training, and (2) felt they were better equipped to do their jobs because of the training.

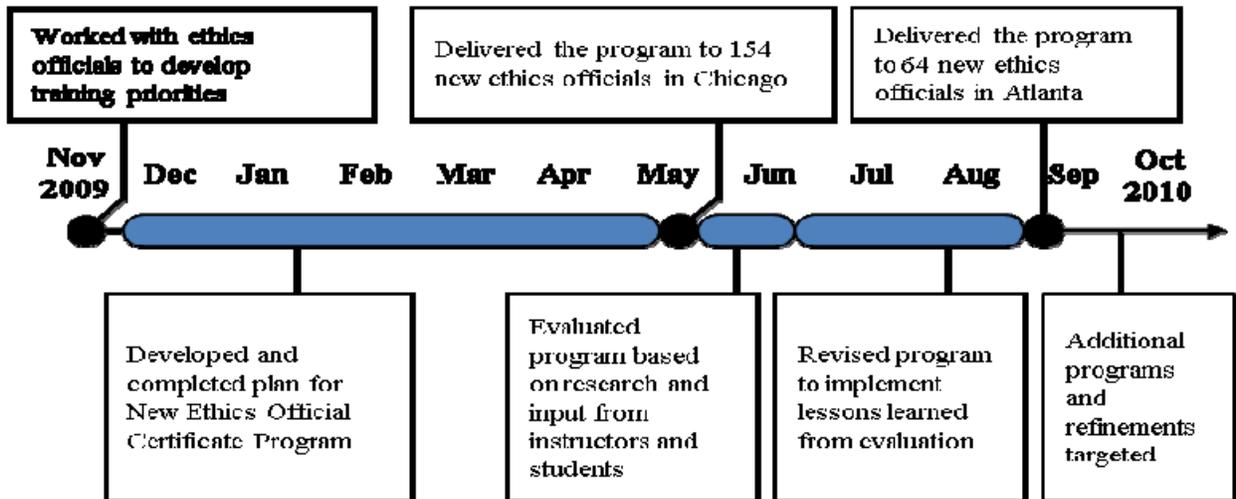
The New Ethics Official Certificate Program is a "boot camp" for those new to the practice of ethics. Participants learn to apply relevant ethics authorities to a series of critical tasks, assess and discuss the importance of effective processes in the management of an ethics program, and use tools and resources critical to practicing ethics officials. By the end of the program, new ethics officials:

- have the knowledge and skills needed to perform entry level ethics official duties,
- understand what it takes to build an ethical culture within the executive branch,
- appreciate ways they can effectively network with the ethics community, and
- formulate strategies to build a successful career in ethics.

Participants who completed the entire program and successfully passed an examination receive a Certificate of Completion. Because effective implementation of financial disclosure requirements

is a central part of ethics officials' responsibilities, the Certificate Program focused significantly on processes for the collection and review of financial disclosure reports.

Building the Certificate Program was a multi-stage project involving a multi-disciplined team. The graphic below illustrates highlights of the work that went into developing, delivering, evaluating, and revising the program.



OGE intends to make the Certificate Program a permanent part of its ongoing program offerings.

17th National Government Ethics Conference

In May 2010, OGE hosted the 17th National Government Ethics Conference. The conference included over 700 Executive Branch ethics officials, Inspector General officials, and representatives from state, local, and foreign governments. The conference's extensive range of training sessions – 45 training sessions were offered – included presentations on emerging ethics issues, the Ethics Pledge, program management, continuity and succession planning, reviewing complex nominee reports, and other important ethics issues.

Ongoing Training

In FY 2010, OGE continued to deliver a significant number of training courses for over 1,200 participants in addition to the training provided during the Certificate Program and the conference. For example, 54 training classes were offered in Washington, D.C. Over 30 classes were targeted at the introductory level for new and otherwise inexperienced ethics officials. OGE developed 14 new courses: 12 for ethics officials, 1 for employees of the offices of the Inspectors General, 1 for public financial disclosure filers, and 1 for confidential financial disclosure filers. Topics addressed were wide-ranging, including: implementation of basic program elements, leveraging technology to improve ethics program management, OGE's role in

conflict of interest investigations, and consideration of highly technical issues faced by experienced ethics officials. OGE continued its practice of routinely soliciting and using feedback from participants, instructors, and instructional designers to refine and revise courses, ensuring that OGE’s training is up-to-date and effective.

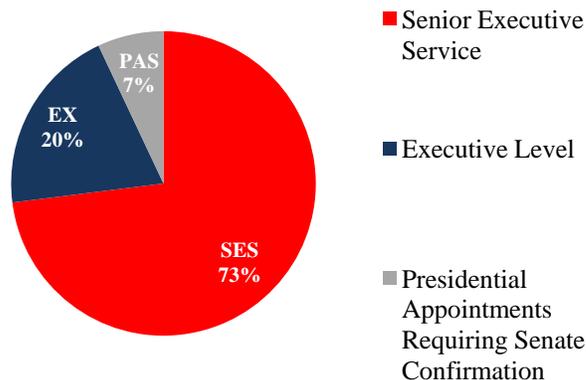
As turnover and retirement rates within the ethics community have accelerated, demand for training on core program elements has increased. In particular, the ethics community has expressed a need for training on financial disclosure review at all levels of complexity. OGE developed a new course targeting advanced reviewers of public financial disclosure reports. Eight training sessions on basic and advanced public financial disclosure were offered, reaching 120 ethics officials. In all, 18 training sessions on financial disclosure were offered, reaching over 250 ethics officials.

D. Benchmarking Cabinet-level Agency Ethics Programs

During FY 2010, OGE conducted a comprehensive benchmarking project focusing on the ethics programs in all 15 Cabinet-level agencies. As part of the project, OGE identified, in consultation with the Cabinet-level agencies, four critical factors necessary for a successful ethics program (success factors): leadership, awareness, resources, and oversight. OGE executed an effective methodology for gathering information by multi-disciplinary teams, analyzed responses, compiled comparative demographic data, and presented the results.

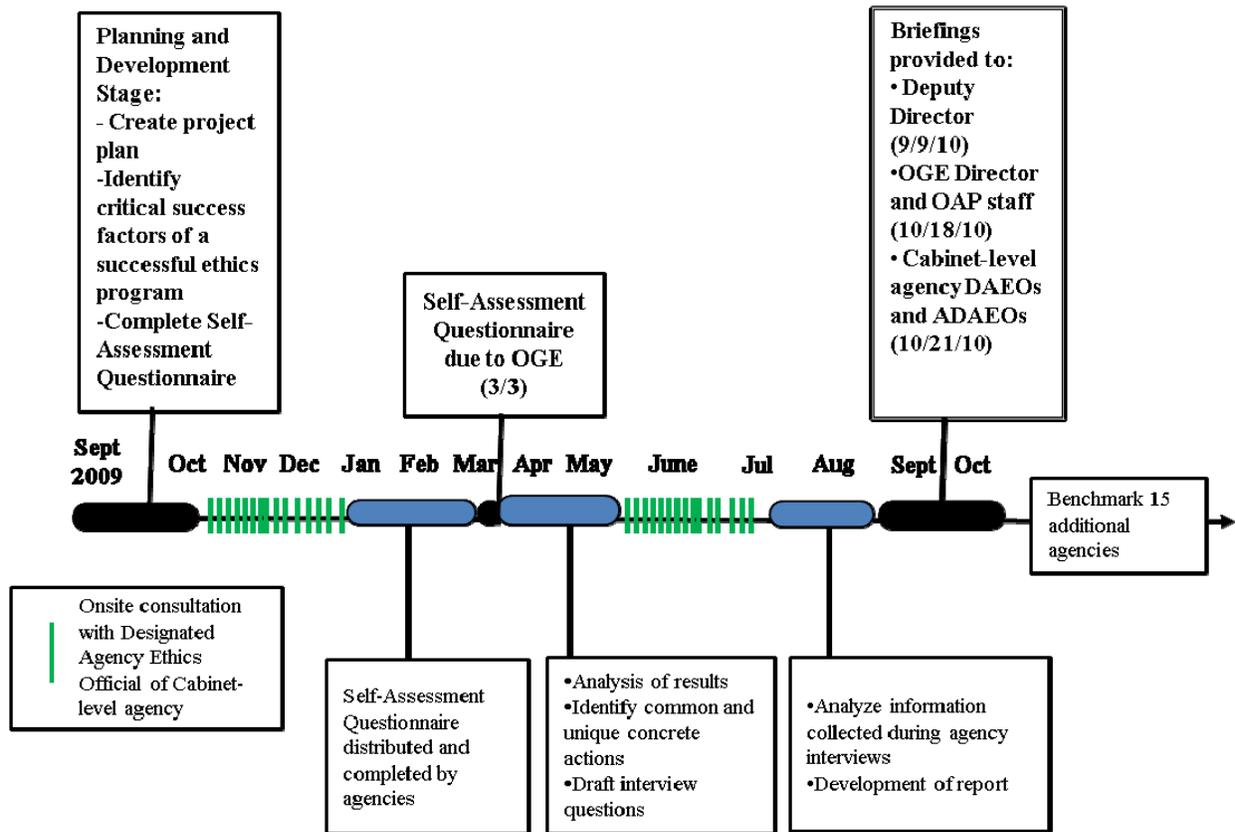
The project required working in close partnerships with agency Designated Agency Ethics Officials (DAEOs) and Alternate DAEOs. Through a self-assessment process, agencies examined a wide range of program structures and processes in order to efficiently identify concrete actions an agency can take to address each of the success factors. The majority of the agencies reported that they are consistently taking concrete actions to address each of the critical success factors in the areas of financial disclosure, ethics training, and ethics counseling.

