
UNITED STATES OFFICE OF
GOVERNMENT ETHICS



Preventing Conflicts of Interest
in the Executive Branch

Performance and Accountability Report
Fiscal Year 2011



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

November 15, 2011

The Honorable Jacob J. Lew
Director
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Mr. Lew:

I am pleased to transmit to you the Performance and Accountability Report (PAR) for the U.S. Office of Government Ethics (OGE) for FY 2011. The PAR includes a Summary of OGE's Key Accomplishments for FY 2011, OGE's Management Discussion and Analysis of its 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 compliance 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 is complete and reliable. OGE has received an unqualified opinion on its financial statements, as of September 30, 2011, and the auditors found no material weaknesses related to OGE's compliance and internal controls over financial reporting.

If you need additional information with regard to our submission please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Don W. Fox".

Don W. Fox
Acting Director

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Part I – Introduction

A. About OGE

The United States Office of Government Ethics (OGE) was established by the Ethics in Government Act of 1978 (EIGA) to provide direction, oversight, and accountability of policies designed to prevent and resolve conflicts of interest involving Executive Branch officers and employees. OGE is charged with promoting the highest ethical standards for Executive Branch employees. To carry out these responsibilities, OGE promulgates and maintains enforceable regulations governing ethical conduct for approximately four million civilian employees and uniformed service members serving in more than 130 Executive Branch agencies as well as the White House. OGE oversees two financial disclosure systems. The first reaches more than 28,000 public financial disclosure filers. This includes the 1,200 most senior officials in the Executive Branch, appointed by the President with the advice and consent of the Senate, who must be certified by the OGE Director as being in compliance with all applicable ethics laws. A second financial disclosure system reaches another 325,000 officials in sensitive positions who file confidential disclosure reports. OGE exercises its oversight responsibilities by examining agency ethics programs across the Executive Branch to ensure compliance with the conflict of interest laws and ethics regulations. OGE helps prevent conflicts of interest by providing education and training to nearly 6,000 ethics officials throughout the Executive Branch. OGE promotes good governance through outreach to the private sector, non-profit groups, and the general public, as well as by sharing good practices with and providing technical assistance to state, local, and foreign governments and international organizations.

B. 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 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.

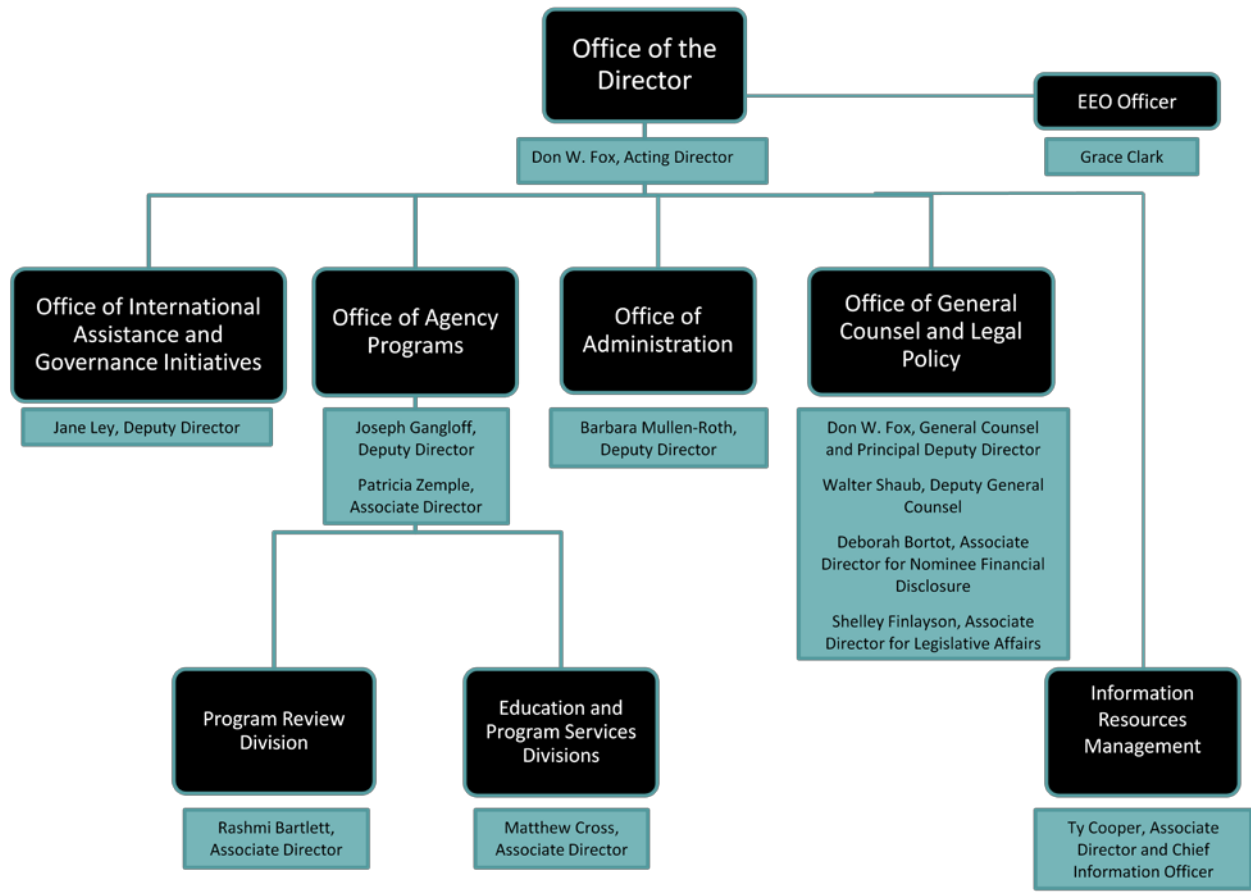
C. Organizational Structure of OGE

OGE is led by its Director, who is appointed by the President to a five-year term with the advice and consent of the Senate. The Director reports to the President and interacts with the most senior officials of every agency of the Executive Branch. In addition to leading the Executive Branch ethics program, the Director is a member of the Council of Inspectors General for Integrity and Efficiency (CIGIE) and the Integrity Committee of the CIGIE, which reviews allegations of misconduct against Inspectors General.

In carrying out his responsibilities, the Director is supported by a team of career Senior Executives. These include the General Counsel, who also serves as the Principal Deputy Director, and Deputy Directors responsible for Executive Branch agency ethics programs, international assistance and government initiatives, and OGE administration. (*See Figure 1*) At

the present time, the General Counsel/Principal Deputy Director serves as the Acting Director pursuant to the Vacancies Reform Act.

Figure 1. U.S. Office of Government Ethics Organizational Chart



OGE carries out its broad responsibilities with fewer than 80 employees, who are the agency’s greatest resource. OGE’s multi-disciplinary staff consists of attorneys, ethics and finance experts, and support staff. OGE leverages its human resources and accomplishes its mission through cross-functional teams that can respond to changing demands and circumstances. These teams accomplish such diverse tasks as clearing potential Executive Branch nominees for possible financial conflicts of interest; training Executive Branch ethics officials; issuing regulations, legal and policy guidance; exercising oversight of Executive Branch ethics programs; and, conducting outreach to domestic and foreign audiences.

D. Long Term Strategic Goals

OGE established a five-year strategic plan in FY 2007 and is developing its new strategic plan. The plan in place from FY 2007 through FY 2011 had three major goals. Objectives within each of these strategic goals drive the daily work of OGE and form the basis for how the

performance of the agency and its employees are measured. OGE's strategic goals and objectives consist of:

- Strengthening Ethical Culture Within the Executive Branch:
 - Improve the Effectiveness of Ethics Policy;
 - Enhance Assistance to and Oversight of Agency Ethics Programs;
 - Increase Employees' Awareness of Their Ethics Responsibilities;
 - Increase OGE's Focus on Senior Officials' Roles in Implementing Ethics Programs
- Preventing Conflicts of Interest:
 - Enhance Assistance to the President and the Senate in the Presidential Appointment Process;
 - Monitor Continued Compliance with Conflict of Interest Laws;
 - Administer an Effective Confidential Financial Disclosure System.
- Promoting Good Governance:
 - Cooperate with Federal, State, and Local Agencies Implementing Programs that Help Support Good Governance;
 - Enhance Outreach to the Public and Private Sector and Civil Society;
 - Support United States Foreign Policy Anti-Corruption and Good Governance Initiatives.

OGE's key FY 2011 accomplishments in furtherance of these objectives and goals are discussed in Section II of this report.

E. FY 2011 Budget Priorities

During FY 2011, OGE focused on achieving its long-term strategic goals and objectives with three budget priorities:

- Modernizing government ethics laws, regulations, and programs;
- Harnessing technology to promote transparency, training, and oversight; and

- Promoting continuity and succession planning in the Executive Branch ethics program.

F. Performance Measures

OGE measures its progress toward achieving its strategic objectives through a variety of sources. These include ethics training surveys, annual ethics program questionnaires, employee ethics surveys, and surveys of ethics officials. Over the life of the strategic plan, OGE has established and adjusted specific performance targets against which progress is measured. In deciding whether to adjust targets upward when performance levels have been met or exceeded, OGE balances available resources to meet specific needs, many of which are cyclical in nature. Approximately every 18 months, as was the case this past year, OGE conducts a national ethics training conference. As preparation for a national ethics training conference increases, other training and new training products may decrease. In addition, in the first year following a Presidential election, the number of potential Executive Branch nominee's peaks and causes OGE to shift more resources to that function. Finally, OGE must be ready to respond to emerging issues, such as those presented by Executive Order 13490, "Ethics Commitments by Executive Branch Personnel," and apply resources to the interpretation and implementation of new laws, executive orders, and regulations. Detailed performance objectives and measures are discussed in Part III of this report.

