

U. S. OFFICE OF GOVERNMENT ETHICS



Fiscal Year 2004
Performance Accountability Report
Management Discussion and Analysis
Annual Program Performance Report
Audited Financial Statements

November 2004

MANAGEMENT' S DISCUSSION AND ANALYSIS

The Office of Government Ethics (OGE) is a separate executive branch agency established under the Ethics in Government Act of 1978, as amended (5 U.S.C. app. 401). The Director is appointed by the President with the advice and consent of the Senate for a five year term.

OGE is headquartered in Washington, DC. Currently, OGE is authorized a staff of 80 full-time equivalents. This discussion and analysis provides a brief overview of OGE operations. For detailed information on OGE, visit our website as www.usoge.gov.

MISSION STATEMENT

The Office of Government Ethics 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 agencies and departments, the Office fosters high ethical standards for employees and strengthens the public's confidence that the Government's business is conducted with impartiality and integrity. The Office is the principal agency for administering the Ethics in Government Act for the executive branch.

The chief responsibilities of OGE are:

- Developing, in consultation with the Attorney General and the Office of Personnel Management, rules and regulations to be promulgated by the President or the Director of the Office of Government Ethics pertaining to standards of ethical conduct of executive branch officials, public and confidential financial disclosure of executive branch officials, executive agency ethics training programs, and the resolution of conflicts of interest;

- Monitoring compliance with the executive branch financial disclosure requirements of the Ethics in Government Act of 1971, as amended;
- Providing ethics program assistance and information to executive branch agencies through a desk officer system;
- Conducting periodic reviews of the ethics programs of executive agencies;
- Ordering corrective action on the part of agencies and employees that the Director of the Office deems necessary, including orders to establish or modify an agency's ethics program;
- Providing guidance on and promoting understanding of ethical standards in executive agencies through an extensive program of Government ethics advice, education and training;
- Evaluating the effectiveness of the Ethics Act, the conflict of interest laws, and other related statutes; and
- Recommending appropriate new legislation or amendments.

GOALS OF OGE'S STRATEGIC PLAN

- OGE will provide overall policy direction to the executive branch ethics program.
- OGE will support the President, executive branch agency heads and employees in administering effective, fair, and consistent ethics programs within the branch and individual agencies.
- OGE will develop and make available to agencies innovative training and ethics education materials and promote and provide quality education and training experiences for agency ethics officials and employees.
- OGE will administer an effective outreach program.

HIGHLIGHTS OF FY 2004

Accomplishments

Office of General Counsel and Legal Policy

- Reviewed and certified for the Senate, the public financial disclosure statements filed by Presidential nominees
- Provided ethics training through OPM, and the White House if requested, to incoming Presidential appointees, new Schedule C's and noncareer SES, and White House staff
- Continued to review the Standards of Ethical Conduct for Executive Branch employees, to decide if changes are warranted
- Issued a final regulation implementing OGE's gift acceptance authority
- Continued a review of the criminal conflict of interest statutes with a view toward their modernization
- Issued proposed and final "plain English" regulations implementing Certificate of Divestiture and qualified trust requirements
- Supported the Office of Government Relations and Special Projects Congressional relations by drafting testimony, responding to Congressional requests, and reviewing legislative proposals and testimony
- Assisted a Congressional investigation of an agency ethics program, through testimony and other actions
- Assisted the Office of Director preparing reports to Congress
- Responded to requests for Certificates of Divestiture, and administered the blind trust program
- Provided oral and written interpretive opinions on sections 202 through 209 of Title 18 U.S.C., and on other statutory provisions related to conflicts of interest and ethics

- Provided legal services for OGE as an agency
- Worked as liaison with the Department of Justice on litigation in which OGE is a party
- Functioned as the liaison with the Office of Legal Counsel and the Criminal and Civil Divisions of the Department of Justice in coordinating advice, regulations and referrals
- Assisted the Office of Agency Programs in reviewing and developing ethics training materials, computer-based training, and pamphlets, and providing legal review of materials used in training
- Developed and offered, with the assistance of the Office of Agency Programs, specialized single statute or issue seminars targeted for ethics officials who provide legal advice
- Supported OGE speaking/training and outreach programs by providing speakers and presenters
- Provided assistance to the General Services Administration regarding its Governmentwide management of Federal advisory committees
- Provided support to the Program Services Division, including working with desk officers to address complex questions concerning conflicts of interest and ethics statutes and regulations
- Provided support to the Program Review Division by developing appropriate areas of inquiry prior to an agency's review, assisting with the review and the advice to be provided to that agency and advising on appropriate areas of inquiry for single issue audits
- Supported OGE's public information requirements including answering press inquiries
- Supported the OGE Records Management System for maintaining the majority of OGE's substantive program records
- Handled administrative responsibilities, including reports and requests under FOIA and the Privacy Act, liaison with OMB, GSA and Federal Register

- Conducted special analysis required by Congress or the Administration
- Supported the Director's activities in her role as a member of the President's Council on Integrity and Efficiency
- Analyzed allegations of Inspector Generals' misconduct, in support of Director's participation in the deliberation of the Integrity Committee
- Continued to study ethics issues arising from contractors in the Federal work place
- Addressed issues raised by the Government Accountability Office regarding the ethics programs of individual agencies
- Addressed issues raised by the Government Accountability Office regarding the designation of Federal advisory committee members as special Government employees or representatives of outside entities
- Is issuing final regulations designating Agency components under 18 U.S.C. section 207

Office of Government Relations and Special Projects

- Pursued clearance and enactment of major legislative package
- Provided OGE's Congressional Relations requirements, including drafting testimony and responding to congressional requests
- Coordinated and provided OGE's response to requests from OMB for reviews of draft bills, legislation, bill reports and testimony
- Coordinated and provided OGE's technical assistance and special international program oversight in support of the U.S. efforts at encouraging anti-corruption measures throughout the world
- Provided OGE's assistance in responding to the Council of Europe's (GRECO) evaluation of USG's anti-corruption efforts arising from an international agreement entered into by USG
- Provided OGE's assistance to USG negotiators of international agreements that include anti-corruption provisions and to USG representatives in discussions of implementation measures for the agreements (i.e. UN Convention Against Corruption)