One notable concrete action taken to address leadership involvement is the use of a “business case” for presentation to agency leadership in order to facilitate appropriate resource allocation. OGE also noted during the review that the DAEOs in every Cabinet-level agency served at the SES level or higher, indicating that ethics officials themselves play a vital leadership role.



The Cabinet-level benchmarking project emphasized the need for agencies to establish and maintain goals beyond minimum compliance with statutory and regulatory requirements, paving the way for continuing refinements to OGE’s onsite evaluation process. In all aspects, OGE’s work continued to encourage a strategic – rather than a reactionary – approach on the part of agency ethics programs and to highlight the importance of succession management and ethics workforce planning. OGE will use the information collected during the project to focus future training, advisory, and monitoring initiatives. OGE will also disseminate the information so that agencies can meaningfully compare themselves to similarly situated agencies.

Below is a timeline representing highlights of OGE’s work in conducting the benchmarking review.



Section III – Management Discussion & Analysis of Results

This section of OGE’s PAR provides data on OGE’s success in achieving its strategic goals and performance objectives. The following measures are based on statistical data from a variety of existing sources, including ethics training surveys, annual ethics program questionnaires, employee ethics surveys, and surveys of ethics officials.

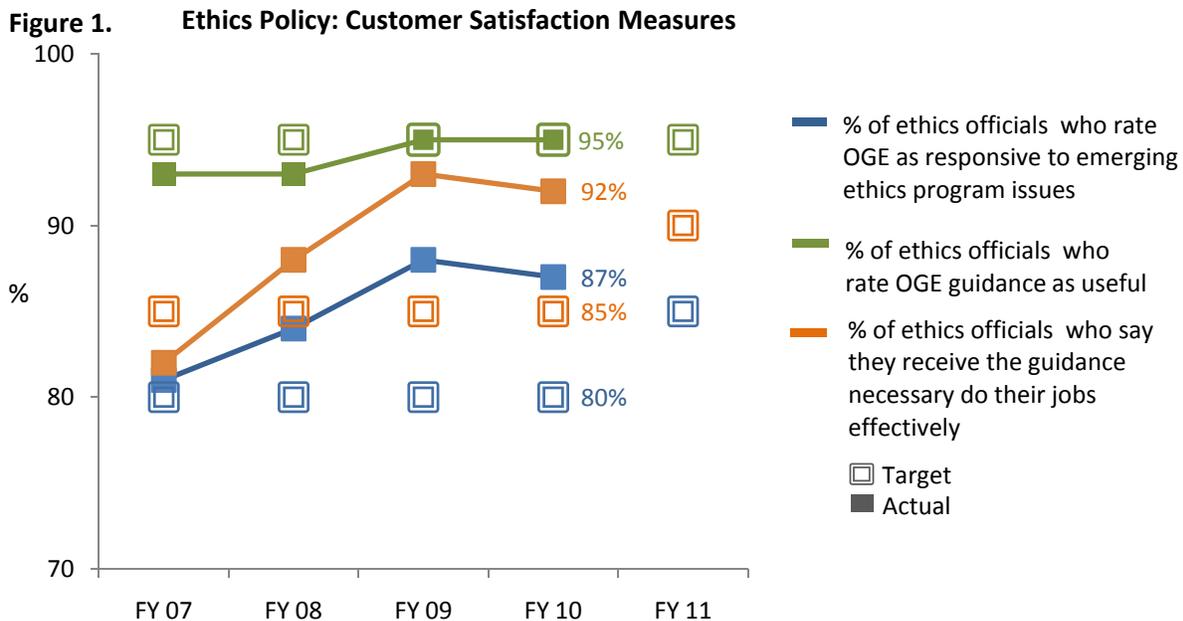
Strategic Goal 1 – Strengthening Ethical Culture Within the Executive Branch

- Objective 1.1: Improve the Effectiveness of Ethics Policy

OGE continues to earn high marks in customer satisfaction by providing guidance to ethics officials that serves to improve the effectiveness of ethics policy. OGE’s assessment of agency ethics officials’ customer satisfaction focused on three areas:

- responsiveness to emerging ethics program issues,
- usefulness of ethics policy guidance, and
- effectiveness of ethics policy guidance.

The positive results related to Objective 1.1 performance measures again met or surpassed OGE targets. (See Figure 1)



○ Objective 1.2: Enhance Assistance to and Oversight of Agency Ethics Programs

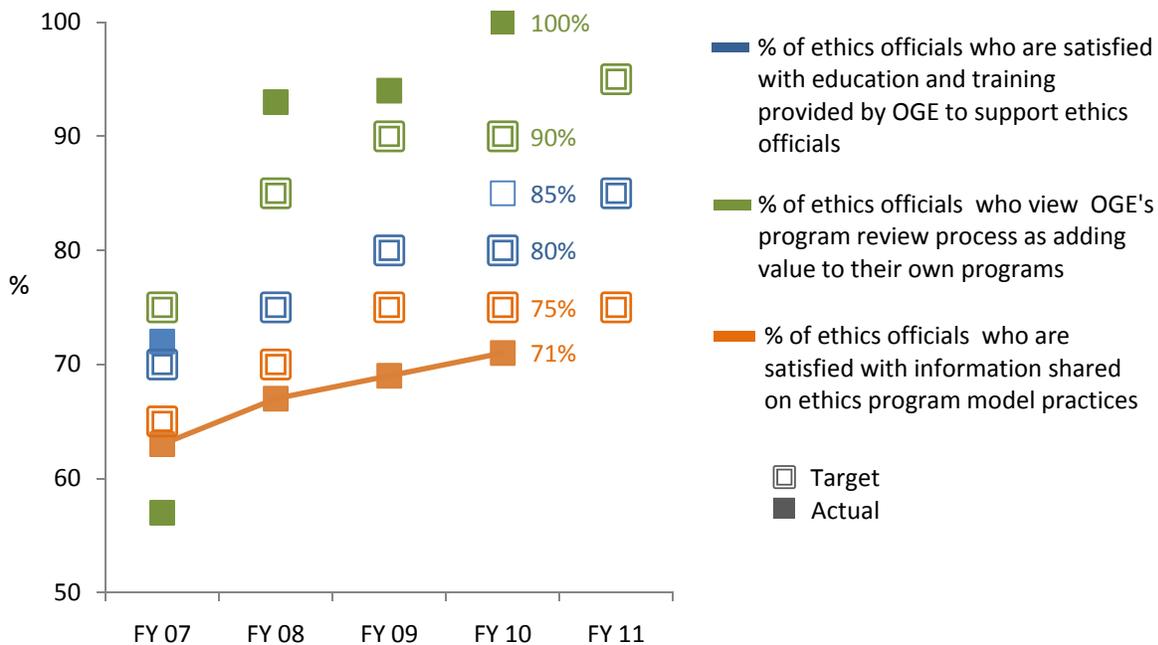
Assessment of agency ethics programs is a main aspect of OGE’s assistance to and oversight of Executive Branch ethics programs. To gauge its performance in this area, OGE solicits ethics officials’ opinions as to whether OGE’s program review process adds value to agency ethics programs.

