

UNITED STATES OFFICE OF
GOVERNMENT ETHICS



November 15, 2017

The Honorable John M. Mulvaney
Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Director Mulvaney:

I am pleased to transmit to you the Annual Financial Report (AFR) for the U.S. Office of Government Ethics (OGE) for fiscal year 2017. 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, 2017, 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,

A handwritten signature in blue ink, appearing to read "David J. Apol".

David J. Apol
Acting Director and General Counsel

Enclosure



ANNUAL

FINANCIAL REPORT

OGE | 20
17



MISSION

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

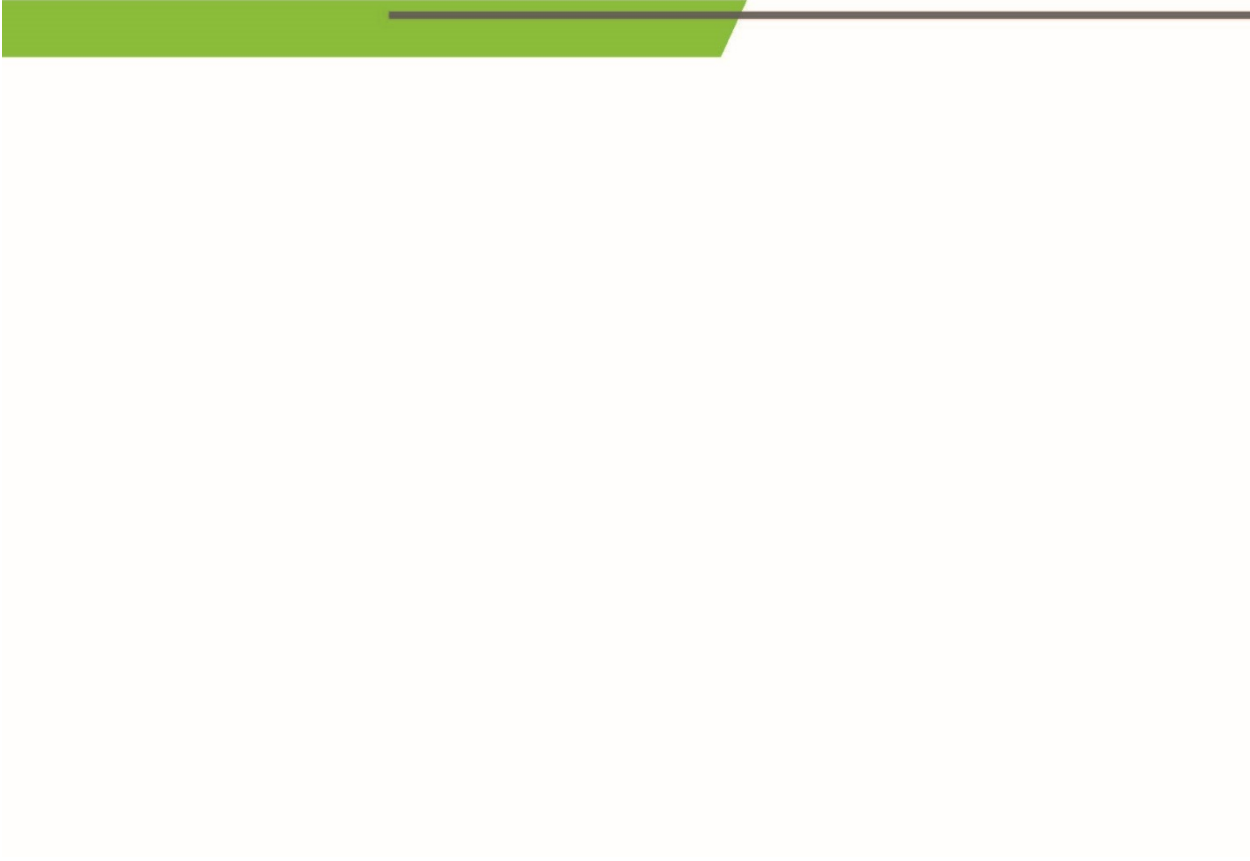


Table of Contents

Part I – Management Discussion and Analysis	1
Mission Statement and Background	1
Performance Highlights	2
Analysis of Financial Statements and Stewardship	7
Part II – Management Assurances	9
Annual Assurance Statement on Internal Controls and Internal Controls over Financial Reporting	9
Part III – Financial Statements and Independent Auditor’s Report	10
Limitations of the Financial Statements	10
Independent Auditor’s Report	12
Financial Statement and Notes	16
Part IV – Other Information	29
Fraud Reduction Report	29
Grants Oversight and New Efficiency (GONE) Act Requirements	29
Civil Monetary Penalty Adjustment for Inflation	30

Part I – Management Discussion and Analysis

The U.S. Office of Government Ethics (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 2017 APR, which OGE will post on its [website](#) by the Spring of 2018.

This section provides a brief description of OGE’s mission and organizational structure, a high-level discussion of OGE’s key performance goals, and an analysis of OGE’s financial statements and stewardship.

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 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, it is working 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 and 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;
- provides education and training to the nearly 5,000 ethics officials executive branch-wide; and
- 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.

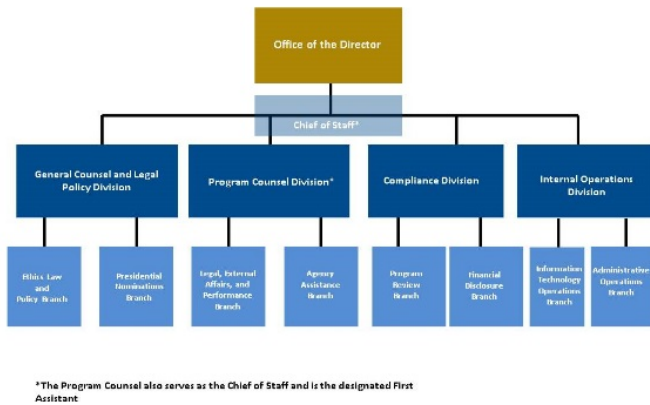


Figure 1: OGE Organizational Chart

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