Office of Agency Programs

- Maintained an emailing list service to communicate with 2,000 ethics practitioners and enforcement personnel across the Executive Branch
- Planned, organized and supported the Fourteenth Annual National Government Ethics Conference for approximately 500 ethics practitioners
- Supported the Outreach Program to non-government organizations, private sector organizations, and state, local, and international governments
- Continued surveys to assess customer satisfaction with OGE services and products
- Monitored the ethics agreements of approximately 97 presidential appointees of the new administration concerning their financial interests and ensured that such agreements are completed within 90 days of confirmation
- Tracked, collected, reviewed and certified approximately 1,000 annual and termination financial disclosure statements of presidential appointees confirmed by the Senate
- Assisted the Office of General Counsel and Legal Policy in the review and certification of financial disclosure statements of presidential nominees prior to their Senate confirmation hearings
- Released over 900 financial disclosure statements to the news media and the public
- Tracked, collected, and made available to the public, the semiannual reports from departments and agencies of travel payments accepted under 31 U.S.C. ' 1353 from non-government sources
- Responded to agency requests for administrative exemptions from the public financial disclosure system for Schedule C positions
- Maintained a desk officer system to monitor, assist and respond to telephone requests from all executive branch agency ethics staffs on a daily basis
- Held periodic seminars with small groups of agency ethics officials to discuss current ethics issues

- Determined the accuracy and quality of written agency ethics advice given to employees by ethics officials
- Monitored newly-established executive branch boards and commissions to ensure ethics support is timely provided by the appropriate agency
- Received, reviewed and analyzed the Annual Agency Ethics Program Questionnaire required by the Ethics in Government Act of 1978, as amended
- Conducted ethics program evaluations in 33 Federal agencies, regional offices, and military commands, focusing OGE's legal, educational and program assistance resources in assisting the agencies in the development of better ethics systems and the resolution of outstanding ethics issues
- Conducted six-month follow-up reviews in all agencies in which recommendations were made to improve the ethics program during the initial program review
- Conducted pre-reviews of ethics programs including surveys of agency employees to determine the effectiveness of the agency ethics program and areas in need of a more in-depth review
- Developed instructor and participant guides to be used by executive branch departments and agencies to deliver their annual ethics training. This includes the Ethical Leadership and Initial Ethics Orientation courses
- Developed training evaluation instruments to measure the extent to which employees acquired knowledge from various instructor-led and web-based training courses
- Continued to modify, design and develop courses based on the results of the end of courses evaluations, observations and annual needs assessments
- Developed and conducted needs analyses to identify the training needs of the ethics community
- Developed and conducted instructor-led ethics training courses for ethics practitioners, trainers, counselors, financial disclosure reviewers, and enforcement officials in headquarters and the regions

- Evaluated OGE ethics training courses to determine whether they are effective in meeting the needs of the ethics community
- Assisted agencies in conducting annual ethics training when their good faith efforts to complete the requirement are unsuccessful, placing special emphasis on micro agencies
- Planned, organized and supported Region Symposiums to be held three times a year for approximately 240 ethics practitioners
- Developed and maintained a case tracking system for advice provided by Desk Officers to executive branch ethics officials
- Developed and maintained a tracking system for public financial disclosure reports and ensure that such reports are filed by year end
- Designed and produced reference materials for Designated Agency Ethics Officials
- Responded to public requests for information that arrives via phone, mail, and internet
- Summarized and consolidated agency information collected across OGE program areas

Office of Administration and Information Management

- Continued to provide intra-agency support to all OGE program offices in the areas of payroll/personnel, finance and budget, small purchasing and contracting, personnel, security, printing, and mail services
- Produced in-house desktop published ethics training and conference materials, brochures, flyers, pamphlets, posters, and ethics and administrative forms
- Provided Records Management (RM) services, including forms clearance, developing policies and procedures, providing RM guidance and training, identifying, organizing and disposing of files, and developing and drafting records schedules
- Developed enhancements and additional information services on OGE's Internet World Wide Web Page, including the ability to provide on-line registration for OGE sponsored ethics training workshops and conferences

- Provided software applications training to OGE staff members
- Provided computer security awareness training to all OGE staff per the Computer Security Act of 1987 (PL 100-235)
- In accordance with the Federal Information Security Management Act (FISMA), the ISSO updated and implemented OGE's annual security awareness and training program designed to ensure that employees are aware of their responsibilities for protecting the OGE resources entrusted to them
- Provided Section 508 compliance advice and policy guidance on OGE purchases and projects
- Drafted and submitted annual report to OMB regarding OGE's information quality standards
- Coordinated, completed and submitted DOJ Section 508 Survey
- Continued the development of a new web-based Financial Disclosure Tracking System (FDTS) to be used by OGE staff to track the processing and review of SF 278 Public Financial Disclosure reports filed with OGE
- Initiated the design of a new web-based Audit Tracking System, which will be available within OGE and remotely via a secure Internet connection
- Modified OGE's Correspondence Tracking System (COTS) to provide OGE telecommuters the ability to access the program remotely via a secure Internet connection
- Managed a technical support contract that involved the installation and configuration of multiple routers, firewalls, and an intrusion detection system
- Completed all requirements for the Certification and Accreditation of OGE's General Support System (GSS) and Major Application (MA)
- Installed and configured a new SMTP (e-mail) Gateway filtering system to ensure optimum performance and enforcement of OGE IT security policy, and to enhance fault-tolerance and improve information assurance by configuring the devices for load-balancing and failover protection

- Enrolled OGE for participation in the FedCIRC's Patch Authentication & Dissemination Capability (PADC), which will ensure that OGE receives all software patches and fixes necessary to protect its information systems

Annual Program Performance Report Office of Government Ethics for FY 2004

The mission of the Office of Government Ethics:

The Office of Government Ethics 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 agencies and departments, we foster high ethical standards for employees and strengthen the public's confidence that the government's business is conducted with impartiality and integrity.

The strategic plan for the Office contains four strategic goals. In our FY 2004 annual performance plan, OGE set forth additional performance goals for each of these strategic goals. This report provides a report on OGE's success in meeting those performance goals.

Strategic Goal I: OGE will provide overall policy direction to the executive branch ethics program.

The four Performance Goals supporting this strategic goal focus upon OGE's ability to develop, evaluate and promote ethics policies for employee conduct that protect executive branch processes from conflicts of interest, as well as appearances of conflicts of interest; ensure that these policies are consistent, reasonable, and understandable to employees; serve as the primary authoritative source of Federal executive branch ethics policy; and solicit the advice of agency ethics officials in policy-making processes.

1. Performance Goal: OGE will maintain a strong working relationship with OMB so that OGE advice is sought and used in 90% of legislative and policy issues having a substantial effect on the Executive Branch ethics program.