In addition, OGE continues to devote considerable resources to training ethics officials. As previously noted, in FY 2010 OGE offered training to over 2,600 ethics officials and others (e.g., Inspectors General).

Also in furtherance of Objective 1.2, OGE continues to share model practices to assist in improving ethics program operations. Specifically, in FY 2010 OGE shared results of the Cabinet-level agency benchmarking review detailing unique and successful program practices. OGE plans to conduct another round of benchmarking at a second group of Executive Branch agencies and will again share the model practices identified.

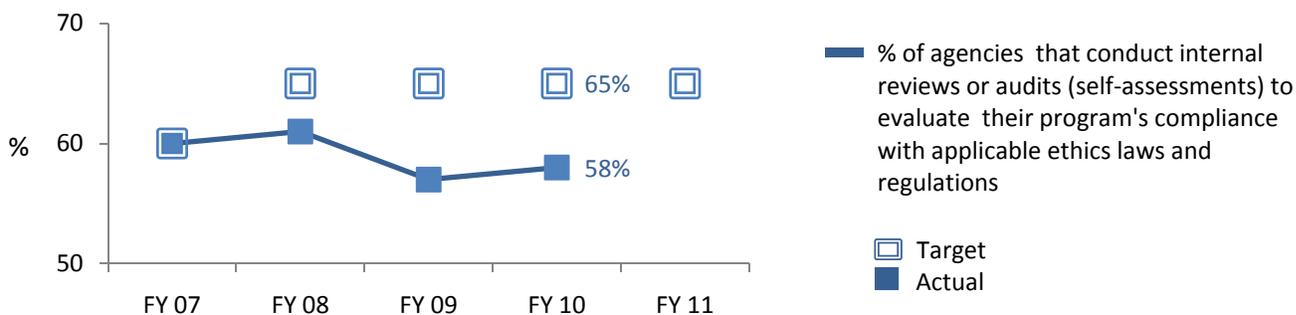
The results of these efforts to advance Objective 1.2 are illustrated in the figure below. (See Figure 2)

Figure 2. Assistance and Oversight: Customer Satisfaction Measures



Finally, OGE encourages and supports internal reviews or audits (self-assessments) by agencies to evaluate their program’s compliance with applicable ethics laws and regulations. (See Figure 3). OGE’s Cabinet-level benchmarking review identified conducting internal reviews as a concrete action that directly supports oversight: a critical success factor in an agency’s ethics program. OGE will use this information to raise awareness among all agencies that conducting internal reviews is a critical component in ensuring the enduring success of their ethics programs.

Figure 3. Assistance and Oversight: Ethics Program Self-Assessment



o Objective 1.3: Increase Employees’ Awareness of Their Ethics Responsibilities

To strengthen the ethical culture within the Executive Branch, OGE continues efforts to raise employee awareness of their ethics responsibilities. OGE provides training to agency ethics officials to assist them in carrying out their responsibilities. OGE also provides education and training products that agencies can incorporate into their ethics training programs and distributes the products throughout the Executive Branch.

To evaluate effectiveness in the area of increasing awareness, OGE assesses ethics officials’ satisfaction with the extent to which OGE’s training enhances the skills necessary to carry out their ethics duties as well as their satisfaction with our education and training products. (See Figure 4) Additionally, OGE measures agency incorporation of OGE education and training products. (See Figure 5)

Ethics officials were overwhelmingly satisfied with the training provided to assist them in doing their jobs. While many ethics officials are relatively new to the ethics program and thus may not know that the products their agencies are already using were developed by OGE, we recognize the call for more employee education and training products. In response, OGE has increased its efforts to develop and share training products aimed at employees. For example, at the 17th National Government Ethics Conference in May, over 700 attendees were provided with customizable, electronic versions of 8 posters that OGE had developed to assist ethics officials raise employee awareness.

Figure 4. Employee Awareness and Understanding: Customer Satisfaction

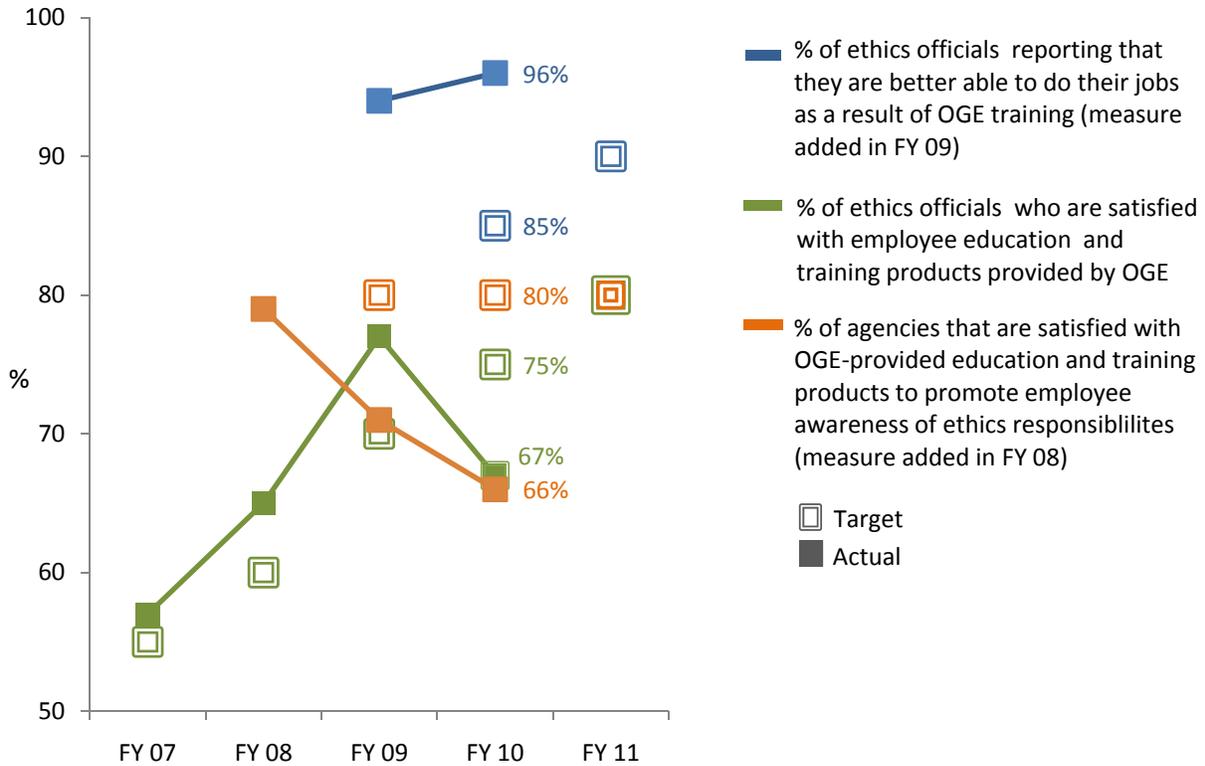
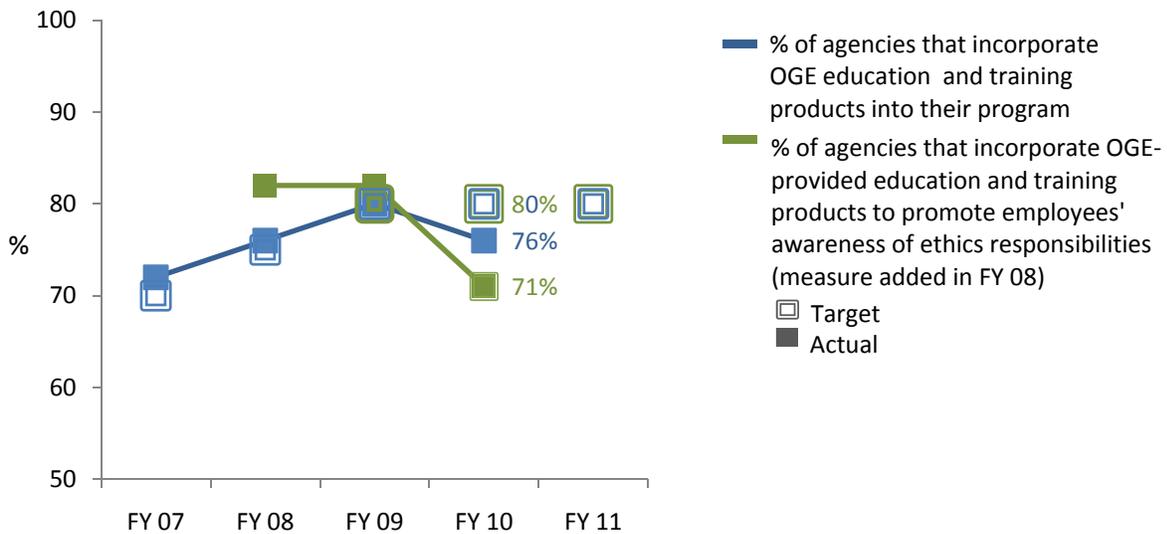