When government decisions are made free from conflicts of interest, the public can have greater confidence in the integrity of executive branch programs and operations. The three strategic goals of OGE’s strategic plan for fiscal years 2014 through 2018 – uniformity, continuity, and transparency – reflect the long-term outcomes that OGE strives to achieve in order to prevent and resolve conflicts of interest. See Figure 2.

The daily work of OGE is driven by the strategic objectives and performance goals established under



Figure 2: OGE’s Fiscal Year 2014 – 2018 Strategic Plan

¹ The position of Director of OGE is currently vacant. The General Counsel was appointed by the President to serve as Acting Director.

each of the overall strategic goals set forth below.

In fiscal year 2017, OGE met or exceeded each of its performance goals. Below are performance highlights from each of OGE's major programs that support OGE's strategic goals.

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

To achieve its strategic goal of advancing a strong uniform executive branch ethics program, OGE interprets and advises on ethics laws, policies, and program management issues; holds executive branch agencies accountable for carrying out effective ethics programs; contributes to the professional development of ethics officials; and modernizes and implements the ethics rules and regulations.

OGE provides necessary support to agency ethics officials so they can provide uniform and effective ethics guidance to nearly 3 million federal employees in the executive branch who, in turn, 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 2017, OGE Desk Officers and attorneys responded to approximately 1,800 requests for assistance from agencies. Desk Officers also proactively engaged with agency ethics offices through in-person meetings to provide expertise and support, to increase uniformity across agencies, and to raise awareness of the range and availability of OGE's services. OGE surveyed ethics officials who requested assistance from OGE's Desk Officers during fiscal year 2017 to measure the performance of the program. Ninety-five percent of survey respondents indicated that Desk Officers helped them to perform their job duties.