OGE continues to maintain a strong working relationship with OMB with regard to the review of legislative materials in the clearance process. This is evidenced by the continued high level of requests for review (125 in FY 2004), and the fact that OMB employed input from OGE on 100% of those legislative materials that directly involved or affected the ethics program.

2. Performance Goal: OGE speaks continuously on a formal or informal basis to ethics officials, enforcement officials, the White House or Congress with regard to any recommendations for changes or additions to present policies or with regard to the recognition of any trends that serve as a precursor to a needed policy change.

Within six months of formally identifying a needed policy change, OGE will draft a proposal to implement that policy.

OGE met with ethics officials on a formal and informal basis throughout the year. The OGE Director held periodic meetings with ethics officials to discuss ethics program and policy

issues. At least one OGE representative attended the monthly interagency ethics council meetings to listen to common concerns that raise policy considerations and we convened informal meetings on various subjects as the need arose. As a member of the PCIE and the ECIE, the OGE Director was apprised of trends discussed within the investigative community and brought OGE staff counsel to meetings to discuss ethics issues. The Agency continued to survey annually all U.S. Attorneys' offices and the Department of Justice's Public Integrity Section for information on prosecutions being conducted and continued to work closely with the Public Integrity Section regarding matters that were referred to them.

3. Performance Goal: Within six months of determining to seek a needed statutory change, OGE has submitted it for clearance to OMB and, after clearance, pursues it to enactment within 18 months at least 75% of the time.

The public financial disclosure legislation, submitted to Congress in July 2003, was not enacted during this session and therefore was not enacted during the 18 month period. The proposal applied to all three branches of Government and given other Congressional priorities for the session, neither the House nor the Senate was willing to take the proposal up.

4. Performance Goal: OGE will maintain strong relationships with Departments of State and Justice (and others) so that they seek and employ OGE advice and assistance in 90% of the international negotiations or agreements having an actual or potential effect on the executive branch ethics program.

OGE continued to maintain a strong relationship with the Departments of State and Justice and met its goal for providing advice and assistance in international negotiations.

Strategic Goal II: OGE will support the President, executive branch agency ethics heads and employees in administering effective, fair, and consistent ethics programs within the branch and individual agencies.

The six performance goals supporting this strategic goal focus upon OGE's ability to provide evaluations of agency ethics programs to agency heads and ethics officials which identify strengths and weaknesses of the program; make specific recommendations for program enhancement designed to help ensure integrity in Government operations; provide timely and accurate written and oral opinions and be available for informal consultations concerning matters involving the applications of the Standards of Ethical Conduct, criminal conflict of interest statutes, and other related statutes and regulations; provide technical assistance to agencies in order to implement well-run and employee-helpful agency ethics programs; provide expert review and conflict of interest analysis of the new, annual and termination financial disclosure reports filed by Presidential appointees requiring Senate confirmation to assist agencies in providing appropriate advice on and taking appropriate actions to prevent financial conflicts of interest by those appointees; evaluate follow-up by agencies and officials regarding ethics commitments made by nominees during the confirmation process; and promote the importance of the ethics program to department and agency heads and other Government officials in order to secure personal commitment and sufficient agency resources.

1. Performance Goal: Over a four year cycle, OGE will conduct ethics program evaluations in all Federal agencies focusing OGE's legal, educational, and program assistance resources in assisting agencies in the development of better ethics systems and the resolution of outstanding ethics issues. OGE will also evaluate major ethics issues during single issue reviews to determine whether OGE and agencies are effectively meeting intended objectives.

To meet this performance goal, OGE will conduct reviews in 20 agencies and conduct 1 single-issue reviews or surveys in FY 2004. OGE will make recommendations to improve the program when deficiencies are found in systems and procedures. OGE will also share with agencies the best practices and procedures found during program reviews. These will be shared with agencies during program reviews, and also publicized on OGE's Website and other forms of communication and outreach.

OGE exceeded its goal by conducting 33 program reviews with 50 recommendations for improvements. All scheduled follow-up reviews were completed with 81% of agency program deficiencies being corrected. However, OGE did not conduct any single issue reviews in FY 2004. OGE continued to share best practices and procedures with agencies.

2. Performance Goal: OGE will track and monitor the ethics agreements of Presidential appointees confirmed by the Senate concerning their financial interests and ensure that such agreements are completed within 90 days of confirmation or within time frames established during the confirmation process. Ethics agreements may call for divestitures, qualified trusts, recusals, seeking waivers of 18 U.S.C. § 208, or resignations from positions. OGE will take action to resolve cases where agreements have not been satisfied.

There were 141 ethics agreements submitted to OGE in 2004. Nominees/appointees fully completed all promised actions in 80% of these ethics agreements within 90 days of confirmation or within time frames established during the confirmation process. All items in the remaining ethics agreements were completed after follow-up by OGE.

3. Performance Goal: The Program Services Division staff will respond to a large number of requests for advice and information on administering an effective agency ethics program, applying the standards of conduct, the criminal conflict of interest statutes, financial disclosure regulations and other related rules and regulations. The advice and information will be adequate in 99% of the cases. The Program Services Division will initiate the dissemination of information and advice on administering an effective ethics program when necessary and appropriate.

The Program Services Division staff responded to 2,600 requests for advice and information. The advice and information was adequate in over 99% of the cases and requests for advice and information were satisfied within two days for 90% of the cases.

4. Performance Goal: The Office of General Counsel and Legal Policy will respond to a large number of requests from agency ethics officials, the DOJ, the White House, IG's, Congress, executive branch employees, and members of the public for interpretations of the standards of ethical conduct, the criminal conflict of interest statutes, and other related statutes and regulations. The interpretations will be adequate in 99% of the cases.

In 90% of the cases, OGE attorneys will respond to requests for information and for oral statutory and regulatory interpretations within two workdays of obtaining the information necessary to respond. In 75% of the cases, OGE attorneys will respond to requests for written statutory and regulatory interpretations within 20 workdays of obtaining the information necessary to respond. In addition, in order to measure the adequacy of the responses, the Office of General Counsel and Legal Policy will track the number of instances where a requester or other person contacts OGE questioning the adequacy of advice.

The Office of General Counsel handled 2,694 inquiries during FY 2004. Of these, well more than 99% of the responses were adequate and 91% of the requests for information and oral interpretations received a response within two working days or less. Seventy-five percent of the requests for written interpretations were responded to within 20 work days or less.