Figure 5. Employee Awareness and Understanding: Incorporation of OGE



- Objective 1.4: Increase OGE’s Focus on Senior Officials’ Roles in Implementing Ethics Programs

OGE recognizes that commitment and action by agency leadership is the keystone for ensuring an agency’s ethical culture and for fostering public confidence in the decision-making processes of Government. OGE assesses its success in the area of leadership by measuring the extent to which ethics officials indicate that their agencies’ leaders pay attention to ethics and their agencies’ leadership demonstrates support for the ethics program. In FY 2010 OGE met or exceeded its leadership targets. (See Figures 6 and 7)

Figure 6. Agency Leaders Pay Attention to Ethics

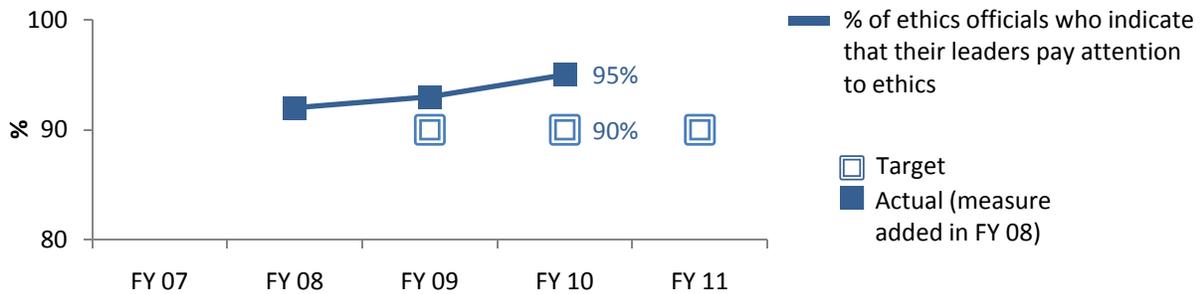
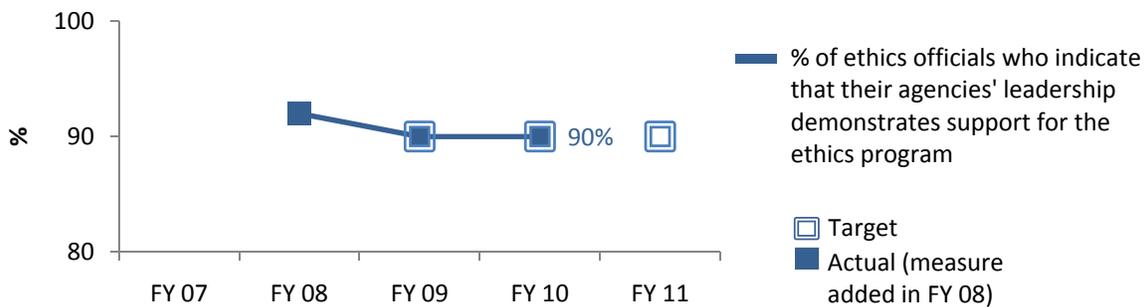


Figure 7. Agency Leadership Demonstrates Support for the Ethics Program



Strategic Goal 2 – Preventing Conflicts of Interest

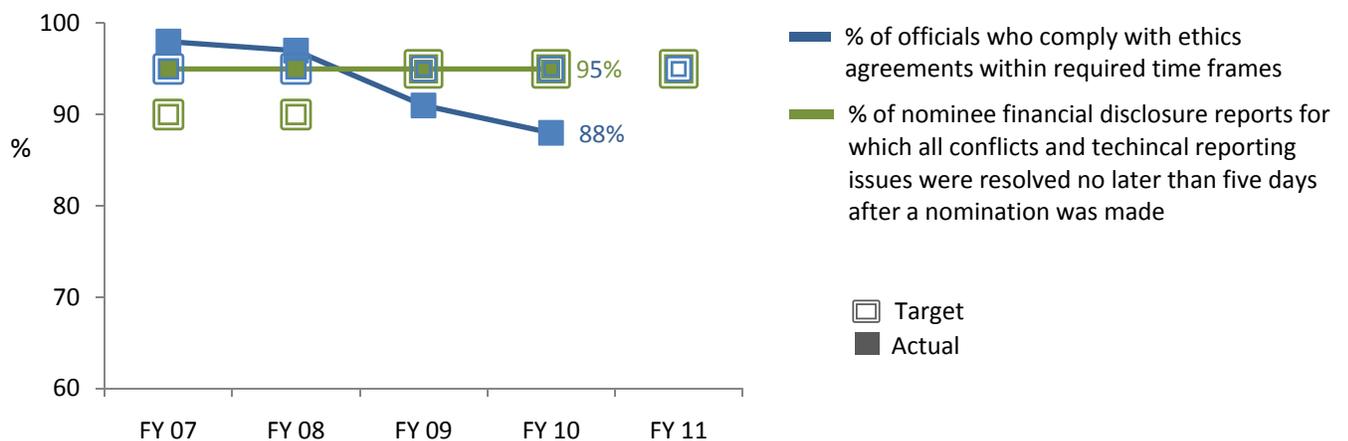
- Objective 2.1: Enhance Assistance to the President and the Senate in the Presidential Appointment Process

To further Objective 2.1, in coordination with agency ethics officials, OGE monitors the timeliness of employee compliance with ethics agreements. In general, agencies are to ensure that employees comply within 90 days of entering into the agreement. In FY 2010, OGE received documentation that 88% of employees complied with their ethics agreements within the required timeframe. This figure does not necessarily indicate that the remaining 12% of employees who entered into ethics agreements during the fiscal year were out of compliance. Rather, the figure indicates that OGE was not provided with documentation that the employees had complied with their ethics agreements within the required timeframe. OGE continues to follow up with agencies to ensure timely compliance with ethics agreements, in accordance with its internal written procedures.

Additionally, OGE measures the resolution of conflicts and technical reporting issues for nominee financial disclosure reports. OGE's established standard is to resolve conflicts and technical issues no later than five days after a nomination is made.

The figure below illustrates the results of OGE's efforts to further Objective 2.1. (*See Figure 8*)

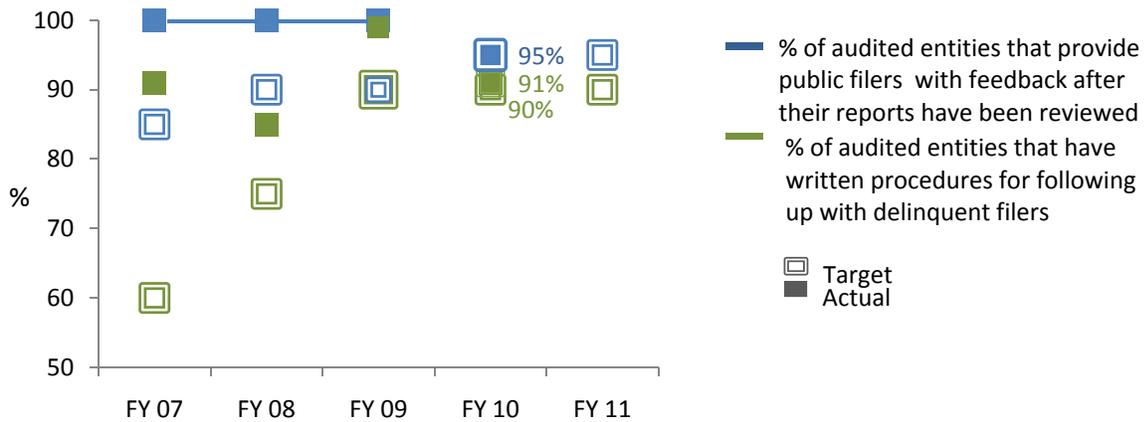
Figure 8. Assistance to the President and the Senate: Compliance Measures