Part II – FY 2011 Performance Highlights

OGE achieved numerous accomplishments in FY 2011 that directly advanced its three long-term strategic goals.

A. Strengthening Ethical Culture Within the Executive Branch

In the past fiscal year, OGE took a number of steps to strengthen the ethical culture in the Executive Branch by improving the effectiveness of ethics policies, providing assistance to and oversight of agency ethics programs, increasing employees' awareness of their ethical responsibilities, and focusing on senior officials' roles in implementing ethics programs. OGE's performance highlights include the following:

- OGE planned and hosted the 18th National Government Ethics Training Conference - "Organizational Integrity: A Shared Responsibility". This intensive training conference was attended by 850 Executive Branch ethics officials, employees of and Inspectors General, representatives of the international community, and, in keeping with the training conference theme, human resource and IT officials who also play a key role in ethics programs. This was the largest number of participants ever hosted by OGE;
- At its national training conference, OGE developed and presented an extensive range of training modules on topics as varied as emerging ethics issues, program

management, continuity and succession planning, the perspectives of private sector and good governance organizations, program support, and ethics education. OGE showcased these topics in 64 breakout sessions and 24 innovative “Learning Lab” sessions, which provided a novel framework for high-level, informative and engaging dialogue about the entire range of complex topics;

- OGE leveraged technology to provide innovative and effective training at the 18th National Government Ethics Training Conference. These innovations included:
 - A virtual training conference for ethics officials who were unable to attend;
 - A comprehensive smart-phone “APP” and dedicated conference website through which attendees could view the conference agenda, course materials, handouts, and participants’ contact information. Ninety-seven percent of APP users at the training conference used that tool to enhance their training conference experience; and
 - An at-speed alternative reality exercise used to bring training conference attendees together in competition while providing a novel approach to expanding professional networks, gathering and applying knowledge learned at the conference, identifying ethics program model practices, facilitating discussions on various ethics topics, and learning about alternative training methods.
- OGE collaborated with other agencies and entities to develop effective and efficient solutions to key policy issues, such as:
 - Contributing to the development of a recommendation, by the Administrative Conference of the United States (ACUS), regarding ethics oversight of government contractors;
 - Contributing to the development of recommendations, by the ACUS, for potential improvements to the Federal Advisory Committee Act (FACA) designed to help promote more effective use of advisory committees;
 - Partnering with the General Service Administration’s Committee Management Secretariat (CMS) to provide ethics course instruction in its FACA management training and to counsel CMS on matters involving the application of ethics rules to advisory committee members;
 - Partnering with the Office of Federal Procurement Policy to build greater collaboration and communication between the procurement and ethics communities on issues of common concern;

- Working with the Office of Special Counsel in the development of guidance on Executive Branch employees running for and holding nonpartisan elective offices.
- OGE continued to implement Executive Order 13490 of January 21, 2009, “Ethics Commitments by Executive Branch Personnel.” Specifically, after drawing on its experience applying the lobbyist gift ban to political appointees and considering carefully the needs and circumstances of career employees, OGE published a proposed rule to extend the ban to the entire Executive Branch workforce in September 2011. OGE anticipates a final rule will be published in FY 2011;
- In FY 2011, OGE published the second annual assessment of the Ethics Pledge required by Executive Order 13490. The most recent report to the President confirmed that 100 percent of the 1,096 Presidential appointees required to sign the Pledge in calendar year 2010 fulfilled their obligations to do so, and that few former lobbyists were appointed to positions in the Executive Branch;
- OGE also published proposed rules to streamline approval for service of federal employees on boards of nonprofit organizations in their official capacities and to modernize existing regulations governing blind and qualified trusts as a mechanism to prevent conflicts of interest;
- OGE served as the ethics expert on Executive Branch-wide legislation and related matters by: (1) timely responding to 95 OMB legislative memoranda and 45 executive orders; (2) providing technical expertise in consulting and responding to questions by congressional staff; (3) consulting with the Government Accountability Office on its ethics-related investigations and reports; and (4) responding to the proposals of good government groups and congressional staff on critical ethics topics including post employment, reverse revolving door, financial disclosure, and gifts;
- OGE created a legislative safety net for the broader Executive Branch ethics community by: (1) identifying and alerting agency ethics officials of agency-specific legislative proposals; (2) consulting with agency ethics officials and providing technical assistance on key legislation; and (3) analyzing congressional publications and complex legislative search results daily to keep OGE staff and the ethics community informed of relevant congressional activity.
- OGE also issued several publications to aid ethics officials in staying current on ethics laws and policy. These publications included:
 - A comprehensive legal advisory on issues associated with Executive Branch employees who run for or hold nonpartisan elective office;
 - A legal advisory setting forth the requirements for Presidential candidates to file public financial disclosure reports; and

- A revised compilation of federal ethics laws that flags the relevant statutory changes of which ethics practitioners should be aware.
- OGE answered thousands of complex ethics questions received from ethics officials across the Executive Branch;
- OGE enhanced oversight activities by increasing the number of on-site program reviews, gathering pertinent information electronically, and conducting in-person outreach. OGE oversight activities ensure that Executive Branch ethics programs are in compliance with regulatory requirements, essential processes and procedures are documented, and agency ethics programs are structured to provide optimal support to federal employees. Oversight also facilitates the identification of vulnerabilities and the effective dissemination of model practices;
- OGE completed a benchmarking effort of all Cabinet-level and regulatory agencies determining the extent to which these agencies' ethics programs had incorporated critical success factors: leadership, awareness, resources, and oversight. The results were shared with the broader ethics community to assist them in determining where their programs stood in comparison to the benchmarked agencies and to make changes, as appropriate;
- OGE jointly issued ethics regulations supplementing the Standards of Ethical Conduct to meet the needs of the following four agencies: the Court Services and Offender Supervision Agency, the Federal Energy Regulatory Commission, the Federal Labor Relations Authority, and the Securities and Exchange Commission;
- OGE drafted and circulated through the OMB clearance process proposed legislation to update and modernize Title IV of EIGA, the law that created OGE and the Executive Branch ethics program. These would be the first significant amendments to EIGA since 1989;
- OGE continued to refine its new ethics official certificate program, which promotes government ethics as a professional career, helps identify persons best qualified for positions as ethics officials, and raises the standards of technical competencies in the ethics program. OGE's program advances recruitment, retention, and succession planning;
- OGE enhanced the knowledge and practical expertise of OGE staff who answer conflicts of interest and ethics questions from agency ethics officials, the White House, congressional offices, and the public by conducting substantive bi-weekly internal training sessions, which continuously raises the bar on the quality of OGE's ethics advice;

- Using existing budget resources, OGE developed and implemented an honors attorney program to create a pathway for several entry-level attorneys to enter the federal government and the ethics field. By training and mentoring these attorneys, the agency is preparing tomorrow's leaders in the ethics community.

B. Preventing Conflicts of Interest

OGE supported the President and the Senate in the Presidential appointment process and, through its nominee public financial disclosure program, resolved potential conflicts of interest for PAS officials. OGE also monitored compliance with conflict of interest laws, implemented and oversaw an effective public and confidential financial disclosure system, and reviewed the ethics programs of Executive Branch agencies.

- In direct support of the President's constitutional duties to nominate and appoint officers to the Executive Branch, OGE:
 - Analyzed and reviewed the financial disclosure reports and resolved potential conflicts of interests of approximately 300 potential nominees, as well as several dozen public financial disclosure reports of high-level officials serving in the White House and in the Office of the Vice President. These reviews included resolving financial disclosure issues and negotiating ethics agreements to address actual and potential conflicts of interest on the part of senior leaders in the Executive Branch;
 - Worked with agency ethics officials and White House staff to introduce potential nominees to the broader scope of Executive Branch ethical requirements; and
 - Developed and conducted advanced financial disclosure training for over 100 ethics officials, increasing their skills to better conduct difficult nominee financial disclosure reviews.
- OGE began the design phase of replacing its Financial Disclosure Tracking System. This critical but outdated system tracks the receipt, review, certification, and destruction of approximately 6,000 reports filed by PAS officials, certain Presidential appointees, senior White House employees, and Presidential and Vice Presidential candidates;
- OGE continued to work with agencies to ensure that agency-developed systems for financial disclosure reports meet standards established by their CIOs, and that embedded information is accurate. In FY 2011, there were 14 agency-developed electronic filing systems;

- OGE also researched and tested agencies' financial disclosure electronic filing systems to determine whether any existing system should be converted for OGE's nominee financial disclosure program;
- OGE completed the majority of an interactive, electronic workbook that will guide new entrant and nominee public financial disclosure filers through the complex financial disclosure process;
- Within existing budget resources, OGE increased the number and qualifications of OGE staff who review financial disclosure reports in order to prepare for the post-2012 election period; and
- OGE also leveraged technology through its development of web-based ethics training modules. In FY 2011, OGE doubled the number of on-demand, web-based training courses offered over the previous fiscal year. Both OGE's instructor-led and self-paced tutorials effectively communicate specialized information to ethics officials, staff of Inspectors General, and Executive Branch employees generally.