5. Performance Goal: The Director or a member of the staff shall meet with Members of Congress or their staffs on each OGE legislative initiative, on each bill which would amend or add to direct (core) ethics provisions, on each OGE appropriations bill and on at least half of bills seriously considered which contain agency specific ethics measures.

The Director shall meet with the head of each agency when the agency is to receive or has recently received a notice that the agency's ethics program is not properly performing. The Director shall inform White House Counsel of any findings by OGE when a corrective action order has been sent to an agency head that the agency's ethics program is not properly performing.

Throughout the year OGE met with all appropriate Congressional staff with regard to pending OGE legislation and appropriations. There were no corrective action orders issued in FY 2004.

6. Performance Goal: Track, collect, review, and certify the nominee, annual and termination financial disclosure statements of approximately 1,000 presidential appointees confirmed by the U.S. Senate to assure Senate confirmation committees and executive branch agencies that appointees' financial interest are free from conflicts of interest with the position to which they are appointed. OGE will assist filers in fashioning appropriate remedies to alleviate an actual or apparent conflict of interest. Filers may be advised to consider undertaking several different types of actions which are tailor-made to suit the circumstances. These actions such as commitments to divest, create a qualified trust, recuse in certain circumstances, resign from certain positions or seek waivers of conflicts or impartially standards will be memorialized in ethics agreements that are approved by OGE.

There were 236 nominee financial disclosure statements received in FY 2004. Of these, 96.2% were certified and opinions rendered to the Senate within two weeks of either the nomination or OGE's receipt of receiving the final certified form from the agency. OGE received 950 annual and termination statements from various agencies and reviewed 80.9% within 60 days of receipt. Although this marks an improvement over FY 2003 it was still short of the 90% goal for reviewing the statements within 60 days of receipt. The continued shortage of experienced review staff for half of the year, along with an increased emphasis on the provision of training, hampered the staff in being able to fully achieve this goal.

Strategic Goal III: OGE will develop and make available to agencies innovative training and ethics education materials and promote and provide quality education and training experiences for agency ethics officials and employees.

The three performance goals supporting this strategic goal focus on OGE's ability to provide quality education and training courses for agency ethics officials; provide accurate, consistent, beneficial and cost effective materials for agencies to use in their ethics education and training programs for employees; and create opportunities for inter-agency educational programs to disseminate information and encourage the sharing of ideas and knowledge.

1. Performance Goal: Within the second quarter of the FY, the Education Division will perform an annual ethics training and education needs analysis executive branch wide to 1) identify subjects ethics officials feel need to be emphasized in training courses and educational products developed by OGE for employees and ethics officials, and 2) identify agencies' logistical needs, i.e., locations for conducting OGE ethics training courses and the types, media and distribution of educational products.

During the third quarter of the FY, the Education Division will determine what topics and the types of courses and products it will begin to develop during the FY. During the fourth quarter of the FY, the Education Division will develop a plan and schedule to produce these courses and educational products and will follow that schedule.

During the first half of the FY, the Education Division will be completing course development and educational products begun in the previous fiscal year.

By the beginning of the FY, the Education Division will have developed an evaluation instrument to evaluate each of the OGE conducted training courses during the fiscal year. The Education Division will collect and analyze the evaluations completed by students attending the courses. The Education Division will use the results of the analysis to monitor the effectiveness of the courses and to identify areas where improvement is warranted or that have been especially effective.

The Education Division will encourage agencies, which use OGE developed training products (such as web based training, pamphlets or videos) to train employees, to evaluate the effectiveness of those products. The Education Division will supply agencies that agree to administer an evaluation with a short evaluation instrument.

The Education Division performed one training needs analysis during FY 2004 with input from 78 agencies. A total of 115 training courses were conducted for agency ethics officials and 17 were conducted for employees (at their agencies' request). Student evaluations indicate an overall score of 4.16 (on a 1-5 point scale) which exceeded our target of 4 points for the overall rating of our training courses. OGE's web site received over 8,572,006 visits and 10,718 educational products were downloaded from OGE's web site.

2. Performance Goal: Annually OGE will develop, administer, and analyze an executive branch-wide survey to determine the state of the ethics program, identifying trends and areas of

weakness/strength which OGE will incorporate into and address in its policy-making, interpretation and opinion function.

OGE sent surveys to 125 executive branch agencies and received completed surveys from all. The data in these surveys is used to analyze issues and trends in the ethics program as well as providing a secondary needs analysis for additional training materials. The surveys are also reviewed by OGE analysts before beginning a review of an agency's ethics program.

3. Performance Goal: OGE will plan, develop, host and conduct an annual ethics conference for approximately 450 executive branch ethics officials where attendees will have an opportunity to participate in working sessions on the most current and common ethics issues, receive updates from OGE on all aspects of the ethics program and hear from outside sources and each other on the administration of their ethics programs. Immediately after the annual conference, OGE will identify from among the best rated concurrent sessions those that would be relevant for presentation to the regions. These sessions will be offered to ethics officials at selected regional locations as well as in Washington, D.C.

OGE's FY 2004 Annual Ethics Conference was attended by 529 persons with 75% of the executive branch agencies represented. The conference received a score of 3.67 (on a 1-4 point scale) from attendees which exceeded our target of 3 points. The conference continues to be a key element in educating and training ethics officials.

Strategic Goal IV: OGE will administer an effective outreach program.

The 4 Performance Goals supporting this strategic goal focus upon OGE's ability to foster a greater appreciation on the part of the public and future employees of the fact that there is a strong ethics program for employees of the executive branch and that ethics standards are enforced, as well as to share the programmatic and policy development experiences of OGE with other governments, non-profit organizations, corporations, professional and trade associations, and institutions of higher education who are pursuing the development or enhancement of their own educational or ethics programs.

1. Performance Goal: OGE will seek to participate in 20 in-person or electronic presentations where the public will be able to hear about the executive branch ethics program and will pursue the publication of one article or speech by an OGE employee about the program (with a circulation of at least 2000.)

During FY 2004, OGE made 20 presentations to non-Federal groups. Additionally, there was one article published about the ethics program.

2. Performance Goal: During FY 2004, OGE will maintain an Ethics Information E-Mail Service to enhance communications from OGE to the executive branch ethics and enforcement communities. This will ensure that executive branch ethics officials and enforcement personnel throughout the world receive timely announcements from OGE of the latest Daeograms, advisory opinions, training announcements, scheduled program reviews, report deadlines, and other materials that will aid them in maintaining effective ethics programs.

