

**U.S. OFFICE OF GOVERNMENT ETHICS**



**Fiscal Year 2008**  
**Performance Accountability Report**  
Management Discussion and Analysis  
Annual Program Performance Report  
Management Assurances  
Audited Financial Statements

**November 2008**



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

November 14, 2008

The Honorable Jim Nussle  
Director  
Office of Management and Budget  
Washington, DC 20503

Dear Mr. Nussle:

I am pleased to transmit to you the Performance Accountability Report (PAR) for the Office of Government Ethics (OGE) for FY 2008. The PAR includes OGE's Management Discussion and Analysis of OGE's Mission and Goals, Program Highlights for FY 2008, and the Annual Program Performance Report on how OGE met its Performance Goals. I am also transmitting OGE's Management Assurances and the Audited Financial Statements.

In FY 2008, OGE focused primarily on preparing agency ethics officials and its own staff for programmatic challenges associated with a Presidential transition. In particular, OGE sponsored a regional conference for experienced ethics officials who will review nominee financial disclosure reports during the Presidential transition, disseminated new guidance about nominee ethics agreements and disclosure requirements for complex financial instruments, and published a final rule providing detailed guidance about post-employment restrictions. OGE also pursued its leadership initiative, an effort to encourage Government leaders to support the ethics program and promote an ethical culture at executive branch agencies. In connection with these and other efforts, OGE made increasingly effective use of technology to deliver guidance, training, and other resources. OGE also launched its redesigned website.

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

I am also pleased to report OGE has received an unqualified opinion on its financial statements, as of September 30, 2008. In addition, the auditors found no material weaknesses related to OGE's compliance and internal controls over financial reporting.

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

Sincerely,

/s/

Robert I. Cusick  
Director

## INTRODUCTION

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.

The Office of Government Ethics is headquartered in Washington, D.C. Currently, OGE is authorized a staff of 80 full-time equivalents. This discussion and analysis provides a brief overview of OGE's mission, goals of its Strategic Plan, and highlights of its accomplishments in FY 2008. For detailed information about OGE, visit its website at [www.usoge.gov](http://www.usoge.gov).

## SUMMARY OF OGE'S MISSION

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, OGE fosters high ethical standards for employees and strengthens the public's confidence that the Government's business is conducted with impartiality and integrity. The chief responsibilities of OGE are:

- Developing, in consultation with the Attorney General and the Office of Personnel Management (OPM), rules and regulations to be promulgated by the President or the Director of the Office of Government Ethics (OGE's Director) 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 1978, as amended;
- Providing ethics program assistance and information to executive branch agencies through a desk officer system;
- Developing and delivering training courses and creating materials and training aids to be used by agencies in conducting training of Federal employees;

- Conducting periodic reviews of the ethics programs of executive agencies;
- Ordering corrective action on the part of agencies that OGE's Director 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 in Government Act, the conflict of interest laws, and other related statutes;
- Recommending appropriate new legislation or amendments; and
- Supporting U.S. international anti-corruption initiatives by providing technical assistance primarily concerning prevention programs.

#### **GOALS OF OGE'S STRATEGIC PLAN for FY 2007-2011**

To achieve its mission and ultimately its stated vision, OGE has established the following three strategic goals:

- Strengthening the ethical culture within the executive branch;
- Preventing conflicts of interest; and
- Promoting good governance.

## Highlights of FY 2008 Accomplishments

FY 2008 was the second year of OGE's five-year Strategic Plan. In its FY 2007 budget submission, OGE announced it would undertake initiatives to support three main priorities in FY 2008 and FY 2009: (1) assisting in the transition to a new administration; (2), engaging agency leadership in developing and supporting an ethical culture; and (3) using technology to improve the delivery of ethics services, information, and materials. OGE made substantial progress during FY 2008 in all three areas.

### *1. Prepared to assist in the transition to a new administration*

During FY 2008, OGE focused primarily on preparing to assist in the transition to a new administration. OGE worked vigorously to build internal capacity for its role in ensuring a smooth Presidential transition and to prepare agency ethics officials to face the challenges that the transition will present. OGE specifically prepared its staff and agency officials for the anticipated increase in public and confidential financial disclosure reports during the transition. To this end, OGE held a regional conference on financial disclosure attended by approximately 300 experienced ethics officials from over 70 agencies, finalized new rules on post-employment restrictions, issued additional guidance and resources for ethics officials on key transition-related topics, and provided training for reviewers of nominee financial disclosure reports. OGE also prepared to assist agencies with the myriad ethics issues that outgoing and incoming administration officials will face. In addition, OGE undertook a series of focused reviews to evaluate agencies' processes and procedures for collecting, reviewing, and certifying financial disclosure reports. OGE completed comprehensive evaluations of the financial disclosure programs at nine agencies.