- Objective 2.2: Monitor Continued Compliance with Conflict of Interest Laws; and Objective 2.3: Administer an Effective Confidential Financial Disclosure System

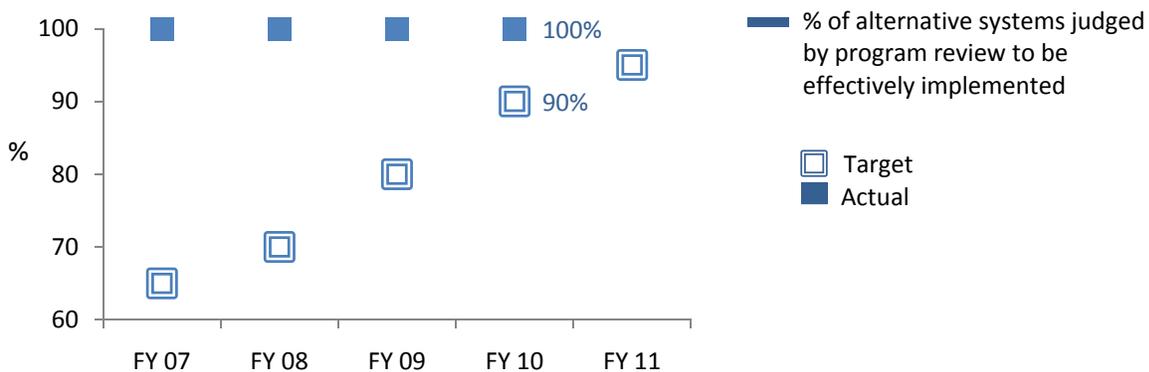
Financial disclosure serves an important public function. Through monitoring and oversight, OGE ensures that agencies have implemented effective financial disclosure processes. Two measures that OGE uses to assess agency compliance with conflict of interest laws are to ensure as part of the OGE review process that (1) agencies provide public filers with feedback after reports have been reviewed and (2) agencies have written procedures for following up with delinquent filers. In FY 2010, OGE met or exceeded the targets for these measures. (See Figure 9)

Figure 9. Conflict of Interest Laws: Compliance Measures Relative to Audited Entities

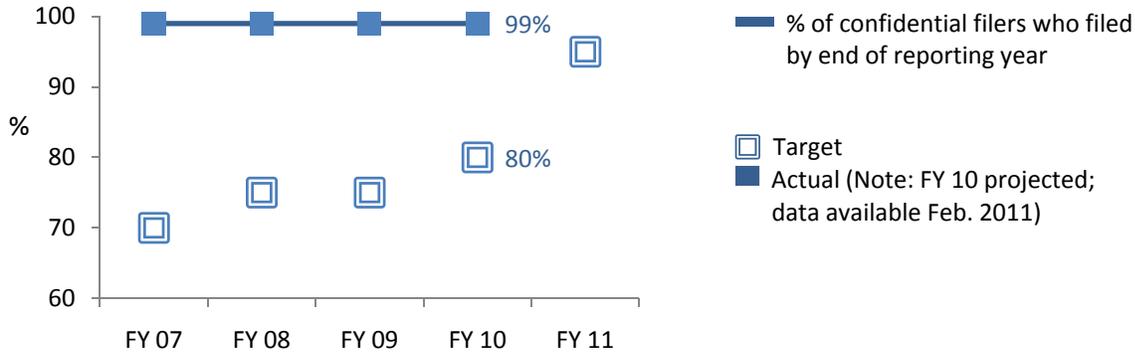


In furtherance of Objectives 2.2 and 2.3, OGE continued to encourage agencies to use alternative procedures for handling confidential financial disclosure. Appropriate implementation of alternative procedures promotes efficient allocation of ethics program resources and allows agencies to focus increased resources on other important program objectives, including: leadership support, succession planning, training, awareness building, and self-assessment. OGE also assesses whether confidential filers have filed their reports by the end of the reporting period to ensure that potential conflicts identified on the reports are resolved in a timely manner. The following two charts show continued positive results. (See Figures 10 and 11)

Figure 10. Administration of Confidential System : Compliance with Implementation of Alternative Systems



**Figure 11. Administration of Confidential System :
Compliance with Confidential Financial Disclosure Filing Requirement**



Strategic Goal 3 – Promoting Good Governance

- Objective 3.1: Increase OGE’s Support of and Cooperation with Federal, State, and Local Agencies Implementing Programs that Help Support Good Governance

Active coordination and cooperation with other government agencies having complementary missions and programs is important in promoting integrity, accountability, predictability, and transparency of Government. Agencies that promote transparent and consistent processes and information, and agencies that assist with participatory and efficient government functions, share a role in good governance, and can learn from the good practices of others. OGE’s engagement with other federal, state, and local government organizations and agencies with these complementary roles continued to prove mutually beneficial, both to OGE in meeting its other goals, and based on responses received from them, to the organizations and agencies with which OGE interacted. Some examples of the range of these engagements follow.

At the federal level, the Inspector General community serves as a critical component in the detection and investigation stages of an effective program to promote integrity and accountability; OGE continued to maintain a healthy engagement with this community through the Director’s regular participation at the monthly meetings of the Council of Inspectors General on Integrity and Efficiency (CIGIE), through the Director’s service as a member of CIGIE’s Integrity Committee where a thorough understanding of conduct standards is integral to addressing complaints against IGs, and through other OGE personnel’s increasing and well-received service as instructors in courses for the Inspector General Criminal Investigation Academy.

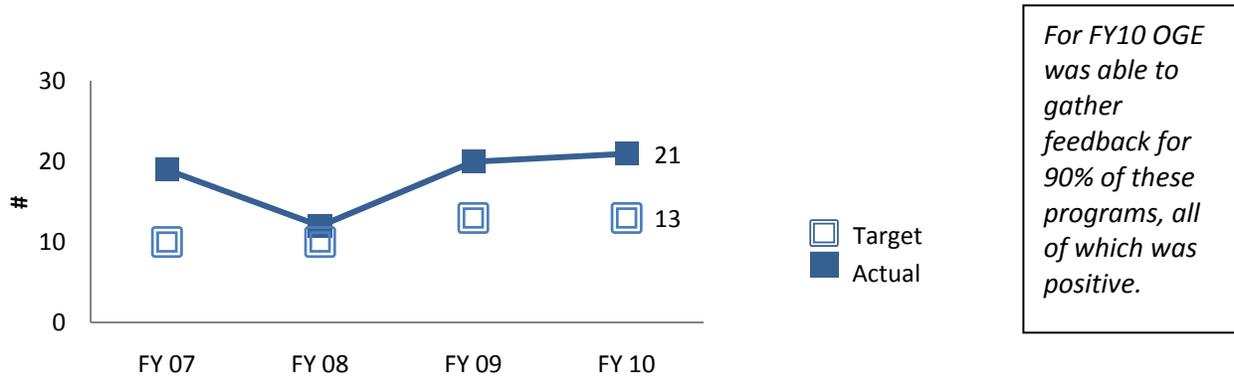
Like OGE's engagement with the detection and investigative function provided by the Inspector General community, OGE began this year to reach out more formally to federal employment lawyers regarding effectively imposed discipline based on the standards of ethical conduct. This program was also well-received and indicated further opportunities to expand this outreach.

The federal advisory committee system involves the participation of thousands of private citizens in helping provide advice and counsel throughout Government in its development of policies and procedures. Understanding that the valuable work of these committees can be undercut through the actual or perceived conflicts of its members, OGE continued this year to work with the General Services Administration to improve training for federal advisory committee management officers in departments, and agencies—the individuals who are on the front line of ensuring that the conflicts and transparency issues which may arise with these committees are addressed in a timely and appropriate manner.

OGE has continued to share good practices with and learn from state and local government agencies involved in administering programs that support good governance. Much of that sharing occurs through or because of OGE's active participation with the Council on Governmental Ethics Laws (COGEL), an organization of federal, state, and local government agencies whose responsibilities include ethics, campaign finance, freedom of information, and lobbying disclosure. OGE has gathered and shared good practices through active participation in the annual conference (where OGE organized a panel on negotiating for employment/post-employment in a time of furloughs and downsizing), through posting and responding to requests for information and assistance on the COGEL website, and through direct communications with members. This year for the first time, OGE also combined its international efforts with cooperation with state and local governments by inviting seven international participants and three state and local government agency COGEL members to OGE's 17th National Government Ethics Conference. Participant feedback from this pilot program indicated this combination was productive and worthwhile.