During FY 2004, OGE had 2,134 subscriptions representing 125 agencies to our Ethics Information E-Mail Service. Forty-three announcements were made using this service.

3. Performance Goal: OGE will establish target levels of responsiveness to requests for information under the Freedom of Information Act and the Privacy Act (FOIA/PA), as well as requests for public financial disclosure forms (SF 278), ethics agreements, waivers issued under 18 U.S.C. § 208(b), certificates of divestiture, blind trust documents, reports of agency acceptance of travel reimbursement under 41 U.S.C. § 1353. To meet this Performance Goal, OGE will establish internal response deadlines and meet them in 90% of the cases.

The goals for response deadlines for requests for SF 278's, ethics agreements, waivers under 18 U.S.C. § 208(b), certificates of divestiture, blind trust documents, and agency § 1353 reports were met. The number of FOIA/PA requests more than doubled from 38 in FY 03 to 80 in FY 04. As a result 61.3% of the requests for information under FOIA/PA were completed within 20 days of receipt.

4. Performance Goal: OGE's provision of technical assistance and information to representatives of foreign countries results in a positive, tangible response from recipients of more limited informational briefings at least 10% of the time and from recipients who receive more extensive (possibly in-country) assistance 50% of the time.

OGE continued to meet with delegations in our office (35 briefings, 310 participants, representing 80 countries), and continued to carry out specific programs requested by State and Justice. In addition, OGE served as a member of the team representing the U.S. in its successful evaluation by the Council of Europe (GRECO).

Schedule of Performance Indicators
 Comparing FY 2001-2004

STRATEGIC GOAL I	FY 01 Actual	FY 02 Actual	FY 03 Actual	FY 04 Actual
Performance Goal 1				
PERFORMANCE INDICATORS				
How often OMB requests input	148	205	197	125
Percentage of timely inputs	99%	99%	97%	94%
Percentage of input employed on direct	100%	100%	100%	100%
Performance Goal 2				
PERFORMANCE INDICATORS				
How often ethics policy is discussed with Presidents Council of Integrity and Efficiency (PCIE) and the Executive Council of Integrity and Efficiency (ECIE)	Once a year with each	Once a year with each	Once a year with each	Once a year with each
How often OGE seeks information from IGs or DOJ on types of alleged misconduct investigated	50-75 times a year	50-75 times a year	50-75 times a year	50-75 times a year
How often OGE creates an opportunity for discussion of a regulation or discusses a proposed Executive Order with Office of Legal Counsel, White House officials or OMB	Each draft or proposal	Each draft or proposal	Each draft or proposal	Each draft or proposal
Length of time between formal identification of needed policy change and internal implementing draft	90% of instances time is < 6 months	90% of instances time is < 6 months	90% of instances time is < 6 months	90% of instances time is < 6 months
Percentage of time OGE was not consulted or asked to draft ethics Executive orders	0%	0%	0%	0%

	FY 01 Actual	FY 02 Actual	FY 03 Actual	FY 04 Actual
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of proposals submitted to OMB	1	1	2	0
Percentage cleared for transmittal	100%	75%	50%	0
Length of time between transmittal and enactment	na	< 18 months	< 18 months	na
Performance Goal 4 (new for FY 04)				
PERFORMANCE INDICATORS				
Number of Negotiations				1
Number of required U.S. responses to existing agreements with corruption prevention or ethics program elements				1
Percentage of negotiations in which OGE assistance is sought				100%
Percentage of USG corruption prevention or ethics program actions required by international agreements in which OGE assistance is sought				100%
STRATEGIC GOAL II				
Performance Goal 1				
PERFORMANCE INDICATORS				
Number of agencies reviewed	52	30	39	33
Number of recommendations	49	41	33	50
Percent of Follow-up Reviews (WHERE RECOMMENDATIONS ARE MADE)	100%	100%	100%	100%
Correction of program deficiencies by agencies	88%	86%	80%	81%
Number of single-issue reviews	1	1	2	0

	FY 01 Actual	FY 02 Actual	FY 03 Actual	FY 04 Actual
Best practices shared with agency during program reviews	91%	84%	95%	93%
Performance Goal 2				
PERFORMANCE INDICATORS				
Number of appointees w/ethics agreements	267	220	86	86
Number of ethics agreements	372	341	132	141
Percent of ethics agreements completed within established time frames	93.8%	82%	75.6%	80%
Percent of cases resolved after OGE took action	100%	100%	100%	100%
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of requests for advice	4773	6280	3240	2600
Number of contacts concerning adequacy of advice	<1%	<1%	1%	1%
Time expended to adequately satisfy requests for advice and information	99% within one day	99% within one day	within 2 days for 90% of requests FY 03 Projected	within 2 days for 90% of requests FY 04 Projected
Performance Goal 4				
PERFORMANCE INDICATORS				
Number of inquiries	895	853	735	2694
Number of contacts concerning adequacy of advice	<1%	<1%	<1%	<1%
Length of time to respond to requests for information and for oral statutory and regulatory interpretations	99.5% within 2 work days	99.6% within 2 work days	99% 2 work days 90% of the requests	2 work days 91% of the requests

FY 01
Actual

FY 02
Actual

FY 03
Actual

FY 04
Actual

Length of time to respond to requests
for written statutory and regulatory
interpretations

86.3%

88%

20 work days
85.7% of the requests

20 work days
75% of the requests

Performance Goal 5

PERFORMANCE INDICATORS

Percentage of agency heads met following
issuance of a a corrective action order

None issued

New resources devoted to the program by
agency head to correct problems after
OGE *finding*

Eliminated Indicator

Percentage of White House ethics initiatives
on which OGE met with White House staff

Eliminated Indicator

Percentage of meetings held with White House
after they expressed *concerns* for an
OGE proposed regulation

Eliminated Indicator

Numbers of meetings with members/staff
for purposes of seeking support of program

10

Meetings held with
Congressional staff

	FY 01 Actual	FY 02 Actual	FY 03 Actual	FY 04 Actual
Performance Goal 6				
PERFORMANCE INDICATORS				
Number of nominee statements received	490	389	219	236
Percentage of nominee statements certified, opinions rendered to Senate within 2 weeks of receiving final certified form from agency after nomination	99.2%	95.9%	95%	96.2%
Number of annual and termination financial disclosure statements received	997	862	979	950
Percentage of annual and termination statements reviewed within 60 days of receipt	85.1%	86.3%	77.8%	80.9%