C. Promoting Good Governance

OGE engaged and cooperated with federal, state, and local agencies whose programs support good governance; enhanced outreach to the public, the private sector and good governance groups; and supported United States foreign policy anti-corruption and good governance initiatives. Key FY 2011 accomplishments include:

- OGE supported the vital work of Inspectors General to investigate alleged ethical misconduct by:
 - Actively participating in the CIGIE;
 - Providing practical and well-received training at the Inspector General Academy on a regular basis;
 - Inviting IGs to actively participate in OGE's 18th National Government Ethics Training Conference; and
 - Regularly providing expertise to prosecutors and investigators concerning the interpretation and application of the conflict of interest laws and ethics rules.
- OGE also continued to engage the state and local ethics communities, primarily through the Council on Governmental Ethics Laws (COGEL).

- In its drive to improve outreach and increase transparency, OGE completely overhauled its website (www.usoge.gov) to improve access to information for the general public, ethics officials, media, good governance groups, and international visitors to our site. This overhaul, which was on time and on budget, represents a quantum leap in terms of accessibility. OGE:
 - Reorganized the site content;
 - Vastly improved the search and filter capabilities; and
 - Developed a whole new aesthetic look and feel.
- As part of the website overhaul project, and to implement OMB's Open Government directive of December 8, 2009, OGE posted new data sets, such as:
 - The 2012 Presidential Candidate financial disclosure records;
 - Agency program review reports;
 - Reports of non-Federal source travel payments accepted by agencies; and
 - OGE legislative proposals and reports sent to Congress, congressional correspondence, and GAO reports in which OGE provided input.
- Additional steps OGE took during FY 2011 to improve outreach and increase transparency included:
 - Making reports of non-Federal source travel payments accepted by agencies publicly available on OGE's new website. This new process allows immediate public access to about 400 reports, increasing transparency and improving the efficiency with which OGE carries out its customer service mandate;
 - Publishing on OGE's website OGE legislative proposals and reports sent to Congress, congressional correspondence, and GAO reports in which OGE provided input;
 - Maintaining a 100 percent on time response rate to Freedom of Information Act (FOIA) requests despite a rising number and complexity of requests; and
 - Addressing over 50 national, local, international, trade, academic, and other news sources during hundreds of phone calls about financial disclosure, conflicts of interest, the Standards of Ethical Conduct, and matters concerning access to ethics documents, including requests made under the FOIA.

- As part of its robust international program, and at the request of the U.S. Department of State, OGE:
 - Continued to coordinate with and serve as a U.S. representative at anti-corruption and good governance meetings of a number of multilateral government organizations. Detailed information on these efforts is discussed in Section III; and
 - Continued to provide international assistance on topics such as codes of conduct, outside activities, financial disclosure, and gifts, as well as briefed 52 visiting delegations, reaching at least 571 individuals from 73 countries.

D. Focusing on OGE's People and Internal Operations

To meet its long-term goals in its strategic plan, OGE strives to be a model agency in all respects. During FY 2011, OGE continued to focus on key internal management challenges, refining the agency's internal processes to cut costs, better manage agency resources, and provide the highest quality administrative and IT support to OGE's people and mission. A few of OGE's major internal achievements this fiscal year include:

- OGE further consolidated support services with the Bureau of Public Debt's Administrative Resources Center (BPD) in the human resources area and improved coordination of existing BPD services in the areas of procurement and financial management. This consolidation has yielded more efficient personnel services resulting in better human capital management as well as enhanced management and employee satisfaction. Additionally, OGE leveraged technology in the administrative support area by successfully converting its paper-based Official Personnel Files to electronic media and transitioning to an automated time and attendance system;
- OGE also made substantial improvements in the agency's budget and fiscal planning. As a result of these ongoing changes, there have been major improvements in OGE's acquisition and accounting processes;
- OGE continued to comply with the President's hiring initiatives, improved its time-to-hire statistics, and exceeded OPM's targets for bringing veterans into the federal workplace;
- OGE also implemented a number of significant improvements in the delivery of information technology services in support of the agency's mission, including:
 - Meeting the GSA deadline for Managed Trusted Internet Protocol Services (MTIPS) that will, among other advancements, increase the level of protection for external (Internet-based) threats and reduce the costs associated with the detection of and recovery from IT security incidents;

- Implementing a remote “virtual desktop”; and
- Hosting OGE’s new website on a commercial cloud server and reducing OGE owned and maintained IT infrastructure.

These IT changes improved OGE operations by reducing network downtime, improving network performance and reliability, reducing maintenance costs over time, and increasing staff productivity.

Part 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 measurements 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.

A. Strategic Goal 1 – Strengthening Ethical Culture within the Executive Branch

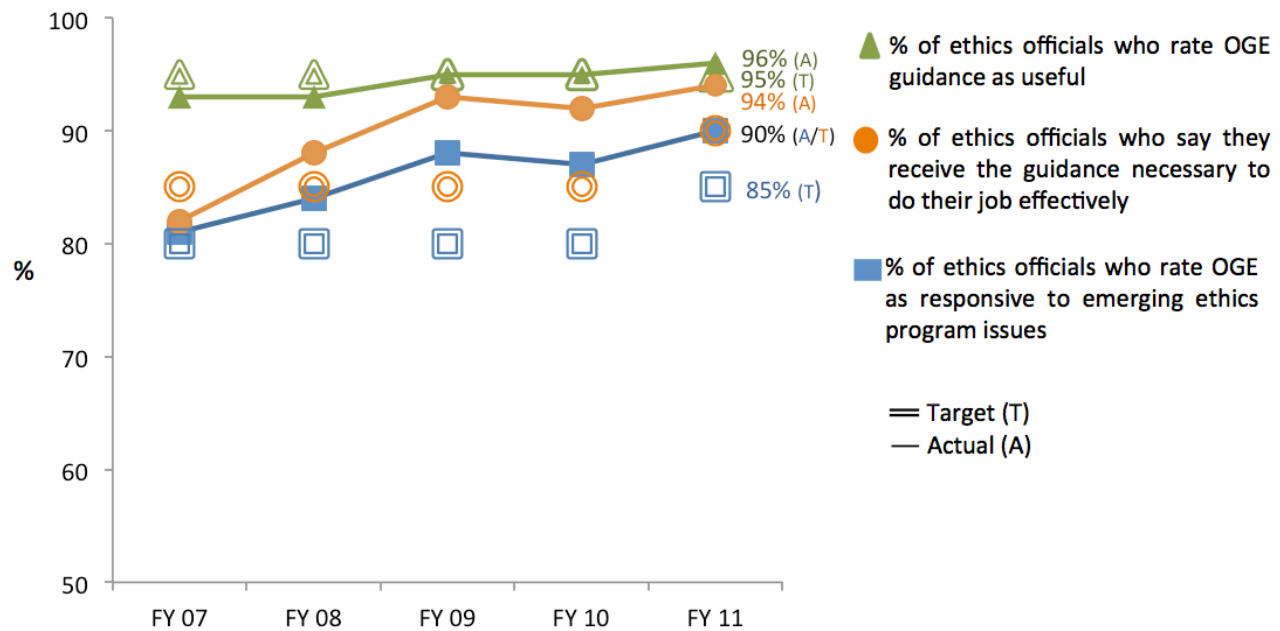
- Objective 1.1: Improve the Effectiveness of Ethics Policy

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

- Usefulness of ethics policy guidance;
- Effectiveness of ethics policy guidance; and
- Responsiveness to emerging ethics program issues.

The results related to Objective 1.1 performance measures again met or surpassed OGE targets. (*See Figure 2*)