OGE was also able to leverage the experiences of state and local government agencies in support of United States foreign policy initiatives. Working with the members of COGEL, OGE created a list of state and local COGEL agencies for the State Department's International Visitor Leadership Program (ILVP). The ILVP invites individuals from around the world to participate in visiting programs within the United States and those visits often include meetings with state and local government agencies. The list was extremely well-received by the ILVP and its network of local hosts and its use has given COGEL members new opportunities to share good practices with and to learn from the experiences of their international visitors.

Figure 12. Outreach Activities with Federal, State, and Local Entities



o Objective 3.2: Enhance Outreach to the Public and Private Sector and Civil Society

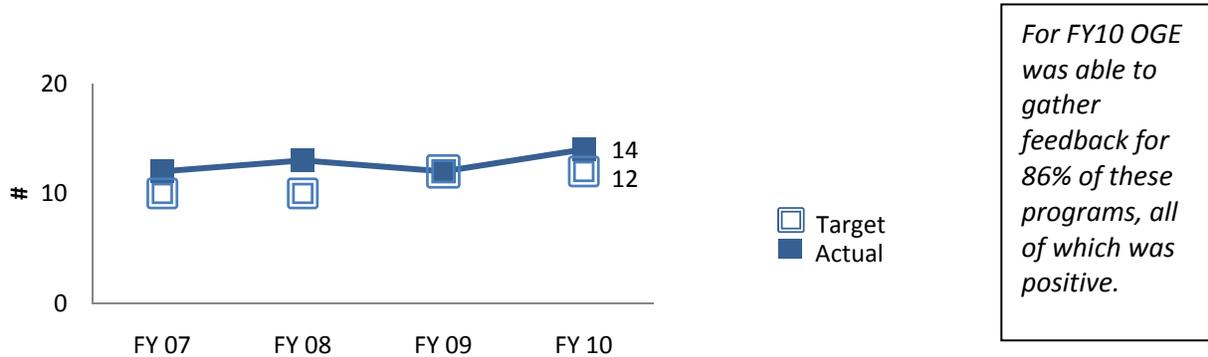
While OGE constructively engaged the private sector and civil society, it also recognized that information provided on OGE’s website is one of the most effective ways of reaching the largest audience and of helping to reinforce that public service ethics should be transparent and based on shared expectations of employees and the public. This year, OGE began the substantial pre-execution planning of an in-depth project to redesign its website. The purpose of the redesign is to make the increasingly large amount of information available on OGE’s website more intuitively accessible and easily navigable. This involves not just a revision of the look and feel of the website, but a complete overhaul of the information architecture, i.e., how information is categorized, organized, and presented. The website redesign project should be substantially complete during FY 2011.

While the website project has diverted significant personnel resources that might otherwise have been available for individual outreach efforts, OGE has continued to engage the private sector. OGE met with organizations interested in the programs it administers, made presentations to university, public administration and bar association groups about the federal executive branch ethics program and more specifically to government contractors about federal gifts rules. Based upon reactions from these groups, these interactions were valued and valuable.

Particularly effective efforts with the private sector involved OGE’s continued work with representatives of the academic and private sector through both the Ethics Resource Center (ERC) and the Ethics and Compliance Officer Association (ECO). Together, the members of the organizations and OGE have been able to develop projects that mutually assist the ethics programs of federal agencies as well as the ethics programs of the private sector members of those organizations. For example, the novel and highly successful keynote presentation at the 17th National Government Ethics Conference which required audience participation, and the conceptualization, design, and delivery of the New Ethics Official Certificate Program were direct results of OGE’s work with these organizations. Conversely, largely as a result of OGE’s participation in its programs, ECOA significantly increased its attention to issues of common

concern to the private and government sectors, developed a better understanding of the needs of federal government ethics programs, and created a new membership category to better serve government ethics officials, thus supporting OGE's efforts to promote succession planning and ethics as a profession.

Figure 13. Outreach Activities with Private Sector and Civil Society



- Objective 3.3 Support U.S. Foreign Policy Anti-corruption and Good Governance Initiatives

This fiscal year saw a continued increase in the requests for assistance received from or through United States foreign policy agencies, particularly as the interest in programs that help prevent corruption and programs of mutual evaluation has heightened. OGE now represents the United States at the following fora and working groups:

- UN Office of Drugs and Crime meetings of the Council of States Parties to the UN Convention Against Corruption (UNCAC), the UNCAC Implementation Review Group, and the UNCAC working group on Prevention;
- Council of Europe's Group of States Against Corruption (GRECO);
- Asia-Pacific Economic Corporation (APEC) Anti-Corruption and Transparency Task Force;
- Organization for Economic Co-operation and Development's (OECD) Public Governance Directorate experts group on Integrity;
- Follow-up mechanism of the Inter-American Convention Against Corruption (MESICIC) within the Organization of American States; and
- Anti-Corruption Working Group of the US-China Joint Liaison Group.

In addition, staff of OGE continued to serve as expert evaluators for individual GRECO member reviews, and for the UNCAC pilot review program, and will serve as reviewers for the formal UNCAC review program and continuing rounds of GRECO. Staff also continued to

assist in the reviews conducted through MESICIC. These services have resulted in increased requests from within the United States Government for assistance in international fora and a commensurate increase in financial reimbursement support where OGE's resources would not otherwise allow it to accommodate the requests.

Figure 14. OGE Cooperation with International Organizations



OGE represented the United States at anti-corruption and governance bodies of five multi-national organizations and one bilateral group.

OGE's work with these organizations has not just focused on policy development, it has also included very practical assistance to other members in support of those policies. Highly successful programs included a workshop supporting the prevention portion of the APEC Anti-Corruption and Transparency Taskforce agenda jointly hosted by the United States and China. The program was primarily designed by OGE and included representatives of all of the APEC economies in the program, a result that had not been achieved before in an ACTTF event. As a resource for all of the participants in the program, as well as all the member economies, OGE compiled and provided an electronic copy of available English versions of the codes of conduct of the members. In addition, as a co-Chair of the workshop, the Director of OGE met with Wu Bangguo, Chairman of the Standing Committee of the National People's Congress; this meeting was a part of United States efforts to strengthen the relationship with China in APEC and in the US-China Joint Liaison Group. Later in the fiscal year, the United States – again through the efforts of OGE – co-sponsored a program with Japan (2010 APEC host) on highly effective techniques for training public officials on ethics and conduct standards. In addition to selecting and coordinating all the speakers, as well as making presentations, OGE compiled samples of training materials throughout the APEC region for display at the workshop and a provided links to those and other materials to all the participants. Both of these workshops and the materials provided were extremely well-received by the participants as well as by OGE's United States agency partners.

Individual anti-corruption programs from countries throughout the world often reach out to OGE through these international organizations or United States embassies for assistance with particular issues or for participation in important public programs. OGE has written articles for foreign agency publications, has shared materials created by OGE or compiled by OGE, and made seven presentations at programs hosted by these organizations – programs where cumulatively the audience represented 77 countries. For example, during this fiscal year, the Director provided a key-note address at an international program sponsored by the Centre of Anti-Corruption Studies of the Hong Kong Independent Commission Against Corruption. Other

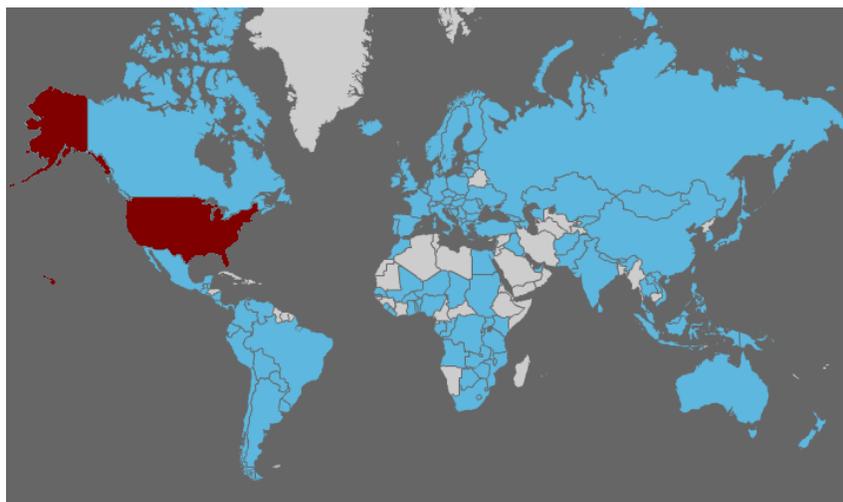
staff spoke at conferences of the European Partners Against Corruption and the Organization of American States.