STRATEGIC GOAL III	FY 01 Actual	FY 02 Actual	FY 03 Actual	FY 04 Actual
Performance Goal 1				
PERFORMANCE INDICATORS				
Number of Needs Analyses. conducted	2	1	1	1
Number of agencies providing input for the Needs Analysis	238 from 60 agencies	87	79	78
Number of training courses conducted for ethics officials	41 Intro/6 Intermediate	44	50	115
Number of training courses conducted for employees at agency request	11	34	35	17
Number of new educational products developed	2	4	4	4
Number of evaluation instruments requested (training courses)	na	na	8430	2178
Number of evaluation instruments received from ethics official training	877 Intro/111 Intermediate	na	886	1103
Overall rating of training courses for ethics officials	3+ (on a 4 pt. scale)	3.57 (on a 4 pt. scale)	4.43 (on a 5 pt. scale)	4.16 (on a 5 pt. scale)
Number of evaluation instruments received for OGE educational products	2978	8851	7440	1549
Number of educational products downloaded from the web site	na	na	139135	10718
Number of visitors to the web site	na	9975725	15688000	8572006

	FY 01 Actual	FY 02 Actual	FY 03 Actual	FY 04 Actual
Performance Goal 2				
PERFORMANCE INDICATORS				
Number of surveys distributed	all executive agencies	127	127	125
Number of completed surveys received	100% compliance	100% compliance	100% compliance	100% compliance
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of conference attendees	484	445	465	529
Number of agencies represented	66%	75%	72%	75%
Evaluations of the conference (scale 1 to 4)	Cancelled 9/11 attack	3.37	3.42	3.67

	FY 01 Actual	FY 02 Actual	FY 03 Actual	FY 04 Actual
STRATEGIC GOAL IV				
Performance Goal 1				
PERFORMANCE INDICATORS				
Numbers of presentations to private groups	40	20	13	20
Numbers of articles or speeches published	1	1	1	1
Performance Goal 2				
PERFORMANCE INDICATORS (NEW FOR FY 04)				
Number of subscriptions				2134
Number of messages transmitted per year				43
Number of agencies represented in total subscriptions				125

	FY 01 Actual	FY 02 Actual	FY 03 Actual	FY 04 Actual
Performance Goal 3				
PERFORMANCE INDICATORS				
In 90% of the cases the number of days to respond to requests for the following:				
documents under the Freedom of Information Act	77% completed within 20 working days	80% completed within 20 working days	70% completed within 20 working days	61.3% completed within 20 working days
and Privacy Act	77% completed within 20 working days	80% completed within 20 working days	70% completed within 20 working days	61.3% completed within 20 working days
ethics agreements	3	3	3	3
waivers under 18 U.S.C. 208(b)	3	3	3	3
certificates of divestiture	3	3	3	3
blind trust documents	3	3	3	none requested
agency 1353 reports	3	3	3	3

Performance Goal 4 (new for FY 04)

PERFORMANCE INDICATORS

Number of accepted invitations (Through or approved by USG foreign policy agencies/entities to participate in international anti-corruption/ethics programs

6

Number of requests filled by OGE that come from USG foreign policy agencies/ organizations for OGE briefings of foreign officials during visits to Washington

35 briefings

Number of specific long-term programs supported by INL/State

2

FY 01
Actual

FY 02
Actual

FY 03
Actual

FY 04
Actual

Number of specific foreign government
document (e.g. draft codes of conduct)
reviews requested by USG foreign policy
agencies/entities

3

Percentage of recipients of briefings
responding in a positive, tangible manner

109

Percentage of recipients of more extensive
assistance responding in a positive manner
evidenced by some action within the country

100%

**U.S. OFFICE OF GOVERNMENT ETHICS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2004 AND 2003**

**U.S. OFFICE OF GOVERNMENT ETHICS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2004 AND 2003**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report on Financial Statement	1
Balance Sheets	2
Statements of Net Cost	3
Statements of Changes in Net Position	4
Statements of Budgetary Resources	5
Statements of Financing	7
Notes to Financial Statements	8
Independent Auditor's Report on Internal Control over Financial Reporting	15
Independent Auditor's Report on Compliance with Laws and Regulations	16



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying balance sheets of the U.S. Office of Government Ethics as of September 30, 2004 and 2003, and the related statements of net cost and results of operations and changes in net position, and the combined statements of budgetary resources and financing for each of the years ended September 30, 2004 and 2003. These principal statements are the responsibility of the U.S. Office of Government Ethics. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the principal 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 audits provide a reasonable basis for our opinion.

In our opinion, the principal statements referred to above present fairly, in all material respects, the financial position of the U.S. Office of Government Ethics as of September 30, 2004 and 2003, the results of its operations, changes in its net position, budgetary resources, and financing for each of the years ended September 30, 2004 and 2003 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2004 on our consideration of the U.S. Office of Government Ethics' internal control over financial reporting and a report dated October 25, 2004 on its compliance with laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Largo, Maryland
October 25, 2004

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U. S. OFFICE OF GOVERNMENT ETHICS
BALANCE SHEETS
AS OF SEPTEMBER 30, 2004 AND 2003
(In Dollars)

	2004	2003
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 3,320,001	\$ 3,109,763
Account Receivable	4,400	1,600
Advances and Prepayments (Note 3)	7,829	73,997
Total Intragovernmental	3,332,230	3,185,360
Account Receivable	147	5,417
Total Assets	\$ 3,332,377	\$ 3,190,777
 LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable (Note 5)	\$ -	\$ 11,454
Other (Note 5)	139,527	142,137
Total Intragovernmental Liabilities	139,527	153,591
Accounts Payable (Note 5)	684	165,504
Other (Note 5)	1,160,170	835,673
Total Liabilities	1,300,381	1,154,768
 NET POSITION		
Unexpended Appropriations (Note 7)	\$ 2,707,911	\$ 2,687,395
Cumulative Results of Operations (Note 7)	(675,915)	(651,386)
Total Net Position	\$ 2,031,996	\$ 2,036,009
 Total Liabilities and Net Position	 \$ 3,332,377	 \$ 3,190,777