### *2. Engaged agency leadership in developing and supporting an ethical culture*

As part of OGE's leadership initiative, OGE senior management met with numerous agency leaders during FY 2008. These meetings focused on ways to strengthen agencies' ethical culture and served to raise the level of discourse relating to the importance of support from senior leadership for the ethics program. OGE developed a training program on ethical

leadership specifically for agency leaders. OGE also developed and prepared ethics materials that can be provided to the many new appointees who enter the Government as part of the incoming administration in FY 2009. Also, as mentioned above, OGE undertook reviews of agency ethics programs that often included meetings with agency leadership and resulted in the development of model practices and recommendations that enhance the executive branchwide ethics program.

*3. Used technology to improve the delivery of ethics services, information and materials*

OGE increased its use of technology to deliver resources to ethics officials in FY 2008. For example, OGE supplied financial disclosure reviewers at executive branch agencies with an electronic compilation of new guidance on public financial disclosure requirements for complex financial instruments and posted the compilation on OGE's website. OGE also used its electronic notification mailing system (ListServe) to distribute a manual that provides extensive guidance on drafting ethics agreements for Presidentially-appointed, Senate-confirmed nominees. This manual also is available electronically through OGE's website. In addition, OGE used technology to improve the delivery of training in FY 2008. OGE delivered a web-based training seminar on financial disclosure, released a CD-ROM to augment financial disclosure training, developed video clips to enhance the classroom experience for ethics training, and delivered a series of electronic ethics crossword puzzles to help agencies enhance their ethics training. OGE also launched a new website during FY 2008. These mechanisms have allowed OGE to reach a wider audience in a cost-effective manner. Finally, to improve the effectiveness of its ethics policy and its assistance to agency ethics programs, OGE used new survey technologies to administer surveys to ethics officials. The survey results ensured that OGE focused on emerging issues and incorporated these issues into its training. The surveys also raised awareness of ways in which ethics officials could improve their ethics programs; for example by undertaking self-assessments, increasing leadership involvement, and leveraging resources.

The successful planning and delivery of the 16th National Government Ethics Conference was another significant undertaking for OGE in FY 2008. The conference agenda provided a major opportunity to address OGE's top priorities. The conference offered workshops that OGE organized in themed tracks, with an overall theme focused on the Presidential transition. Sessions

covered topics such as reviewing nominee financial disclosure reports, seeking private sector employment, post-employment restrictions, and what ethics officials need to know about the transition process. Over 600 members of the ethics community attended, and OGE extended invitations to members of both candidates' transition teams to raise their awareness of relevant ethics issues and to build relationships with the executive branch ethics community.



**Annual Program Performance Report  
Office of Government Ethics for FY 2008**

**FY 2008 Results**

***Strategic Goal One: Strengthening Ethical Culture Within the Executive Branch***

*Objective 1.1: Improve the Effectiveness of Ethics Policy*

As part of OGE's continual effort to review and update policy guidance for ethics officials, OGE published written materials, provided significant guidance to address key and emerging ethics issues, and provided assistance to Congress on legislative proposals. In FY 2008, OGE published 16 substantive legal memoranda and advisory opinions. These memoranda and opinions, which OGE distributed to agency ethics officials, are permanently available to the public on OGE's website. The documents discuss issues such as the gift exception for widely attended gatherings, conflicts of interest when seeking employment, and a post-employment exception for senior and very senior employees who represent candidates and political entities. A number of other written materials provide guidance on numerous financial disclosure issues including the treatment of exchange-traded funds for the purposes of financial reporting, and the reporting of emerging and complex financial instruments such as hedge funds and discretionary trusts. One memorandum provides extensive guidance on the complex rules applicable to Federal employees who plan to write books related to their Government experience. Throughout the fiscal year, OGE also continued to use the OGE electronic notification mailing system (ListServe) to distribute substantive information and timely notices to over 2,700 members of the ethics community. Nearly all ethics officials responding to OGE's annual survey of ethics officials indicated that OGE guidance is useful and that OGE provides the guidance they need to do their jobs effectively.