In support of individual country programs, and as a pilot program, OGE invited participants from six individual country anti-corruption programs (2 from Asia, 1 from South America, 3 from the new Europe) to join the over 700 executive branch officials at OGE's 17th National Ethics Conference. In addition, OGE invited representatives of three United States state or local government agencies to participate with the international attendees, as state and local programs are more often of the same size and have similar functional jurisdictions as did many of OGE's international participants. All of the participants indicated that the conference was highly useful and thought-provoking for them and encouraged OGE to continue to invite both international and state and local participants. Their observations of the conference were also extremely useful to OGE in designing the next national conference, to which OGE plans to continue to invite international attendees.

OGE regularly has an opportunity to discuss its program with delegations of foreign visitors from throughout the world, at international forums during and after a presentation, and through individual e-mail communications from those who find the agency on the internet. Many of the visiting delegations come through the State Department's International Visitor Leadership program and associated programs. While OGE shares its experiences with these representatives of other countries, it also learns from their experiences. In an attempt to enhance the usefulness of the briefings given in Washington, D.C., OGE provides a short survey to all the participants. The responses consistently indicate that the presentations are useful and that the candor with which the presentations are given refreshing. This past year, OGE met with 43 delegations with a cumulative participant number of 473 individuals representing 84 countries.

The breadth and depth of OGE's foreign policy assistance and international technical assistance has, in FY 2010, continue to be wide and significant.

Figure 15. OGE International Technical Assistance



In FY10 OGE provided some form of technical assistance in support of U.S. foreign policy interests to the countries highlighted in blue.

Section IV – Management Assurances

Annual Assurance Statement on Internal Controls and Internal Control over Financial Reporting

OGE's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). OGE conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, OGE can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2010, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, OGE conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, OGE can provide reasonable assurance that its internal control over financial reporting as of June 30, 2010, was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Robert I. Cusick
Director
Office of Government Ethics
November 10, 2010

Section V – Financial Statements and Independent Auditor’s Report

Limitations of the Financial Statements

The principal financial statements for the Office of Government Ethics (OGE) have been prepared to report the financial position and results of operations of the Office of Government Ethics, pursuant to the requirements of 31 U.S.C.3515(b). While the statements have been prepared from the books and records of the OGE in accordance with generally accepted accounting principles (GAAP) for Federal entities and formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying balance sheet of the U.S. Office of Government Ethics (OGE) as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of OGE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OGE as of September 30, 2010 and 2009 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04 as amended, we have also issued reports dated November 12, 2010 on our consideration of the OGE internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The OGE's Management's Discussion & Analysis contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with OGE officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

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This report is intended solely for the information and use of the management of the OGE, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company

Largo, Maryland
November 12, 2010



**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

We have audited the financial statements of the U.S. Office of Government Ethics (OGE) as of and for the year ended September 30, 2010 and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the OGE's internal control over financial reporting by obtaining an understanding of the OGE's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 as amended. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a significant deficiency or material weakness. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04 as amended, a material weakness is a deficiency, or 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 in internal control, 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. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be a material weakness as defined above.

This report is intended solely for the information and use of the management of the OGE, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company

Largo, Maryland
November 12, 2010



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS**

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

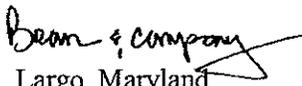
We have audited the financial statements of the U.S. Office of Government Ethics (OGE) as of and for the year ended September 30, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*.

The management of the OGE is responsible for complying with laws and regulations applicable to the OGE. As part of obtaining reasonable assurance about whether the OGE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04 as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the OGE.

The results of our tests of compliance disclosed no reportable instances of noncompliance with laws and regulations discussed in the preceding paragraph that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04 as amended.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

This report is intended solely for the information and use of the management of the OGE, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.


Largo, Maryland
November 12, 2010

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UNITED STATES OFFICE OF GOVERNMENT ETHICS
BALANCE SHEET
AS OF SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 2,461,039	\$ 1,701,883
Accounts Receivable, Net (Note 3)	14,278	-
Total Intragovernmental	2,475,317	1,701,883
Accounts Receivable, Net (Note 3)	141	985
Total Assets	\$ 2,475,458	\$ 1,702,868
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 186,713	\$ 119,857
Other (Note 6)	181,860	163,760
Total Intragovernmental	368,573	283,617
Accounts Payable	192,529	253,188
Federal Employee and Veterans' Benefits (Note 4)	359,901	347,745
Other (Note 6)	1,319,780	1,218,663
Total Liabilities	\$ 2,240,783	\$ 2,103,213
Net Position:		
Unexpended Appropriations	\$ 1,418,281	\$ 737,404
Cumulative Results of Operations	(1,183,606)	(1,137,749)
Total Net Position	\$ 234,675	\$ (400,345)
Total Liabilities and Net Position	\$ 2,475,458	\$ 1,702,868

The accompanying notes are an integral part of these financial statements

**UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)**

	2010	2009
Program Costs:		
Salaries and Expenses:		
Gross Costs (Note 8)	\$ 14,222,581	\$ 13,614,907
Earned Revenue	(546,058)	(68,149)
Net Cost of Operations	\$ 13,676,523	\$ 13,546,758

The accompanying notes are an integral part of these financial statements

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Cumulative Results of Operations:		
Beginning Balances	\$ (1,137,749)	\$ (1,173,279)
Budgetary Financing Sources:		
Appropriations Used	13,094,790	13,027,389
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 9)	535,875	554,899
Total Financing Sources	13,630,665	13,582,288
Net Cost of Operations	(13,676,523)	(13,546,758)
Net Change	(45,858)	35,530
Cumulative Results of Operations	\$ (1,183,606)	\$ (1,137,749)
Unexpended Appropriations:		
Beginning Balances	\$ 737,404	\$ 1,228,435
Budgetary Financing Sources:		
Appropriations Received	14,000,000	13,000,000
Other Adjustments	(224,333)	(463,642)
Appropriations Used	(13,094,790)	(13,027,389)
Total Budgetary Financing Sources	680,877	(491,031)
Total Unexpended Appropriations	\$ 1,418,281	\$ 737,404
Net Position	\$ 234,675	\$ (400,345)

The accompanying notes are an integral part of these financial statements

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 567,187	\$ 885,266
Recoveries of Prior Year Unpaid Obligations	661,925	697,716
Budget Authority		
Appropriation	14,000,000	13,000,000
Spending Authority From Offsetting Collections		
Collected	531,780	105,897
Change In Receivables From Federal Sources	14,278	(37,748)
Without Advance From Federal Sources	-	(34,403)
Permanently Not Available	(224,333)	(463,642)
Total Budgetary Resources	\$ 15,550,837	\$ 14,153,086
Status of Budgetary Resources:		
Obligations Incurred		
Direct (Note 11)	\$ 14,397,217	\$ 13,442,308
Reimbursable (Note 11)	546,252	143,591
Unobligated Balance		
Apportioned	136,832	35,400
Unobligated Balance Not Available	470,536	531,787
Total Status of Budgetary Resources	\$ 15,550,837	\$ 14,153,086
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 1,134,695	\$ 1,641,407
Uncollected Customer Payments From		
Federal Sources, Brought Forward, October 1	-	(72,151)
Total Unpaid Obligated Balance, Net	1,134,695	1,569,256
Obligations Incurred Net	14,943,469	13,585,899
Gross Outlays	(13,548,292)	(13,394,895)
Recoveries of Prior Year Unpaid Obligations, Actual	(661,925)	(697,716)
Uncollected Customer Payments From Federal Sources	(14,278)	72,151
	1,853,669	1,134,695
Obligated Balance, Net, End of Period		
Unpaid Obligations	1,867,947	1,134,695
Uncollected Customer Payments From Federal Sources	(14,278)	-
Total, Unpaid Obligated Balance, Net, End of Period	\$ 1,853,669	\$ 1,134,695
Net Outlays:		
Gross Outlays	\$ 13,548,292	\$ 13,394,895
Offsetting Collections	(531,780)	(105,897)
Net Outlays	\$ 13,016,512	\$ 13,288,998

The accompanying notes are an integral part of these financial statements



UNITED STATES OFFICE OF GOVERNMENT ETHICS NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Office of Government Ethics (OGE), established by the Ethics in Government Act of 1978, is the agency within the Executive Branch that provides overall direction of Executive Branch policies designed to prevent and resolve conflicts of interest and to promote high ethical standards for Executive Branch employees. Specifically, OGE is responsible for promulgating and maintaining enforceable standards of ethical conduct for nearly 4 million civilian employees and uniformed service members in over 130 Executive Branch agencies and the White House; overseeing a financial disclosure system that reaches 25,000 public and nearly 300,000 confidential filers; providing direct education and training products to 5,600 ethics officials; conducting outreach to the general public, the private sector and civil society; and sharing good practices with and providing technical assistance to state, local, and foreign governments and international organizations.