In addition to providing day-to-day assistance through the Desk Officer program, OGE issued 24 legal and program advisories to disseminate critical information to the executive branch ethics community and to promote uniform interpretation of ethics laws, regulations, and policies. Advisories are an integral component of the body of interpretive and programmatic guidance that executive branch ethics officials rely on daily. OGE issued advice to address subject matter of particular relevance during a Presidential transition, to respond to emerging ethics issues, and to respond to feedback from agency ethics officials about questions they received from employees. A survey of executive branch ethics official found that 93 percent of respondents reported that OGE's advisories help them perform their job duties.

In addition to providing day-to-day assistance through the Desk Officer program and issuing guidance, OGE holds executive branch agencies accountable for carrying out an effective ethics program by conducting agency ethics program reviews and reviewing the financial disclosure reports of senior executive branch officials.

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. All three types of reviews are designed to identify and remediate systemic risks in agency ethics programs. They 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 2017, OGE conducted 48 program reviews and published a total of 40 program review reports. OGE also conducted 12 follow-up reviews and published the related reports. In fiscal year 2017, OGE issued 120 recommendations as a result of its program reviews. In cases in which OGE identified a program weakness during a program review, OGE exceeded its target for the percent of program reviews which, in turn, resulted in improvements in the reviewed agency's ethics program.

OGE also helps ensure that senior officials remain free from conflicts of interest by timely reviewing the public annual, termination, and transactions 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 2017, OGE reviewed approximately 2,000 public financial disclosure reports (new entrant, annual, termination, and periodic transaction reports). OGE exceeded its target of completing reviews of public financial disclosure reports required to be submitted to OGE within 60 days of receipt.

In addition, OGE provides ethics training to ethics officials across the executive branch, which is essential to ensuring uniformity in the application of ethics laws and policy. Despite the need to reduce the number of learning opportunities to accommodate the increased workload associated with the Presidential transition, in fiscal year 2017, 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 maintained a high number of training registrations and created training products that were viewed on-demand more than 14,000 times during fiscal year 2017. As important as having a wide reach, OGE's training was rated as highly effective: 96 percent of ethics officials reported that they better understand the subject matter presented and 92 percent believe they can more effectively perform their jobs as a result of attending courses offered by OGE.

In addition to courses, in fiscal year 2017 OGE developed a collection of key educational resources designed for agency ethics officials to tailor to meet the needs of their agencies' mission and employees: [*Ethical Service, Fourteen General Principles, Standards of Ethical Conduct, and Conflict of Interest Laws*](#). OGE also developed materials to assist agency ethics officials in more effectively delivering ethics training. This included a [library of ethics scenarios](#) and an [Instructor Guide](#) for agencies to use in conducting new employee orientations. To encourage and enable the adoption of these new training models and materials, OGE conducted a broadcast and held 6 instructor development workshops, which brought together more than 98 ethics officials from

across the government to learn from one another and to practice using the OGE-developed materials and effective training techniques.

OGE also regularly reviews and revises the ethics rules and regulations to ensure their continued effectiveness and applicability to situations faced by employees in a 21st century government. In fiscal year 2017, OGE also undertook significant regulatory activities. This includes publishing a final regulation revising its regulations addressing the limitations on the ability of executive branch employees to receive gifts from sources outside the government. These regulatory changes seek to increase the public's confidence in government decision-making by establishing a principled approach to making determinations on gifts offered to federal employees.

OGE also published a final rule revising the requirements for administering the executive branch ethics program. The revised rule, which took effect on January 1, 2017, was first issued in 1981 and had remained unchanged for almost 35 years. This comprehensive revision overhauled the requirement governing agency ethics program to more effectively identify program roles and responsibilities, significantly clarify OGE's authorities with regard to agencies and individuals, strengthen ethics education requirements, more accurately describe the nature of OGE's issuances, institutionalize OGE's increased collaboration with agency ethics officials, and mandate agency ethics office's cyclical preparations for Presidential transitions, among other changes.

Strategic Goal 2: Contribute to the continuity of senior leadership in the executive branch.