The accompanying notes are an integral part of these statements

U. S. OFFICE OF GOVERNMENT ETHICS
STATEMENTS OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003
(In Dollars)

	2004	2003
PROGRAM COSTS		
Intragovernmental Gross Costs	\$ 3,226,283	\$ 3,579,137
Less: Intragovernmental Earned Revenue	<u>(249,950)</u>	<u>(123,283)</u>
Intragovernmental Net Costs	\$ 2,976,333	\$ 3,455,854
Gross Costs With the Public	<u>8,464,497</u>	<u>7,459,490</u>
Net Costs With the Public	<u>\$ 8,464,497</u>	<u>\$ 7,459,490</u>
Total Net Cost	<u>\$ 11,440,830</u>	<u>\$ 10,915,344</u>
Net Cost Of Operations	<u><u>\$ 11,440,830</u></u>	<u><u>\$ 10,915,344</u></u>

The accompanying notes are an integral part of these statements

U. S. OFFICE OF GOVERNMENT ETHICS
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003
(In Dollars)

	2004		2003	
	Cumulative Results Of Operations	Unexpended Appropriations	Cumulative Results Of Operations	Unexpended Appropriations
Beginning Balances	\$ (651,386)	\$ 2,687,395	\$ (557,196)	\$ 2,641,425
Beginning Balances, as Adjusted	\$ (651,386)	\$ 2,687,395	\$ (557,196)	\$ 2,641,425
Budgetary Financing Sources				
Appropriations Received		10,738,000		10,557,000
Other Adjustments (recessions, etc)		(195,792)		(322,310)
Appropriations Used	10,521,692	(10,521,692)	10,188,720	(10,188,720)
Other Financing Sources				
Imputed Financing from Costs Absorbed by Others	894,609		632,434	
Total Financing Sources	\$ 11,416,301	\$ 20,516	\$ 10,821,154	\$ 45,970
Net Cost of Operations	11,440,830		10,915,344	
Ending Balances	\$ (675,915)	\$ 2,707,911	\$ (651,386)	\$ 2,687,395

The accompanying notes are an integral part of these statements.

U. S. OFFICE OF GOVERNMENT ETHICS
STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003
(In Dollars)

	2004	2003
BUDGETARY RESOURCES		
Budget Authority		
Appropriations	\$ 10,738,000	\$ 10,557,000
Unobligated Balance		
Beginning of Period	1,265,254	1,538,082
Spending Authority from Offsetting Collections		
Earned		
Collected	247,150	121,683
Receivable from Federal Sources	2,800	(71,849)
Subtotal	\$ 12,253,204	\$ 12,144,916
Recoveries of Prior-Year Obligations		
Actual	719,113	1,048,109
Permanently Not Available		
Cancellations of Expired and No-Year Accounts	(132,438)	(253,690)
Pursuant to Public Law	(63,354)	(68,620)
TOTAL BUDGETARY RESOURCES	\$ 12,776,525	\$ 12,870,715

The accompanying notes are an integral part of these statements.

U. S. OFFICE OF GOVERNMENT ETHICS
STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003
(In Dollars)

	2004	2003
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 11,139,920	\$ 11,483,178
Reimbursable	250,450	122,283
Subtotal	11,390,370	11,605,461
Unobligated Balance:		
Available	277,103	425,363
Unobligated Balance Not Available	1,109,052	839,891
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 12,776,525	\$ 12,870,715

RELATIONSHIP OF OBLIGATIONS TO OUTLAYS

Obligated Balance, Net, Beginning of Period	\$ 1,844,509	\$ 1,593,832
Obligated Balance, Net, End of Period		
Accounts Receivable	4,400	1,600
Undelivered Orders (Note 7)	(1,313,927)	(1,348,145)
Accounts Payable	(624,319)	(497,964)
Outlays:		
Disbursements	\$ 10,579,119	\$ 10,378,524
Collections	(247,150)	(121,683)
Subtotal	\$ 10,331,969	\$ 10,256,841
Net Outlays	\$ 10,331,969	\$ 10,256,841

The accompanying notes are an integral part of these statements.

U. S. OFFICE OF GOVERNMENT ETHICS
STATEMENTS OF FINANCING
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003
(In Dollars)

	2004	2003
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 11,390,370	\$ 11,605,461
Less: Spending Authority from Offsetting Collections and Recoveries	(969,063)	(1,097,943)
Obligations Net of Offsetting Collections and Recoveries	\$ 10,421,307	\$ 10,507,518
Other Resources		
Imputed Financing from Costs Absorbed by Others	894,609	632,434
Net Other Resources Used to Finance Activities	894,609	632,434
 Total Resources Used to Finance Activities	 \$ 11,315,916	 \$ 11,139,952
 Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	\$ 100,385	\$ (323,368)
Resources That Fund Expenses Recognized in Prior Periods	(12,786)	(847)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	87,599	(324,215)
 Total Resources Used to Finance the Net Cost of Operations	 \$ 11,403,515	 \$ 10,815,737
 Components of the Net Cost of Operations That will not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	37,315	14,612
Other	-	84,995
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	37,315	99,607
 Total Components of Net Cost of Operations that will not Require or Generate Resources	 37,315	 99,607
 Net Cost of Operations	 \$ 11,440,830	 \$ 10,915,344

The accompanying notes are an integral part of these statements.

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 2004 AND 2003**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Office of Government Ethics (OGE), a small agency within the executive branch, was established by the Ethics in Government Act of 1978. In partnership with executive branch agencies and departments, OGE fosters high ethical standards for employees and strengthens the public's confidence that the Government's business is conducted with impartiality and integrity.

B. Basis of Presentation

These financial statements are provided to meet the requirements of the Accountability of Tax Dollars Act of 2002. The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing.

These financial statements have been prepared to report the financial position and results of operations of OGE. These statements were prepared from the books and records of OGE in conformity with accounting principles generally accepted in the United States, and the Office of Management and Budget (OMB) Bulletin No. 01-09, Form and Content of Agency Financial Statements.

C. Basis of Accounting

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over use of Federal funds.

To assist OMB in recommending and publishing comprehensive accounting standards and principles for agencies of the Federal Government, the Secretary of the Treasury, the Comptroller of the United States, the Director of OMB, and the Joint Financial Management Improvement Program (JFMIP) established the Federal Accounting Standards Advisory Board (FASAB) in 1990. The American Institute of Certified Public Accountant's (AICPA) Council designated FASAB as the accounting standards authority for Federal Government entities.

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 2004 AND 2003**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Revenues & Other Financing Sources

OGE receives all funding through Congressional appropriation from the budget of the United States. Annual appropriations are used, within statutory limits, for operating and capital expenditures for essential personal property. Appropriations are recognized as revenues at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations.