OGE's greatest resource is its multi-disciplinary staff of attorneys, ethics and finance experts, and support staff. OGE leverages its human resources by organizing cross-functional teams to perform such diverse tasks as reviewing the financial disclosure reports of Senate-confirmed, Presidential appointees for financial conflicts of interest, training Executive Branch ethics officials, and enhancing oversight of Executive Branch ethics programs. By necessity, OGE's multi-disciplinary staff must be flexible in order to identify and respond to emerging needs within the ethics community and the Government as a whole.

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. OGE does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of OGE. 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 approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* 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. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit OGE to incur obligations for specified purposes. In fiscal years 2010 and 2009, OGE was accountable for General Fund appropriations. OGE recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants. OGE also has reimbursable authority to conduct an Annual Ethics Conference. Budgetary resources are recorded when funds on deposit with the Department of Treasury are made available to OGE through a warrant(s) for expenditures and liabilities.

D. 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.

E. Revenues & Other Financing Sources

Congress enacts annual appropriations to be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from service fees and reimbursements from other government entities and the public.

Appropriations are recognized as a financing source when expended. Revenue from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

OGE recognized as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

F. Taxes

OGE, as a Federal entity, is not subject to Federal, State, or local income taxes, and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

G. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. OGE does not maintain cash in commercial bank accounts. See Note 2 for additional information.

H. 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.

I. 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 charged to expense as incurred. OGE's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	9
Office Furniture	5
Computer Equipment	3
Office Equipment	5
Software	5

J. 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.

K. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the OGE as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

L. Accounts Payable

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

M. 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 OPM upon the retirement of that individual. Credit is given for sick leave balances upon the retirement of Federal Employee's Retirement System (FERS) covered employees effective at 50% beginning FY 2010 and 100% in FY 2014.

N. 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.

O. Retirement Plans

OGE employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of OGE's matching contribution, equal to seven percent of pay, distributed to their annuity

account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. FERS offers a savings plan to which OGE automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, OGE also contributes to 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.

P. 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.

Q. 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.

R. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. OGE recognized imputed costs and financing sources in fiscal years 2010 and 2009 to the extent directed by OMB.

S. Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported.

At the end of the fifth expired year, the expired account is cancelled.

T. Reclassification

Certain fiscal year 2009 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2010 and 2009 were as follows:

Fund Balances:

	2010	2009
Appropriated Funds	\$ 2,461,039	\$ 1,701,883
Total	\$ 2,461,039	\$ 1,701,883

Status of Fund Balance with Treasury:

	2010	2009
Unobligated Balance		
Available	\$ 136,832	\$ 35,400
Unavailable	470,536	531,787
Obligated Balance Not Yet Disbursed	1,853,671	1,134,696
Total	\$ 2,461,039	\$ 1,701,883

The unavailable unobligated fund balances represents the amount of appropriations for which the period of availability for obligation has expired. This balance is 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.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2010 and 2009 were as follows:

	2010	2009
Intragovernmental		
Accounts Receivable	\$ 14,278	\$ -
With the Public		
Accounts Receivable	141	985
Total Accounts Receivable	\$ 14,419	\$ 985

The accounts receivable is primarily employee receivables. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2010 and 2009.

NOTE 4. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on OGE’s Balance Sheet as of September 30, 2010 and 2009, 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.

	2010	2009
Intragovernmental – FECA	\$ 78,521	\$ 75,132
Intragovernmental – Unemployment Insurance	3,010	-
Unfunded Leave	745,325	715,857
Actuarial FECA	359,901	347,745
Total Liabilities Not Covered by Budgetary Resources	1,186,757	1,138,734
Total Liabilities Covered by Budgetary Resources	1,054,026	964,479
Total Liabilities	\$ 2,240,783	\$2,103,213

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 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 dependents 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 model considers the average amount of benefit payments incurred by OGE for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid (LBP) ratio for the whole FECA program. For the years ending September 30, 2010 and 2009, OGE used the overall average percentages of the LBP ratio to calculate the \$359,901 and \$347,745 FECA actuarial liabilities, respectively.

NOTE 6. OTHER LIABILITIES

All Other Liabilities are considered current liabilities.

	2010	2009
Intragovernmental Liabilities		
FECA Liability	\$ 78,521	\$ 75,132
Payroll Taxes Payable	100,329	88,628
Unemployment Liability	3,010	-
Total Intragovernmental Liabilities	\$ 181,860	\$ 163,760

	2010	2009
With the Public		
Payroll Taxes Payable	\$ 14,957	\$ 13,140
Accrued Funded Payroll and Leave	559,498	489,666
Unfunded Annual Leave	745,325	715,856
Total Public Liabilities	\$ 1,319,780	\$ 1,218,663

NOTE 7. LEASES

Operating Leases

OGE occupies office space under a lease agreement that is accounted for as an operating lease. The lease term is for a period of ten (10) years commencing on February 2, 2004 and ends February 1, 2014:

Fiscal Year	Totals
2011	\$ 1,401,175
2012	1,415,909
2013	1,431,042
2014	478,711
Total Future Payments	\$ 4,726,837

NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intergovernmental exchange revenue represent goods and services exchange made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Intragovernmental costs include payments to federal vendors for personnel benefits, rent, utilities, and other services. Payments made to non-federal entities (the public) are comprised primarily of employee salaries and other services. Such costs are summarized as follows:

	2010	2009
Program Costs		
Intragovernmental Costs	\$ 4,353,814	\$ 4,334,388
Public Costs	9,868,767	9,267,520
Total Program Costs	14,222,581	13,601,908
Intragovernmental Earned Revenue	(70,858)	(65,661)
Public Earned Revenue	(475,200)	(2,488)
Total Net Cost	\$ 13,676,523	\$ 13,533,759

NOTE 9. IMPUTED FINANCING SOURCES

OGE recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, the Office of Personnel Management (OPM). For the year ended September 30, 2010 and 2009, imputed financing was as follows:

	2010	2009
Office of Personnel Management	\$ 535,875	\$ 554,899
Total Imputed Financing Sources	\$ 535,875	\$ 554,899

NOTE 10. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY 10 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2011 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2011 Budget of the United States Government, with the Actual column completed for 2009, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2010 and 2009 consisted of the following:

	2010	2009
Direct Obligations, Category A	\$ 14,397,217	\$ 13,442,308
Reimbursable Obligations, Category A	546,252	143,591
Total Obligations Incurred	\$ 14,943,469	\$ 13,585,899

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed.

	2010	2009
Undelivered Orders	\$ 810,912	\$ 170,217
Total Undelivered Orders	\$ 810,912	\$ 170,217

NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

OGE has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 14,943,469	\$ 13,585,899
Less: Spending Authority From Offsetting Collections and Recoveries	(1,207,983)	(731,462)
Net Obligations	13,735,486	12,854,437
Other Resources		
Imputed Financing From Costs Absorbed By Others	535,875	554,899
Net Other Resources Used to Finance Activities	535,875	554,899
Total Resources Used to Finance Activities	14,271,361	13,409,336
Resources Used to Finance Items Not Part of the Net Cost of Operations:	639,852	(122,924)
Total Resources Used to Finance the Net Cost of Operations	13,631,509	13,532,260
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	45,014	14,498
Net Cost of Operations	\$ 13,676,523	\$ 13,546,758