Figure 2. Ethics Policy: Customer Satisfaction Measures

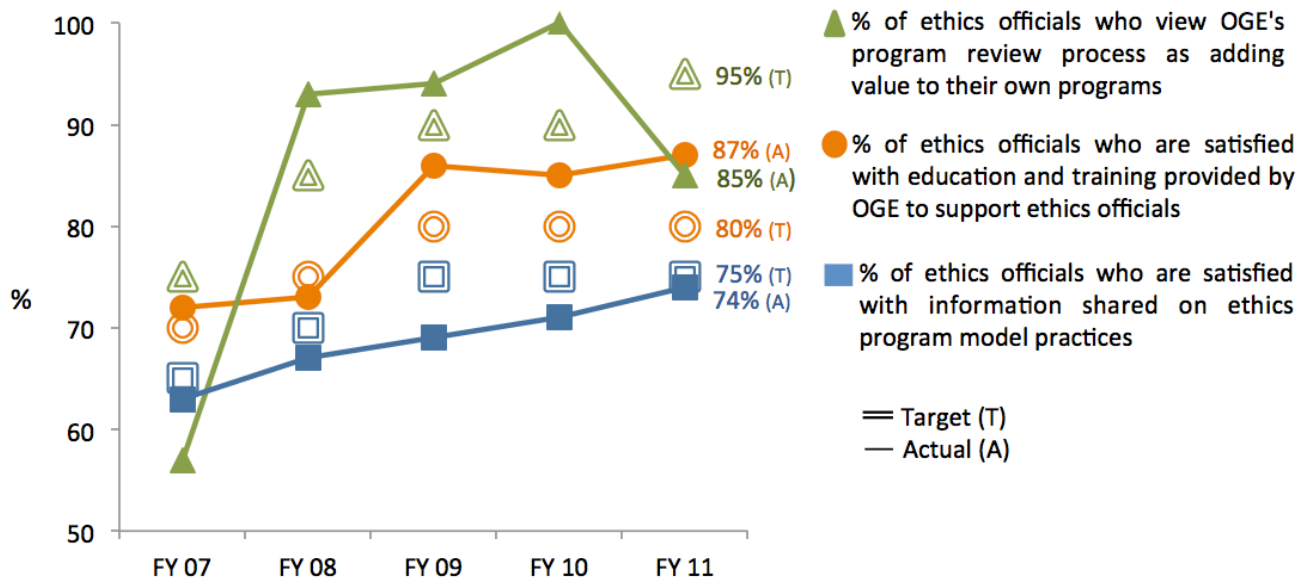


- Objective 1.2: Enhance Assistance to and Oversight of Agency Ethics Programs

OGE reviews agency ethics programs to identify and report on strengths and weaknesses and to share model practices. In FY 2011, OGE conducted 33 on-site reviews. In addition, OGE continues to devote considerable resources to training ethics officials. In FY 2011, OGE provided training to over 2,265 ethics officials and other employees (e.g., Inspectors General). Of these many participants, survey respondents overwhelmingly indicated that OGE’s training was well organized, that they were better equipped to do their job because of the training, and that they were inspired to continue working in the field of ethics as a result of the training.

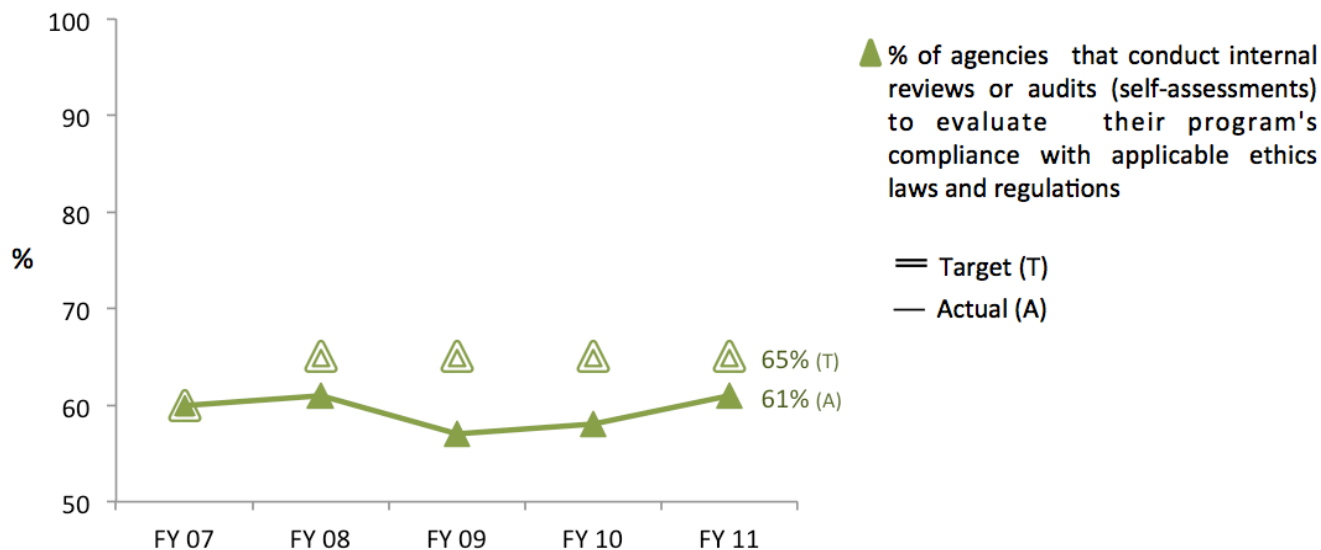
The results of these efforts to advance Objective 1.2 are illustrated below. (See Figure 3) OGE attributes the drop in the first measure to a change in report format, which sharpened its compliance findings, and the number of improvements that OGE required agency ethics officials to make to bring their programs into compliance.

Figure 3. Assistance and Oversight: Customer Satisfaction Measures



Finally, OGE encourages and supports internal reviews or audits (self-assessments) by agencies to evaluate their ethics program. (See Figure 4) OGE's benchmarking of the extent to which Cabinet-level and regulatory agencies have incorporated critical success elements identified conducting internal reviews is a significant component in ensuring the enduring success of agency-level programs.

Figure 4. Assistance and Oversight: Ethics Program Self-Assessment



- 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.

Ethics officials were overwhelmingly satisfied with the OGE-provided training and incorporate OGE products into their training programs. (See Figures 5 and 6)

Figure 5. Employee Awareness and Understanding: Customer Satisfaction Measures

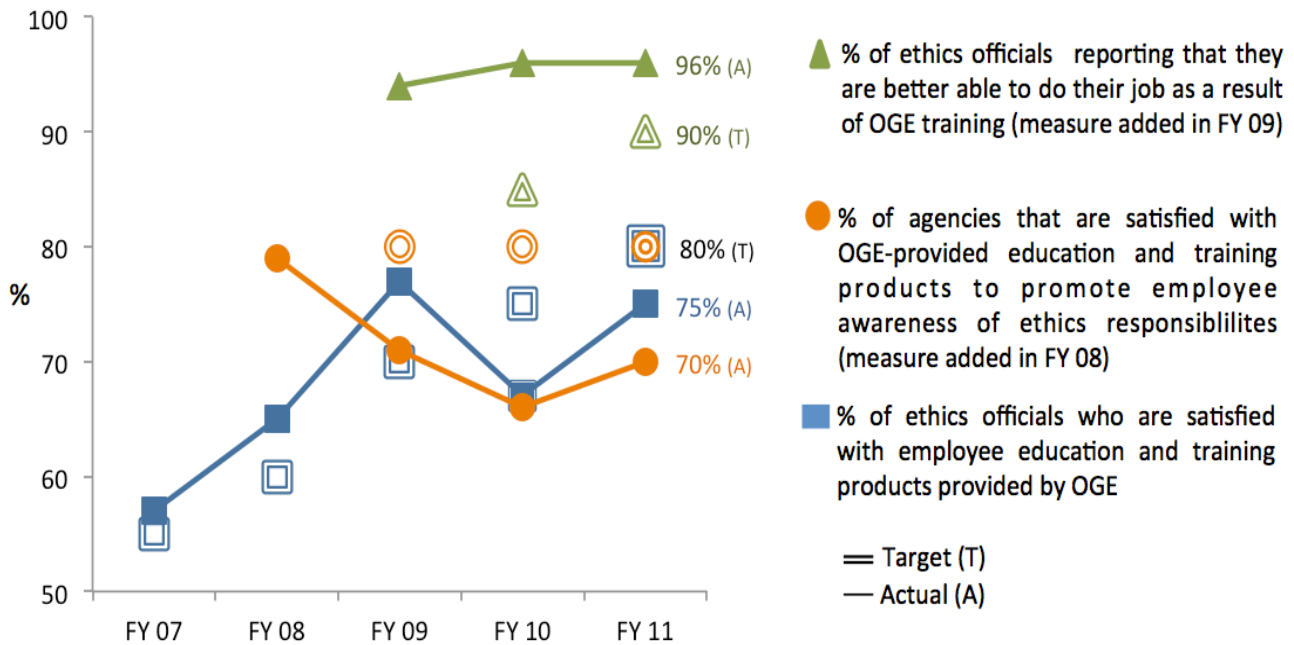
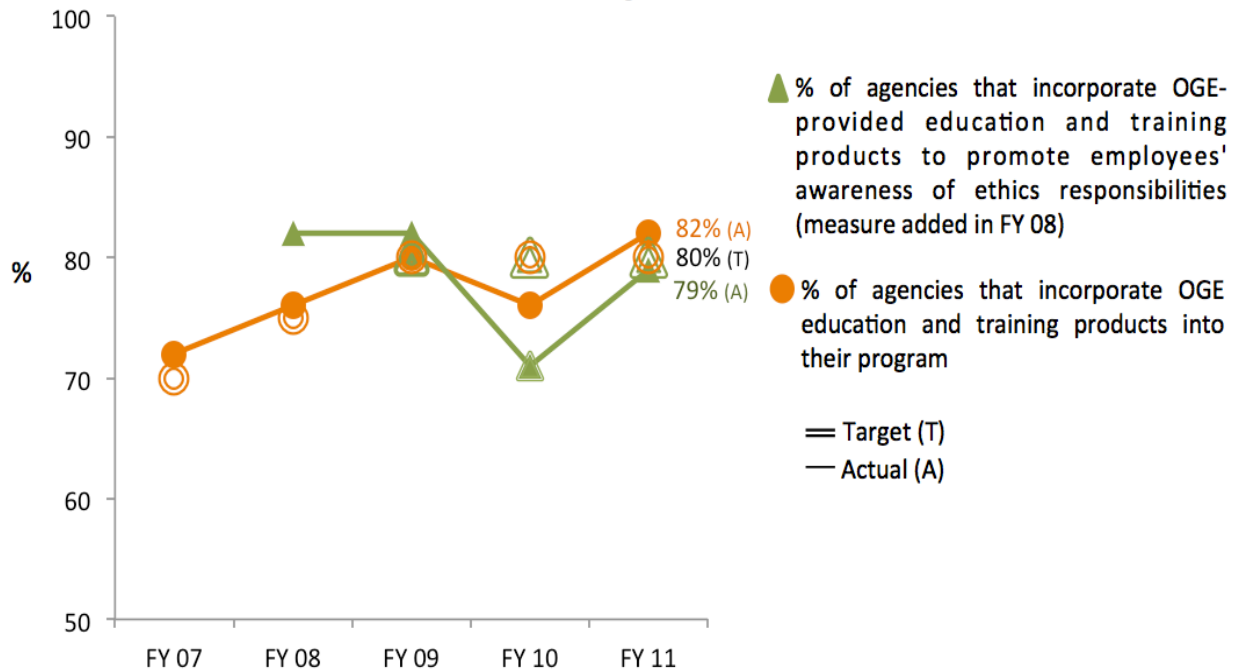