OGE contributes to the continuity of senior leadership in the executive branch by assisting in the President's constitutional duty to nominate and appoint officers to the executive branch, supporting succession planning in executive branch ethics programs, and promoting leadership support of the executive branch ethics program overall. During fiscal year 2017, OGE undertook one of its most important roles: assisting in the smooth and effective transition to a new Presidential administration.

Prior to the Presidential election in November 2016, OGE continued its efforts to actively prepare the agency and the executive branchwide ethics program for the Presidential transition as well as work with the presidential campaigns to ensure a smooth transition. Specifically, in early fiscal year 2017, OGE provided a number of briefings and consultations for campaign officials engaged in planning Presidential transition activities. OGE also conducted multi-part training for members of the Presidential Transition Team and White House staff to prepare them to use OGE's electronic financial disclosure system, *Integrity*. OGE also developed a comprehensive and targeted set of publications for the incoming nominees and for the transition team staff working on nominations to facilitate the success of the ethics portion of the transition. OGE provided the Transition Team and the White House with a large supply of the [Nominee Ethics Guide](#) for distribution to prospective Presidential nominees to facilitate their understanding and success in completing the required public financial disclosure reports.

At the same time, OGE provided significant support to agencies in counseling departing officials about their post-employment restrictions.

Much of OGE's work in fiscal year 2017 focused on reviewing an extraordinary volume of complex financial disclosure reports of Presidential nominees and on developing ethics agreements to resolve identified conflicts of interest. Presidential transitions are periods of peak activity for OGE. As is demonstrated in the key highlights below, despite these significant demands, OGE's average review time for nominee reports was faster during the fiscal year 2017 Presidential transition than during the last full transition in fiscal year 2009, despite the fact that the reports were more complex. Key highlights of OGE's nominee financial disclosure work are as follows:

- In fiscal year 2017, OGE reviewed the reports of nominees for approximately 46% of the PAS positions.
- OGE cleared 85% of the nominee reports it received in fiscal year 2017.
- The average review time from receipt of a nominee report to OGE clearance was 4% faster in the fiscal year 2017 Presidential transition than in the fiscal year 2009 Presidential transition.
- 59% of nominee reports were complex or extremely complex during the fiscal year 2017 Presidential transition. In the fiscal year 2009 Presidential transition, 35% of nominee reports were complex or extremely complex.

In fiscal year 2017, OGE successfully operated its electronic filing system, *Integrity*, which played an integral role in the success of the nominee financial disclosure process during the Presidential transition. A culmination of years of effort, in fiscal year 2017 OGE ensured that the system was seamlessly adopted for use by the new Administration for the most senior leaders in government and provided strong operational stability and support for the system resulting in very positive feedback from the new Administration and governmentwide system administrators. OGE actively coordinated with Presidential campaigns regarding OGE's role in the nomination process and provided campaign staff with comprehensive training on the use of *Integrity*. This training was provided as part of OGE's efforts to ensure that the transition team had the tools and knowledge needed to begin processing PAS nominees immediately after the election.

This work, plus the experiences gained from the prior Administration's use of *Integrity* enabled the President-elect's transition team to start processing PAS nominees through the system beginning soon after the election and continuing throughout fiscal year 2017. While many of the nominee financial disclosure reports submitted during this time period were the most complex ever encountered by OGE, the efficiencies provided by *Integrity* contributed to an overall decrease in the average processing time at OGE by 4% as compared with the Presidential transition in 2009. In addition, both nominees and their designees commented favorably on *Integrity's* streamlined appearance and ease of use. OGE also has received positive reviews from agency ethics officials about the system, as well as the help desk services and training provided by OGE. Further, in a

recent survey of agency *Integrity* administrators, 91% of those responding indicated they were satisfied or very satisfied with the support provided by OGE.

In addition to having a customer focus, OGE has also continued to prioritize system security. For the third time since the system went live, *Integrity* underwent a full security assessment conducted by an independent agency in fiscal year 2017. This assessment was successful, resulting in a recommendation that *Integrity* be reauthorized.

Strategic Goal 3: Promote transparency of the executive branch ethics program.