In FY 2008, OGE published a final rule promulgating expanded guidance explaining the scope and content of the post-employment restrictions of 18 U.S.C. § 207 and containing certain implementing procedures. Publication of this rulemaking represented a significant achievement for OGE. Following publication, OGE conducted training to familiarize ethics officials and other interested stakeholders with the guidance, including several presentations at OGE's 16<sup>th</sup> National Government Ethics Conference. OGE also conducted more extensive internal

training on 18 U.S.C. § 207 and the new regulations in order to prepare its desk officers and attorneys to answer questions they may receive from ethics officials throughout the executive branch.

Contractor ethics continues to be an emerging issue in which OGE has been active for several years. In FY 2008, the issue of contractor ethics drew increased attention from the media, Federal regulators, and Congress. Ethical risks and issues continue to arise in this area because Federal employees are working in Federal buildings alongside an increasing number of contractor employees, yet these contractor employees are subject to different standards than those applicable to Federal employees. In January 2008, the Federal Acquisition Regulatory Council's law team invited OGE to participate in the development of an advanced notice of proposed rulemaking (ANPR) on contractor employees' personal conflicts of interest (FAR Case 2007-017). OGE assisted in drafting the ANPR, submitted formal comments on the ANPR, and alerted the ethics community to the ANPR. In addition to this initiative, OGE participated in other related efforts to propose rules addressing the conduct of contractors.

OGE addressed a wide range of audiences on the topic of Government contractor ethics. In FY 2008, OGE delivered a formal presentation to the National Procurement Fraud Task Force. At the 16<sup>th</sup> National Government Ethics Conference, OGE also delivered several formal presentations on this topic to officials in the executive branch ethics community. OGE made formal presentations to the National Institutes of Health's ethics counselors, members of academia, Congressional staff, and a number of nonprofit organizations. Similarly, OGE advised and provided comments to the Government Accountability Office on its inquiries into ethics issues involving contractors at the Department of Defense. In addition, OGE published a booklet to provide guidance directly to executive branch employees who work with Government contractors.

During FY 2008, OGE paid significant attention to a number of legislative proposals that would affect Federal ethics laws. OGE closely tracked the development of these proposals and provided technical assistance regarding the impact they would have on the existing executive branch ethics program. OGE also provided formal views on some proposals. OGE provided several briefings to Congressional staff on a range of topics including contractor ethics, conflicts of interest, the Presidential transition, and financial disclosure among other topics.

Moreover, OGE responded to Congressional and OMB requests for comment on numerous draft bills, legislation, bill reports, and testimony. Specifically, OGE timely responded to over 100 OMB requests for review and comment in FY 2008, with OGE's comments on direct ethics issues incorporated approximately 90 percent of the time. Also, in light of the impending Presidential transition, OGE developed and, on behalf of the administration, submitted to Congress proposed legislation that would streamline financial disclosure requirements under the Ethics in Government Act. Finally, OGE undertook efforts to build internal capacity for enhancing its legal and legislative review in the coming years.

**Performance Measures**

OGE tracks its progress toward achieving its strategic goals through specific objectives assessed with reference to established performance measures. Baseline data for the majority of measures was established by merging statistical data from a variety of existing sources, including ethics training surveys, annual ethics program questionnaires, employee ethics surveys, and surveys of ethics officials. Certain performance targets for FY 2009 and thereafter have been modified as a result of surveys and OGE's experience in implementing the Strategic Plan.

OGE's success in meeting its performance targets is shown below:

<b>Performance Measures: Objective 1.1</b>						
<b>Improve the Effectiveness of Ethics Policy</b>						
Performance Measures	<u>Performance Targets - Projected</u>					
		<b>FY Actual Results in bold</b>				
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of ethics officials who rate OGE as responsive to emerging ethics program issues	78%	80%	80%	80%	80%	80%
		<b>81%</b>	<b>84%</b>			
Percent of ethics officials who rate guidance as useful	94%	95%	95%	95%	95%	95%
		<b>93%</b>	<b>93%</b>			

<b>Performance Measures: Objective 1.1</b>						
<b>Improve the Effectiveness of Ethics Policy</b>						
Performance Measures	Performance Targets - Projected					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of ethics officials who say they receive the guidance they need to do their jobs effectively	85%	85%	85%	85%	90%	90%
		<b>82%</b>	<b>88%</b>			

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

OGE attorneys and desk officers answered more than 2,000 complex legal and policy questions from agency ethics officials in FY 2008. Through this support to agencies, OGE ensured consistent application of the complex legal authorities that form the framework of ethics regulation in the Federal executive branch. OGE responded effectively to a high volume of calls from agency ethics officials regarding complex legal issues related to ethics authorities. The availability of this support consistently produced qualitative enhancements in agency ethics programs.