Figure 6. Employee Awareness and Understanding: Incorporation of OGE Education and Training Products



- 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 establishing an agency’s ethical culture and for fostering public confidence in the decision-making processes of government. OGE reinforces the critical role of agency leadership through its program reviews and, when appropriate, makes recommendations to improve the overall ethics program. (See Figures 7 and 8)

Figure 7. Agency Leaders Pay Attention to Ethics

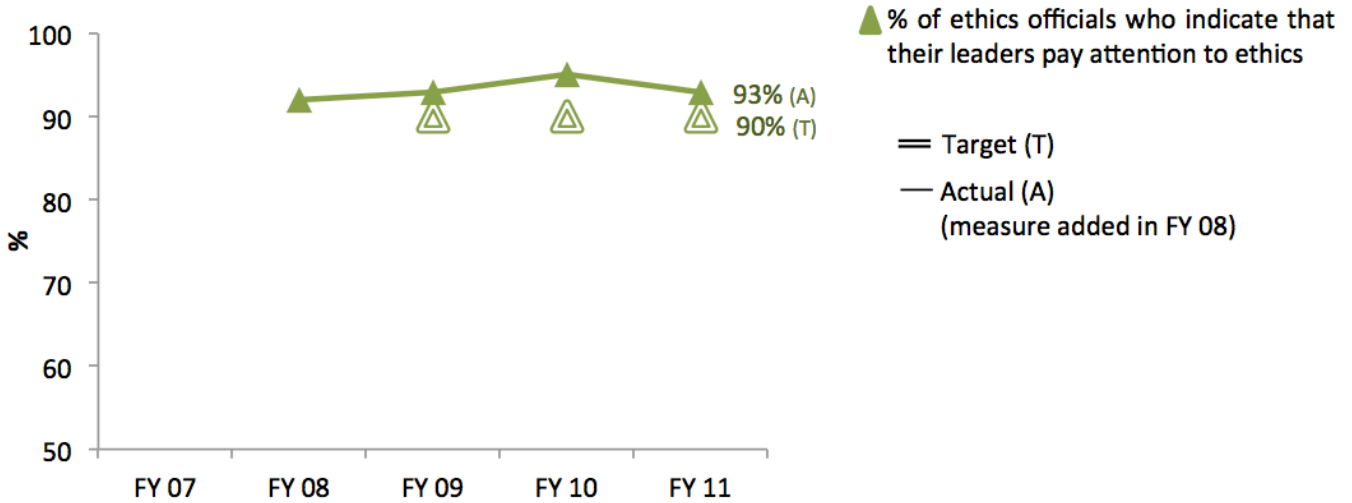
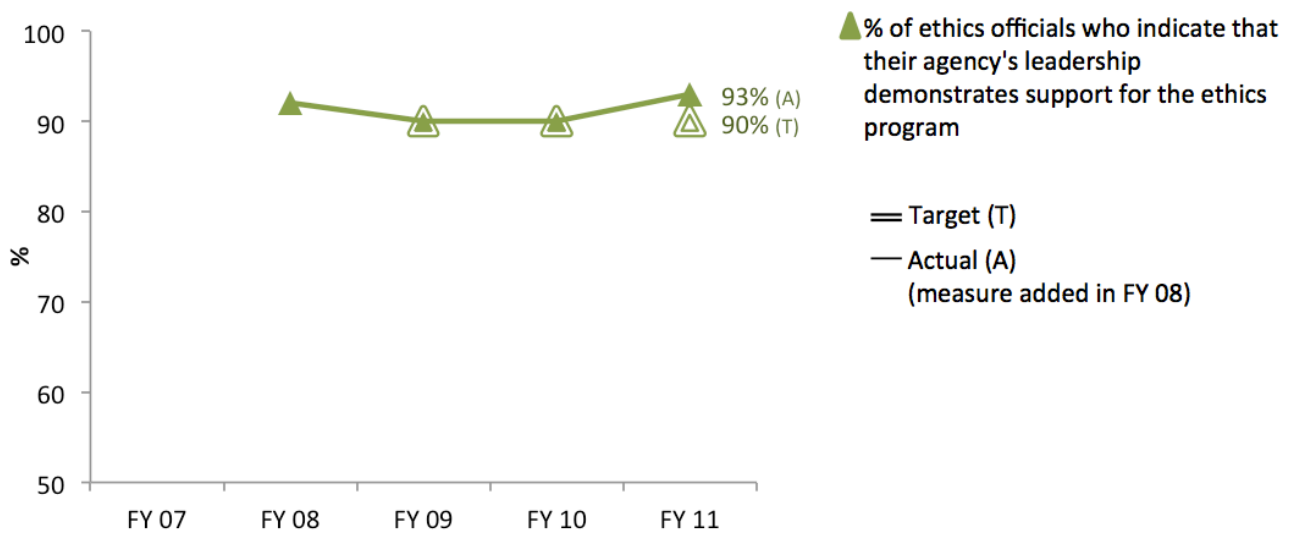


Figure 8. Agency Leadership Demonstrates Support for the Ethics Program



B. Strategic Goal 2 – Preventing Conflicts of Interest

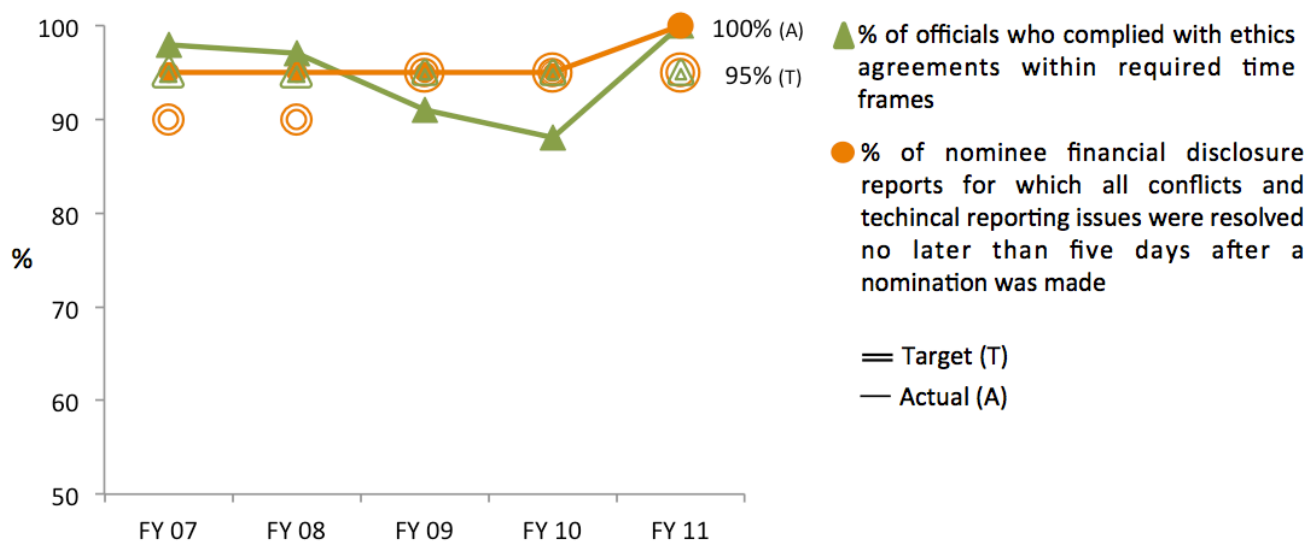
- Objective 2.1: Enhance Assistance to the President and the Senate in the Presidential Appointment Process

In coordination with agency ethics officials, OGE monitors the timeliness of employee compliance with ethics agreements through documentation received by agency ethics officials. In FY 2011, 78 PAS officials entered into ethics agreements that required compliance documentation. Based on documentation OGE received, 100 percent of the officials complied with their ethics agreements within required timeframes.