Transparency increases accountability and builds public confidence in the impartiality of government decision making. To promote transparency, OGE directs resources toward raising the visibility of the systems in place to identify and resolve conflicts of interest, and by making ethics documents publicly available. In fiscal year 2017, OGE was the subject of unprecedented public interest in its activities which significantly increased the demands on OGE to be more transparent and to make information more publicly available even more quickly.

The external demands for information from OGE are reflected in a wide array of measures. OGE processed requests from the public, news media, and government to inspect approximately 4,600 documents under the Ethics in Government Act including public financial disclosure reports, periodic transaction reports, certificates of divestiture, and other covered records. OGE also experienced a 500% increase in FOIA requests, compared to the same period in fiscal year 2016. In fiscal year 2017, OGE also responded to nearly 1,400 requests for assistance from the press, a 778 percent increase over the prior fiscal year. OGE also responded to requests for assistance from other stakeholders, including 47,000 requests from private citizens. This engagement promoted understanding of the executive branch ethics program and related ethics laws and regulations. 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.

OGE continued to use its website as its primary tool for communicating with external stakeholders and building confidence in the systems designed to detect and resolve conflicts of interest in the federal executive branch. OGE added a significant number of new ethics documents of interest to the public and streamlined the process for accessing ethics information. In addition to its website, OGE continued to successfully use social media to broaden its reach to key external stakeholders resulting in an increase in reach. For example, OGE increased the number of its Twitter followers from a few thousand in fiscal year 2016 to over 50,000 in fiscal year 2017.

OGE also continued to engage with professional, 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 private gain. This

included providing support to the international community. In fiscal year 2017, OGE briefed 20 foreign delegations comprising 260 individuals representing 101 countries.

Management Objectives: Promote professional development opportunities aimed at building OGE employees' knowledge, skills, and abilities and Transform the way OGE conducts business through process improvement

OGE devotes significant resources toward promoting professional development opportunities for its staff and improving its processes. These two efforts are critical to OGE achieving its mission-focused strategic objectives.

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 2017, 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.

OGE also 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. Notably, in fiscal year 2017, OGE created a new tracking system for program reviews, updated its system for tracking requests from ethics officials and the public, digitized several paper forms, and launched a records management application.

In addition, in fiscal year 2017, OGE developed or updated 49 standard operating procedures. For example, OGE updated numerous standard operating procedures related to financial disclosure including processing requests by the public. OGE also updated several internal procedures related to accessing agency equipment, network security, and records management.

Conclusion

The above performance highlights demonstrate that OGE has been successful in achieving its strategic goals and accomplishing its mission. As noted at the beginning of the Management Analysis and Discussion section on page 4, OGE will provide more detailed information regarding its performance goals and results in its fiscal year 2017 Annual Performance Report (APR).

Analysis of Financial Statements and Stewardship

In fiscal year 2017, OGE displayed solid financial stewardship by maximizing the use of existing resources, evaluating and refining internal processes, while continuing to make progress on several initiatives to accomplish its strategic goals during a time of often uncertain and conflicting Administration priorities. In fiscal year 2017 OGE expanded use of *Integrity*, a secure, web-based electronic filing system for executive branch public financial disclosure report (OGE Forms 278e and 278T) filers mandated by the STOCK Act. The system is offered without charge to all executive branch agencies. Being fully prepared for and successfully supporting its role in the Presidential transition, OGE significantly enhanced Integrity functionality for reviewing Presidential nominees to better manage the influx of the highest level officials in the new Administration, along with several other critical security and functional enhancements essential to supporting OGE's work in the Presidential nomination process. In addition, due to the enormous increase of public and Congressional interest in OGE's mission, OGE quickly adjusted increased accessibility to its website and informational data resources, responded to a significant increase of FOIA requests, continued to provide a wide variety of cost-effective training opportunities, completed the five year cycle of agency ethics program reviews, and provided guidance and recommendations to numerous transitioning officials with complex financial issues. OGE continued to update and clarify significant regulatory activities to ensure their continued effectiveness and applicability to all government employees.