E. Fund Balance with Treasury

Funds with Department of the Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. See Note 2 for additional information.

F. Advances and Prepayments

OGE records payments for goods and services not yet received as advances and reduces the advances by charges to expense as the goods and services are received. See Note 3 for additional information.

G. General Property, Plant, and Equipment

Equipment or software are capitalized if the initial acquisition cost of an individual item or group of items composing a system is \$50,000 or more and the useful life is 2 years or more. Equipment or software with an initial cost less than \$50,000 or useful life less than 2 years is expensed when purchased. Capitalized equipment/software is depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are capitalized and amortized over the term of the lease.

H. 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. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, and there is no certainty that the appropriation will be enacted. Also, liabilities can be abrogated by the Government, acting in its sovereign capacity.

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 2004 AND 2003**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

I. Accounts Payable

Accounts payable consists of amounts owed to other Federal agencies and trade accounts payable.

J. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

K. Retirement Plans

OGE employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected to join either FERS and Social Security or remain in CSRS.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established and OGE makes a mandatory 1 percent contribution to this account. In addition, OGE makes matching contributions, ranging from 1 to 4 percent, for FERS eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees.

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 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 Office of Personnel Management.

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 2004 AND 2003**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

L. 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 2004 and 2003 to the extent directed by OMB.

M. Contingencies

There are no commitments or contingencies that require disclosure.

N. Expired Accounts and Canceled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account into 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 account period but not previously reported. At the end of the fifth expired year, the expired account is canceled.

NOTE 2. FUND BALANCE WITH TREASURY

	<u>FY 2004</u>	<u>FY 2003</u>
Appropriated Funds	<u>\$3,320,001</u>	<u>\$3,109,763</u>
Unobligated Balance		
Available	\$ 277,103	\$ 425,363
Unavailable	1,109,052	839,891
Obligated Balance not yet Disbursed	<u>1,933,846</u>	<u>1,844,509</u>
Total	<u>\$ 3,320,001</u>	<u>\$3,109,763</u>

**U.S. OFFICE OF GOVERNMENT ETHICS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 2004 AND 2003**

NOTE 3. OTHER ASSETS

OGE has intragovernmental transactions with the Bureau of Public Debt (BPD) for accounting and management services.

	<u>FY 2004</u>	<u>FY 2003</u>
Deposit with BPD		
Total Intragovernmental	<u>\$ 7,829</u>	<u>\$ 73,997</u>

NOTE 4. OPERATING LEASE

OGE occupies office space under a lease agreement that is accounted for as an operating lease. The lease term is for a period 126 months commencing on October 1, 2003 and ends January 31, 2014.

Schedule of Future Operating Lease Payments

FY 2005	\$ 1,290,568
FY 2006	1,325,067
FY 2007	1,332,964
FY 2008	1,341,357
FY 2009	1,349,357
AFTER FIVE YEARS	<u>5,947,609</u>
TOTAL FUTURE PAYMENTS	<u>\$12,586,922</u>

NOTE 5. LIABILITIES

The accrued liabilities for OGE are comprised of program expense accruals, payroll accruals, and annual leave (funded and unfunded) earned by employees. Program expense accruals represent expenses that were incurred prior to year-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end but were not paid.

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 2004 AND 2003**

NOTE 5. LIABILITIES (CONTINUED)

Schedule of Accrued Liabilities

Intragovernmental	<u>FY 2004</u>	<u>FY 2003</u>
Account Payable	\$ -	\$ 11,454
Other Accrued Liabilities	17,876	25,351
Unfunded FECA Liability	66,938	84,995
Payroll Taxes & Funded Leave	<u>54,713</u>	<u>31,791</u>
Total Intragovernmental	\$ 139,527	\$ 153,591
Liabilities With the Public		
Account Payable	\$ 684	\$ 165,504
Other Accrued Liabilities	150,399	92,048
Payroll Taxes & Funded Leave	400,647	171,817
Annual Leave (Unfunded)	<u>609,124</u>	<u>571,808</u>
Total Liabilities With the Public	\$ 1,160,854	\$ 1,001,177
Total Accrued Liabilities	<u>\$ 1,300,381</u>	<u>\$ 1,154,768</u>

NOTE 6. OPERATING/PROGRAM COSTS

Costs by major budgetary object classification are as follows:

Budgetary Object Classification	<u>FY 2004</u>	<u>FY 2003</u>
Personnel	\$ 6,813,313	\$ 6,471,075
Benefits	153,424	131,969
Travel	409,200	277,380
Transportation	5,932	5,801
Rents, Communications	482,006	1,171,421
Printing & Reproduction	2,683	3,252
Other Services	1,010,986	795,349
Supplies & Materials	135,664	96,178
Equipment	519,250	178,801
Interest and Dividends	<u>21</u>	<u>60</u>
Total Object Classification	\$ <u>9,532,479</u>	\$ <u>9,131,286</u>

**U.S. OFFICE OF GOVERNMENT ETHICS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 2004 AND 2003**

NOTE 7. NET POSITION

OGE's net position is composed of unexpended appropriation and cumulative results of operations. Net position as of September 30, 2004 and 2003 consisted of the following:

Unexpended Appropriations:	<u>FY 2004</u>	<u>FY 2003</u>
Unobligated		
Available	\$ 277,103	\$ 425,363
Unavailable	1,109,052	839,891
Undelivered Orders	<u>1,321,756</u>	<u>1,422,141</u>
Total	\$2,707,911	\$2,687,395
Cumulative Results of Operation	<u>(675,915)</u>	<u>(651,386)</u>
Net Position	<u>\$2,031,996</u>	<u>\$2,036,009</u>



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 principal statements (hereinafter referred to as "financial statements") of the U.S. Office of Government Ethics (OGE) as of and for the years ended September 30, 2004 and 2003, and have issued our report thereon dated October 25, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits, we considered OGE's internal control over financial reporting by obtaining an understanding of 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. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

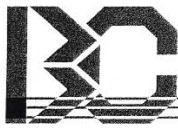
Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect OGE's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 material weaknesses as defined above.

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

Largo, Maryland
October 25, 2004

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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 principal statements (hereinafter referred to as "financial statements") of the U.S. Office of Government Ethics' (OGE) as of and for the years ended September 30, 2004 and 2003, and have issued our report thereon dated October 25, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *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 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. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to OGE.

The results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations discussed in the preceding paragraph exclusive of FFMIA that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether OGE's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which the OGE's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

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.

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

Largo, Maryland
October 25, 2004

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