Additionally, OGE measures the resolution of conflicts and technical reporting issues for nominee financial disclosure reports. OGE’s established standard is to finalize conflict resolution 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 9*)

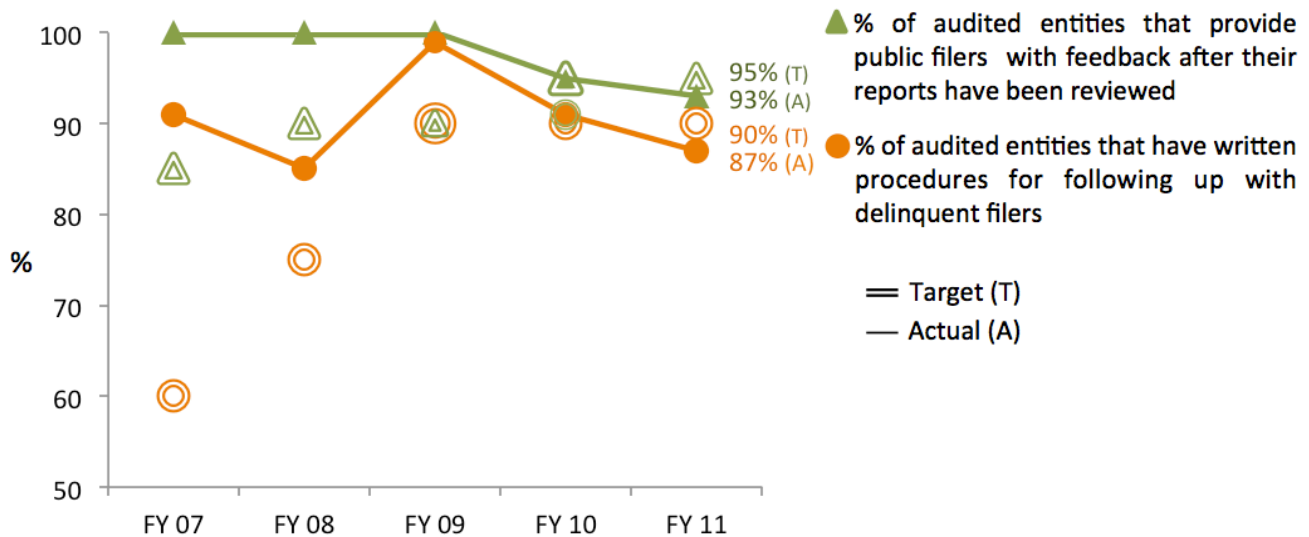
Figure 9. Assistance to the President and the Senate: Compliance Measures



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

Financial disclosure promotes public confidence. Through monitoring and oversight, OGE ensures that agencies have implemented effective financial disclosure processes. Specifically, as part of the OGE review process, it ensures that agencies provide public filers with feedback after reports have been reviewed and that agencies have written procedures for following up with delinquent filers. In FY 2011, OGE came between two and three percentage points of meeting the targets for these measures. (See Figure 10)

Figure 10. 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 resources on other important program objectives, including leadership support, succession planning, training, awareness building, and self-assessment. OGE also assessed 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 11 and 12)

Figure 11. Administration of Confidential System : Compliance with Implementation of Alternative Systems

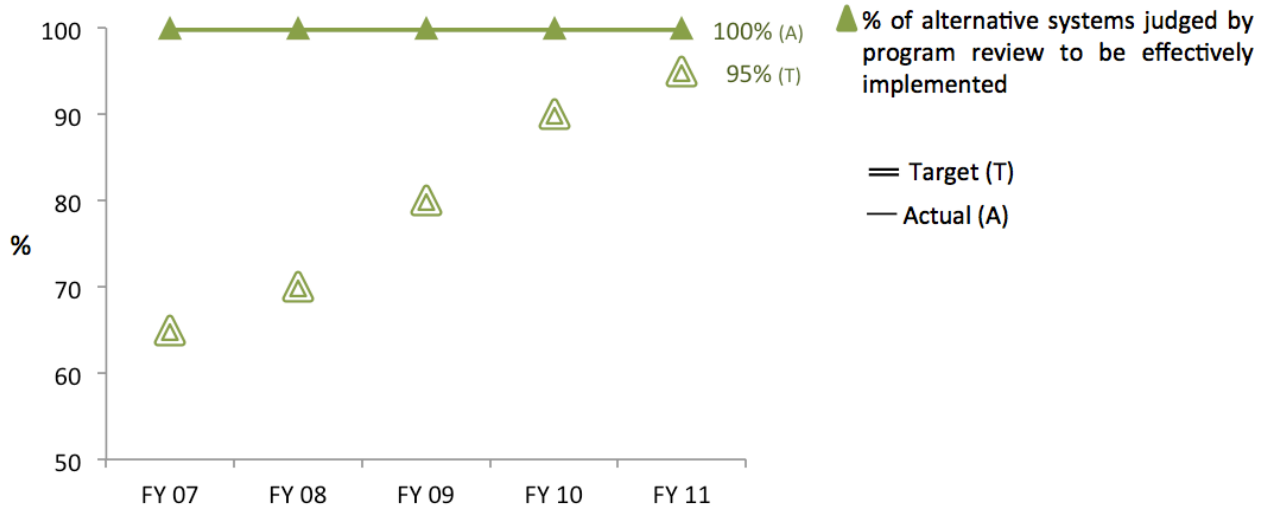
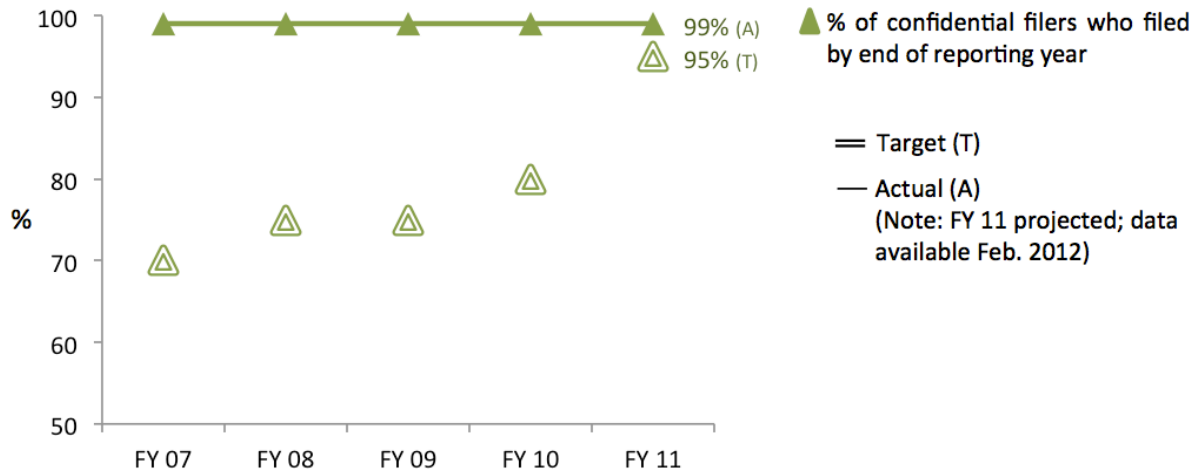


Figure 12. Administration of Confidential System : Compliance with Confidential Financial Disclosure Filing Requirement



C. 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

As part of its strategic goals, OGE actively coordinates and cooperates with other federal, state, and local government agencies having complementary missions and programs in promoting integrity, accountability, predictability, and transparency of government.

This past fiscal year, OGE continued to reach out to other agencies to build awareness of its role for preventing conflicts of interest in the Executive Branch. In many cases, OGE used these outreach opportunities to highlight specific issues, such as:

- The critical role agency leadership plays in promoting ethical behavior for the agency as a whole; and
- The nexus between the ethical standards regarding outside activities and the whistleblower statutes.

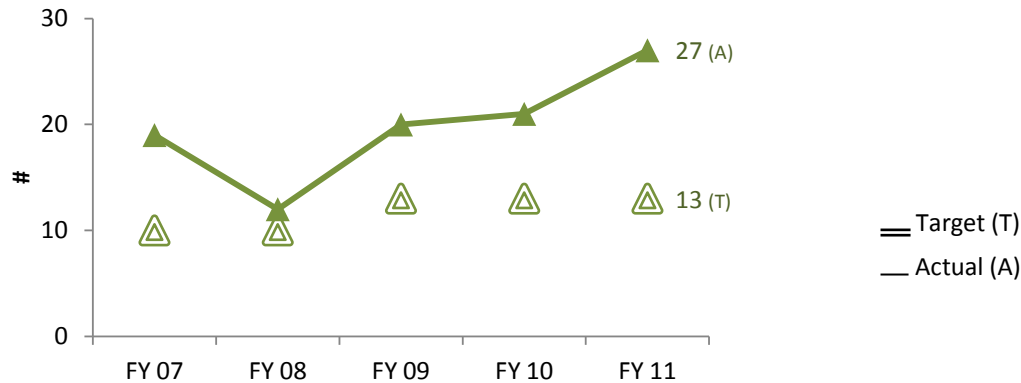
As part of this outreach, OGE also assisted agencies and ethics officials in understanding the specific application of the ethics program in particular circumstances and to special categories of employees. For instance, OGE actively participated in the ACUS, advising on two significant ACUS initiatives regarding contractor ethics and federal advisory committees.

OGE has a natural affinity with the Inspector General community, which detects and investigates potential violations of the conflict of interest statutes and regulations. IGs often rely on ethics officials’ understanding of the ethics regulations and conflict of interest statutes to inform their investigations. As discussed earlier, OGE continued to maintain a healthy engagement with this community through:

- The Director’s regular participation at the monthly meetings of the CIGIE;
- The Director’s service as a member of CIGIE’s Integrity Committee; and
- OGE instruction at the Inspector General Criminal Investigation Academy.