Part II - Management Assurances

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, 2017, and with no material weaknesses 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 shared service provider, for its accounting and financial systems and reporting requirements. OGE has no in-house financial systems. OGE uses Oracle Financials, hosted by BFS. OGE considers this financial system to be reliable and effective. OGE obtains the Statement on Standards for Attestation Engagements No. 16 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 2017, and therefore concludes that OGE's internal controls over financial reporting are sufficiently strong.



David J. Apol
Acting Director
U.S. Office of Government
Ethics

Part III – Financial Statements and Independent Auditor’s Report

Limitations of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Office of Government Ethics (OGE) as of September 30, 2017 and 2016, 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), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit 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 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 includes test of compliance with provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations, contracts and grant agreements and, therefore, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the Financial Statements

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, 2017 and 2016, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Management's Discussion and Analysis* (MD&A) and *Required Supplementary Information* (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. *The Message from the Acting Director and General Counsel* and the Other Information sections are presented for purposes of additional analysis and are not required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OGE's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the

financial statements no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OGE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to OGE. The objective was not to provide an opinion on compliance with those provisions of laws, regulations, contracts and grant agreements, and we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03.

Management's Responsibility for Internal Control and Compliance

OGE's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 17-03 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

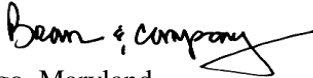
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to OGE. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 17-03 that we deemed applicable to OGE's financial statements for the fiscal year ended September 30, 2017. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of OGE's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OGE's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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



Largo, Maryland
October 30, 2017

FINANCIAL STATEMENTS AND NOTES

UNITED STATES OFFICE OF GOVERNMENT ETHICS
BALANCE SHEET
AS OF SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 2,869,511	\$ 3,108,900
Total Intragovernmental	2,869,511	3,108,900
Property, Equipment, and Software, Net (Note 3)	2,548,873	3,808,238
Total Assets	\$ 5,418,384	\$ 6,917,138
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 91,130	\$ 1,671,399
Other (Note 6)	179,684	169,898
Total Intragovernmental	270,814	1,841,297
Accounts Payable	37,429	143,464
Federal Employee and Veterans' Benefits (Note 5)	305,711	418,188
Other (Note 6)	1,159,173	996,180
Total Liabilities (Note 4)	\$ 1,773,127	\$ 3,399,129
Net Position:		
Unexpended Appropriations - Other Funds	\$ 2,179,384	\$ 830,171
Cumulative Results of Operations - Other Funds	1,465,873	2,687,838
Total Net Position	\$ 3,645,257	\$ 3,518,009
Total Liabilities and Net Position	\$ 5,418,384	\$ 6,917,138

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF NET COST
FOR THE YEARS ENDING SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Program Costs: (Note 8)		
Salaries and Expenses		
Gross Costs	\$ 16,088,002	\$ 19,479,687
Less: Earned Revenue	(2,973)	(39,585)
Net Cost of Operations	\$ 16,085,029	\$ 19,440,102

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDING SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Cumulative Results of Operations:		
Beginning Balances	\$ 2,687,838	\$ 3,996,342
Budgetary Financing Sources:		
Appropriations Used	14,479,700	17,576,212
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 10)	383,364	555,386
Total Financing Sources	14,863,064	18,131,598
Net Cost of Operations	(16,085,029)	(19,440,102)
Net Change	(1,221,965)	(1,308,504)
Cumulative Results of Operations	\$ 1,465,873	\$ 2,687,838
Unexpended Appropriations:		
Beginning Balances	\$ 830,171	\$ 2,767,360
Budgetary Financing Sources:		
Appropriations Received	16,090,000	15,742,000
Other Adjustments	(261,087)	(102,977)
Appropriations Used	(14,479,700)	(17,576,212)
Total Budgetary Financing Sources	1,349,213	(1,937,189)
Total Unexpended Appropriations	\$ 2,179,384	\$ 830,171
Net Position	\$ 3,645,257	\$ 3,518,009