OGE also continued to engage the state and local ethics community, primarily through COGEL, an organization of federal, state, and local government agencies whose responsibilities include ethics, campaign finance, freedom of information, and lobbying disclosure. OGE leveraged COGEL’s annual conference, held in Washington, DC, to share and learn good practices – both domestic and international.

Figure 13. Outreach Activities with Federal, State, and Local Entities



- Objective 3.2: Enhance Outreach to the Public, Private Sector, and Good Governance Groups

As is the case for any entity, a public-facing website is one of the single most significant methods of outreach to the general public. This past year, OGE completely overhauled its website to significantly increase transparency and improve public access to thousands of ethics documents. Building on the platform of a newly-acquired content management system, OGE:

- Reorganized the site content;
- Vastly improved the search and filter capabilities;
- Posted new data sets, such as 2012 Presidential Candidate financial disclosure records, agency program review reports, agency travel reports, and OGE legislative proposals and reports sent to Congress, congressional correspondence, and GAO reports in which OGE provided input; and
- Developed a new aesthetic look and feel.

Leveraging the platform of the newly designed site, OGE continues to add resources and additional data sets. In the first quarter of FY 2012, OGE's website will provide immediate access to certified public financial disclosure reports and other ethics-related documents pertaining to Senate-confirmed Executive Branch officials.

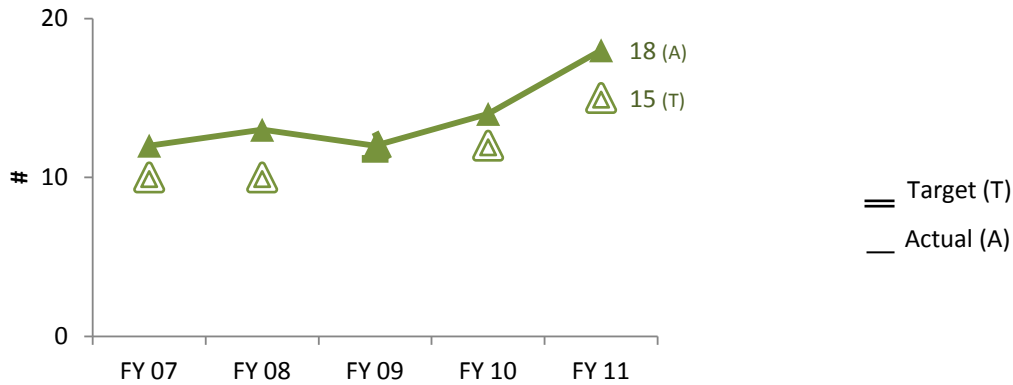
OGE also continued its engagement with the private sector, primarily through its continued relationships with the Ethics Resource Center (ERC) – a nonprofit organization that researches ethical standards and practices in the public and private sector – and the Ethics & Compliance Officer Association (ECO) – a nonprofit professional association of ethics and compliance practitioners. Throughout the year, OGE maintained an ongoing discussion with ERC and ECO about universal issues such as evolving compliance models, effective training techniques, and ways to build an ethical culture within an organization. OGE leveraged every opportunity to cross-pollinate these ideas, including through:

- Meetings between OGE’s Director and ERC and ECO leadership;
- OGE employees’ attendance at ERC/ECO training;
- A training webinar created by OGE and presented to ECO members; and
- The ECO Director’s keynote speech at OGE’s 18th National Government Ethics Training Conference.

OGE significantly increased its interaction with non-profit, good governance groups this past year, in an effort to not only disseminate information about the role the ethics program plays in establishing integrity, accountability, and transparency in government, but also to seek outside perspectives on OGE’s success in being accountable and transparent. Activities included:

- Meeting with government oversight groups such as the Sunlight Foundation and the Project on Government Oversight; and
- Commenting on technical proposals from organizations such as the Partnership for Public Service and the Center on Budget and Policy Priorities.

Figure 14. Outreach Activities with Public, Private Sector, and Good Governance Groups



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

This past fiscal year, OGE continued to support United States foreign policy anti-corruption and good governance initiatives, representing the United States at the following international fora and working groups:

- **United Nations (UN):** the UN Convention Against Corruption (UNCAC) implementation review group and the UNCAC working group on prevention;
- **Council of Europe:** the Group of States Against Corruption (GRECO);
- **Asia-Pacific Economic Corporation (APEC):** the Anti-Corruption and Transparency Working Group;
- **Organization for Economic Co-operation and Development (OECD):** the Public Governance Directorate Network on Public Sector Integrity; the Anti-Corruption Network for Eastern Europe;
- **Organization of American States (OAS):** the follow-up mechanism of the Inter-American Convention Against Corruption (MESICIC);
- **US-China Joint Liaison Group:** the Anti-Corruption Working Group.

OGE represented the United States at anti-corruption and governance bodies of 5 multinational organizations and 1 bilateral group.



Several of the inter-governmental organizations noted above administer peer review mechanisms to review the progress of members in meeting anti-corruption obligations. The United States was reviewed under five such mechanisms this past year, for three of which OGE provided varying levels of support. Most significantly, an OGE Deputy Director served as the primary representative to GRECO during the U.S. review. OGE hosted the GRECO evaluators, identified U.S. stakeholders, set up meetings between U.S. stakeholders and GRECO evaluators, and compiled and synthesized the U.S. response to the GRECO evaluators.

OGE complemented its broader good governance policy efforts with activities aimed at sharing good practices on specific issues such as financial disclosure and effective ethics training. Activities included:

- Spearheading a workshop on effective financial disclosure as part of the APEC meetings hosted by the U.S.;
- Taking the lead in drafting and submitting, for adoption by the APEC economies, a set of principles for financial disclosure;
- Reviewing and commenting on a model law, drawn up by the OAS, on financial disclosure; and
- Sharing training techniques as part of an OECD working group on effective training tools.

Throughout its active schedule within international fore, OGE maintained a robust pace of bi-lateral technical assistance. OGE responded to requests for technical information from foreign governments on:

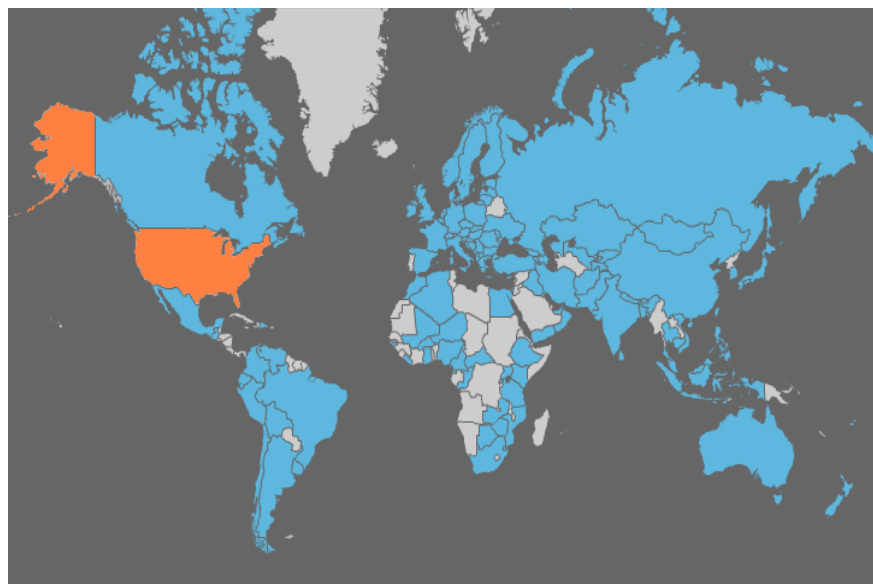
- Best practices related to benchmarking ethical leadership;
- How to leverage human resource departments to promote ethics; and
- The Standards of Ethical Conduct for Employees of the Executive Branch.

OGE also continued to respond to requests from the State Department and from individual embassies to provide more tailored assistance on incorporating corruption prevention and integrity measures into anticorruption and good governance initiatives. For example, in the following countries:

- **Latvia:** A veteran OGE policy attorney met with government officials from Latvia’s national anti-corruption body to discuss how OGE handles issues such as outside activities, maintaining impartiality, financial disclosure, and gifts. Leveraging its presence in country, the U.S. embassy set up meetings with students, academics, the press, and good governance groups to discuss similar issues;
- **Dominican Republic:** OGE’s General Counsel explained OGE’s role in preventing conflicts of interest during the Dominican Republic’s “National Week of Quality in the Public Administration”;
- **Slovakia:** OGE’s Deputy Director for its international section presented at a meeting at the Slovakian Parliament on the uses and benefits of financial disclosure for senior officials.

A mainstay of its international program, OGE continued to provide international technical assistance briefings to foreign officials from the public and private sector traveling under the auspices of the State Department International Visitor Leadership Program or other similar programs. This past fiscal year, 52 delegations comprised of 571 individuals representing 73 countries came to OGE to learn about the ethics program in the Executive Branch and how that program fits into the broader rubric of good governance principles.

In FY11 OGE provided some form of technical assistance in support of U.S. foreign policy interests to the countries highlighted in blue.



Part 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 measures over the efficiency of operations and 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 control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2011, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

OGE relies upon the U.S. Department of Treasury, Bureau of Public Debt (BPD) a shared service provider, for its accounting and financial reporting requirements. OGE obtains the SSAE 16 report from BPD, and reviews it to assist in assessing the internal control 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 FY2011 and therefore concludes that OGE's internal controls over financial reporting are sufficiently strong.

OGE has no in-house financial system. OGE has chosen to use Oracle Federal Financials, hosted by BPD. Because of the rigorous testing that BPD undergoes, OGE considers its financial system to be reliable and effective.



Don W. Fox
Acting Director
November 14, 2011

Part V – Financial Statements & 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 the Office of Management and Budget, 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 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, 2011 and 2010, 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, 2011 and 2010 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 our reports dated November 14, 2011 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.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, as revised, that 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 auditing standards generally accepted in the United States of America, 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.

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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.


Largo, Maryland
November 14, 2011

 BROWN & COMPANY CPAS, PLLC 



BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**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, 2011 and have issued our report thereon dated November 14, 2011. 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.

Largo, Maryland
November 14, 2011

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**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, 2011, and have issued our report thereon dated November 14, 2011. 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.


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November 14, 2011

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UNITED STATES OFFICE OF GOVERNMENT ETHICS

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2011 AND 2010**

UNITED STATES OFFICE OF
GOVERNMENT ETHICS



Preventing Conflicts of Interest
in the Executive Branch

UNITED STATES OFFICE OF GOVERNMENT ETHICS
BALANCE SHEET
AS OF SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 2,999,955	\$ 2,461,039
Accounts Receivable (Note 3)	17,361	14,278
Total Intragovernmental	3,017,316	2,475,317
Accounts Receivable, Net (Note 3)	-	141
Property, Equipment, and Software, Net (Note 4)	361,091	-
Total Assets	\$ 3,378,407	\$ 2,475,458
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 160,944	\$ 186,713
Other (Note 7)	195,497	181,860
Total Intragovernmental	356,441	368,573
Accounts Payable	550,673	192,529
Federal Employee and Veterans' Benefits (Note 5,6)	375,237	359,901
Other (Note 7)	1,436,999	1,319,780
Total Liabilities	\$ 2,719,350	\$ 2,240,783
Net Position:		
Unexpended Appropriations - Other Funds	\$ 1,567,097	\$ 1,418,281
Cumulative Results of Operations - Other Funds	(908,040)	(1,183,606)
Total Net Position	659,057	234,675
Total Liabilities and Net Position	\$ 3,378,407	\$ 2,475,458

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

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Program Costs (Note 9):		
Salaries and Expense:		
Gross Costs	\$ 14,560,305	\$ 14,222,581
Less: Earned Revenue	(483,858)	(546,058)
Net Cost of Operations	\$ 14,076,447	\$ 13,676,523

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 FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Cumulative Results of Operations:		
Beginning Balances	\$ (1,183,606)	\$ (1,137,748)
Budgetary Financing Sources:		
Appropriations Used	13,711,083	13,094,790
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 10)	640,930	535,875
Total Financing Sources	14,352,013	13,630,665
Net Cost of Operations	(14,076,447)	(13,676,523)
Net Change	275,566	(45,858)
Cumulative Results of Operations	\$ (908,040)	\$ (1,183,606)
Unexpended Appropriations:		
Beginning Balances	\$ 1,418,281	\$ 737,404
Budgetary Financing Sources:		
Appropriations Received	14,000,000	14,000,000
Other Adjustments	(140,101)	(224,333)
Appropriations Used	(13,711,083)	(13,094,790)
Total Budgetary Financing Sources	148,816	680,877
Total Unexpended Appropriations	\$ 1,567,097	\$ 1,418,281
Net Position	\$ 659,057	\$ 234,675

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 2011 and 2010, 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 and Regional Conferences and other activities. Budgetary resources are recorded when funds on deposit with the Department of Treasury are made available to OGE through a SF132 apportionment Schedule.

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.

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 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 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 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 (FEGSIP) may continue to participate in these programs after their retirement. The OPM has provided 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 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 2011 and 2010 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 2010 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, 2011 and 2010 were as follows:

	2011	2010
Fund Balances:		
Appropriated Funds	\$ 2,999,955	\$ 2,461,039
Total	\$ 2,999,955	\$ 2,461,039

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 114,166	\$ 136,832
Unavailable	419,445	470,536
Obligated Balance Not Yet Disbursed	2,466,344	1,853,671
Total	\$ 2,999,955	\$ 2,461,039

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 cash balance on hand. (See also: UNDELIVERED ORDERS AT THE END OF THE PERIOD, Note. 13)

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2011 and 2010 were as follows:

	2011	2010
Intragovernmental		
Accounts Receivable	\$ 17,361	\$ 14,278
Total Intragovernmental Accounts Receivable	\$ 17,361	\$ 14,278
With the Public		
Accounts Receivable	-	141
Total Public Account Receivable	\$ -	\$ 141
Total Accounts Receivable	\$ 17,361	\$ 14,419

The accounts receivable is primarily made up of receivables related to reimbursable activities.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2011 and 2010.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2011

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Software-in-Development	361,091	-	361,091
Total	\$ 361,091	\$ -	\$ 361,091

OGE did not have any Property, Equipment, and Software as of September 30, 2010.

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on OGE's Balance Sheet as of September 30, 2011 and 2010, 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.

	2011	2010
Intragovernmental – FECA	\$ 80,504	\$ 78,521
Intragovernmental – Unemployment Insurance	3,009	3,009
Unfunded Leave	814,636	745,325
Actuarial FECA	375,237	359,901
Total Liabilities Not Covered by Budgetary Resources	\$ 1,273,386	\$ 1,186,756
Total Liabilities Covered by Budgetary Resources	1,445,964	1,054,027
Total Liabilities	\$ 2,719,350	\$ 2,240,783

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 6. ACTUARIAL FECA LIABILITY

FECA provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and 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, 2011 and 2010, OGE used the overall average percentages of the LBP ratio to calculate the \$375,237 and \$359,901 FECA actuarial liabilities, respectively.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2011 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 30,458	\$ 50,046	\$ 80,504
Unemployment Insurance Liability	3,009	-	3,009
Payroll Taxes Payable	111,984	-	111,984
Total Intragovernmental Other Liabilities	\$ 145,451	\$ 50,046	\$ 195,497
With the Public			
Payroll Taxes Payable	\$ 16,637	\$ -	\$ 16,637
Accrued Funded Payroll and Leave	605,726	-	605,726
Unfunded Leave	814,636	-	814,636
Total Public Other Liabilities	\$ 1,436,999	\$ -	\$ 1,436,999

Other liabilities account balances as of September 30, 2010 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 29,577	\$ 48,944	\$ 78,521
Unemployment Insurance Liability	3,009	-	3,009
Payroll Taxes Payable	100,330	-	100,330
Custodial Liability	-	-	-
Total Intragovernmental Other Liabilities	\$ 132,916	\$ 48,944	\$ 181,860
With the Public			
Payroll Taxes Payable	\$ 14,957	\$ -	\$ 14,957
Accrued Funded Payroll and Leave	559,498	-	559,498
Unfunded Leave	745,325	-	745,325
Total Public Other Liabilities	\$ 1,319,780	\$ -	\$ 1,319,780

NOTE 8. 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
2012	\$1,415,909
2013	1,431,042
2014	478,711
Total Future Payments	\$3,325,662

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

NOTE 9. 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:

	2011	2010
Program Costs		
Intragovernmental Costs	\$ 4,515,155	\$ 4,353,814
Public Costs	10,045,150	9,868,767
Total Program Costs	14,560,305	14,222,581
Intragovernmental Earned Revenue	(17,353)	(70,858)
Public Earned Revenue	(466,505)	(475,200)
Net Program Costs	14,076,447	13,676,523

NOTE 10. 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, 2011 and 2010, imputed financing was as follows:

	2011	2010
Office of Personnel Management	\$ 640,930	\$ 535,875
Total Imputed Financing Sources	\$ 640,930	\$ 535,875

NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY 11 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2012 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2012 Budget of the United States Government, with the "Actual" column completed for 2010, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2011 and 2010 consisted of the following:

	2011	2010
Direct Obligations, Category A	\$ 14,645,869	\$ 14,397,217
Reimbursable Obligations, Category A	576,570	546,252
Total Obligations Incurred	\$ 15,222,439	\$ 14,943,469

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 13. 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. For the fiscal years ended September 30, 2011 and 2010, undelivered orders amounted to \$1,104,049 and \$810,912, respectively.

NOTE 14. CUSTODIAL ACTIVITY

OGE's custodial collection primarily consists of excess fees related to its national conference. While these collections are considered custodial, they are neither primary to the mission of OGE nor material to the overall financial statements. OGE's total custodial collections are \$57,306 and \$12 for the years ended September 30, 2011, and 2010, respectively.

NOTE 15. 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.

	2011	2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 15,222,439	\$ 14,943,469
Spending Authority From Offsetting Collections and Recoveries	(1,288,783)	(1,207,983)
Offsetting Receipts	-	-
Net Obligations	13,933,656	13,735,486
Other Resources		
Imputed Financing From Costs Absorbed By Others	640,930	535,875
Other Resources	-	-
Net Other Resources Used to Finance Activities	640,930	535,875
Total Resources Used to Finance Activities	14,574,586	14,271,361
Resources Used to Finance Items Not Part of the Net Cost of Operations	(584,770)	(639,852)
Total Resources Used to Finance the Net Cost of Operations	13,989,816	13,631,509
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	86,631	45,014
Net Cost of Operations	\$ 14,076,447	\$ 13,676,523