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDING SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 818,227	\$ 1,016,430
Recoveries of Prior Year Unpaid Obligations	85,155	148,103
Other changes in unobligated balance	(260,574)	(101,496)
Unobligated balance from prior year budget authority, net	642,808	1,063,037
Appropriations	16,090,000	15,742,000
Spending authority from offsetting collections	2,973	39,585
Total Budgetary Resources	\$ 16,735,781	\$ 16,844,622
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 11)	\$ 16,107,351	\$ 16,026,395
Unobligated balance, end of year:		
Apportioned, unexpired account (Note 2)	120,480	90,090
Expired unobligated balance, end of year (Note 2)	507,950	728,137
Unobligated balance, end of year (total)	628,430	818,227
Total Budgetary Resources	\$ 16,735,781	\$ 16,844,622
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 2,290,673	\$ 2,222,648
New obligations and upward adjustments (Note 11)	16,107,351	16,026,395
Outlays (gross)	(16,071,788)	(15,810,267)
Recoveries of Prior Year Unpaid Obligations	(85,155)	(148,103)
Unpaid Obligations, End of Year (Gross) (Note 2)	2,241,081	2,290,673
Memorandum entries:		
Obligated Balance, Start of Year	\$ 2,290,673	\$ 2,222,648
Obligated Balance, End of Year (Note 2)	\$ 2,241,081	\$ 2,290,673
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 16,092,973	\$ 15,781,585
Actual offsetting collections	(3,486)	(41,065)
Recoveries of prior year paid obligations	513	1,480
Budget Authority, net, (total)	\$ 16,090,000	\$ 15,742,000
Outlays, gross	\$ 16,071,788	\$ 15,810,267
Actual offsetting collections	(3,486)	(41,065)
Agency outlays, net	\$ 16,068,302	\$ 15,769,202

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. 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 and the Government Management Reform Act of 1994. 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

Fund Balance with Treasury is the aggregate amount of the OGE's funds with Treasury in expenditure, receipt, and revolving 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. Treasury disburses funds 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>
Leasehold Improvements	9
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 and actuarial Federal Employees' Compensation Act (FECA).

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 effective at 100%.

J. Accrued and Actuarial Workers' Compensation

The 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 (FEGSIP) 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. 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. 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 2017 and 2016 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2016 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2017 and 2016, were as follows:

	2017	2016
Fund Balances:		
Appropriated Funds	\$ 2,869,511	\$ 3,108,900
Total	\$ 2,869,511	\$ 3,108,900

Status of Fund Balance with Treasury:

Unobligated Balance

Available	\$ 120,480	\$ 90,090
Unavailable	507,950	728,137
Obligated Balance Not Yet Disbursed	2,241,081	2,290,673
Total	\$ 2,869,511	\$ 3,108,900

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

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

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

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

NOTE 3. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2017

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 57,406	\$ 25,515	\$ 31,891
Furniture & Equipment	239,343	230,183	9,160
Software	5,866,030	3,358,208	2,507,822
Total	\$ 6,162,779	\$ 3,613,906	\$ 2,548,873

Schedule of Property, Equipment, and Software as of September 30, 2016

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 57,406	\$ 19,136	\$ 38,270
Furniture & Equipment	239,343	150,403	88,940
Software	5,866,030	2,185,002	3,681,028
Total	\$ 6,162,779	\$ 2,354,541	\$ 3,808,238

NOTE 4. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for OGE as of September 30, 2017 and 2016, 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.

	2017	2016
Intragovernmental – FECA	\$ 89,002	\$ 86,948
Intragovernmental – Unemployment Insurance	-	1,310
Unfunded Leave	688,287	613,953
Actuarial FECA	305,711	418,188
Total Liabilities Not Covered by Budgetary Resources	\$ 1,083,000	\$ 1,120,399
Total Liabilities Covered by Budgetary Resources	690,127	2,278,730
Total Liabilities	\$ 1,773,127	\$ 3,399,129

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on OGE’s 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, 2017 and 2016, was \$305,711 and \$418,188, respectively.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 10,040	\$ 78,962	\$ 89,002
Payroll Taxes Payable	90,682	-	90,682
Total Intragovernmental Other Liabilities	\$ 100,722	\$ 78,962	\$ 179,684
With the Public			
Payroll Taxes Payable	\$ 20,372	\$ -	\$ 20,372
Accrued Funded Payroll and Leave	450,309	-	450,309
Unfunded Leave	688,287	-	688,287
Other Liabilities	205	-	205
Total Public Other Liabilities	\$ 1,159,173	\$ -	\$ 1,159,173

Other liabilities account balances as of September 30, 2016 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 11,773	\$ 75,175	\$ 86,948
Unemployment Insurance Liability	1,310	-	1,310
Payroll Taxes Payable	81,640	-	81,640
Total Intragovernmental Other Liabilities	\$ 94,723	\$ 75,175	\$ 169,898
With the Public			
Payroll Taxes Payable	\$ 13,035	\$ -	\$ 13,035
Accrued Funded Payroll and Leave	369,087	-	369,087
Unfunded Leave	613,953	-	613,953
Other Liabilities	105	-	105
Total Public Other Liabilities	\$ 996,180	\$ -	\$ 996,180

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 2017 and 2016 were \$1,322,100 and \$1,278,682, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Office Space
2018	\$ 1,329,484
2019	1,345,253
2020	1,361,495
2021	1,378,225
2022	1,395,456
Thereafter	1,862,138
Total Future Payments	\$ 8,672,051

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

NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between OGE and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2017	2016
Salaries and Expenses		
Intragovernmental Costs	\$ 5,660,559	\$ 8,944,352
Public Costs	10,427,443	10,535,335
Total Program Costs	16,088,002	19,479,687
Intragovernmental Earned Revenue	(2,973)	(38,909)
Public Earned Revenue	-	(676)
Net Program Costs	\$ 16,085,029	\$ 19,440,102

NOTE 9. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2017 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2018 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2017 Budget of the United States Government, with the "Actual" column completed for 2016, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

Part IV – Other Information

Fraud Reduction Report

OGE is a small agency with approximately 70 employees. While the potential for fraud exists in any organization and level, OGE has taken the necessary steps to eliminate or significantly reduce fraud by implementing financial and administrative internal controls to monitor the potential risk. These 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 action. At least three distinct levels of administrative review occur within OGE along with several additional checks of the action 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. All purchases are approved at supervisory level, validated by the budget officer and cross-referenced by budgetary personal at the FSSP. Receipt of procured items is obtained by employee signature and verified by an approving official outside the procurement action chain. Payment invoices are verified by the Contracting Officers Representative, the budget officer, and again at the FSSP level. OGE continues to monitor and evaluate implemented internal controls on an annual basis to guard against potential fraudulent practices.

Grants Oversight & New Efficiency (GONE) Act Requirements

OGE does not administer any Grants/Cooperative Agreements and therefore does not have any information to report for this section.

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	2017	\$19,246.00	U.S. Office of Government Ethics	Federal Register 82, Issue 14 (January 2017): 8131-8133. https://www.gpo.gov/fdsys/pkg/FR-2017-01-24/pdf/FR-2017-01-24.pdf
Ethics in Government Act of 1978 as amended	5 CFR 2634.702(b) - Breaches by trust fiduciaries and interested parties	1978	2017	\$9,623.00	U.S. Office of Government Ethics	Federal Register 82, Issue 14 (January 2017): 8131-8133. https://www.gpo.gov/fdsys/pkg/FR-2017-01-24/pdf/FR-2017-01-24.pdf
Ethics in Government Act of 1978 as amended	5 CFR 2634.701(b) - Failure to file or falsifying reports	1978	2017	\$57,847.00	U.S. Office of Government Ethics	Federal Register 82, Issue 14 (January 2017): 8131-8133. https://www.gpo.gov/fdsys/pkg/FR-2017-01-24/pdf/FR-2017-01-24.pdf