OGE continued to use technology to enhance support of agency ethics programs. More than 90 percent of ethics officials used the OGE website in FY 2008, and OGE launched a redesigned website, [www.usoge.gov](http://www.usoge.gov), to streamline access to information. In addition, OGE shared guidance with agency ethics officials through ListServe announcements and electronic DAEOgrams. About 95 percent of ethics officials reported that these electronic notifications were effective means for disseminating ethics information.

In FY 2008, OGE continued to focus not only on its own communications with agency ethics officials but also on the communications regarding ethical requirements that occur internal to agencies. To this end, OGE continued its efforts to raise the level of communication between the leadership of Federal agencies and the many officials throughout the executive branch who comprise the ethics community. OGE also continued its "Leadership Initiative" that focused on the critical role of

high-level agency leadership in promoting an ethical culture within the Federal executive branch. Among other actions, OGE undertook the following measures in furtherance of this objective:

- The OGE Director met with various high ranking officials at several departments and agencies.
- OGE continued convening focus groups in FY 2008 to discuss its Leadership Initiative.
- OGE instituted lunch-time forums to focus on emerging issues related to the upcoming Presidential transition and related agencies' program management matters.
- OGE conducted surveys regarding leadership prior to the 16th National Government Ethics Conference, and OGE used those responses to facilitate its preparations for the conference in order to address issues that executive branch agencies identified as important.
- OGE developed and provided agencies with suggestions for concrete actions that can be implemented at the leadership level to enhance agency ethics programs. These suggestions are posted on OGE's website.
- OGE integrated into its agency program review process the emphasis on leadership involvement in the ethics program.
- Over the fiscal year, OGE also recorded approximately 1,000,000 hits on its website, which is popular with both the ethics community and the general public.

In preparation for the Presidential transition, OGE had preliminary contacts with representatives of both of the Presidential candidates' transition teams to discuss relevant ethics requirements. OGE also reviewed and began preparing materials for the incoming administration to facilitate a smooth transition. In order to prepare agency ethics offices for the change in administrations, "Transition" was the theme of the 16<sup>th</sup> National Government Ethics Conference, which OGE held from September 16, 2008, through September 19, 2008. Three of the seven thematic tracks for the conference focused specifically on transition issues. OGE also dedicated several sessions to teaching agency ethics officials how to counsel outgoing senior officials effectively while preparing to assist incoming PAS

officials. Over 600 ethics officials participated in the 3½-day conference, and more than half of all agencies or components of executive branch departments were represented. OGE distributed conference materials to participants on flash drives to ensure that these materials will continue to be available in electronic format. As a result, these conference materials will continue to serve as useful reference material long after the conference, and agencies can easily share them with employees and archive them for future use.

OGE also provided assistance to agency officials on a variety of ethics issues in connection with executive branch ethics activities. For example, OGE prepared a "podcast" of the Senate-confirmed nominations process and video clips that provide scenarios for discussion during training sessions on ethics restrictions on seeking employment. In order to assist executive branch agencies in requesting Certificates of Divestiture, which allow employees to defer capital gains taxes on assets that the Government requires them to divest, OGE also issued a recommended format for requests. OGE distributed this recommended format to agency ethics officials and provided training on requests for Certificates of Divestiture in February 2008. The format continues to be available electronically on OGE's website.

In addition to branchwide emerging issues, individual agencies face their own unique challenges that they seek to remedy through supplemental, agency-specific ethics rules that OGE reviews. In FY 2008, OGE continued to emphasize the availability and advantages of alternative financial disclosure procedures and assisted agencies in developing those alternative procedures where appropriate. OGE reviewed and approved requests to implement alternative financial disclosure procedures at four agencies, in order to advance OGE's goal of promoting the efficient allocation of ethics program resources and focusing resources on important program objectives.

OGE also focused on succession planning, recognizing that effective succession planning will require thoughtfully directed action by OGE and the ethics community. In order to establish baseline information for targeting future action, OGE designed and distributed a special survey to agency ethics officials: the Ethics Program Succession Planning Survey. OGE also added a pertinent new section to the Annual Survey of Ethics Officials covering FY 2008. The groundwork for further work and training on a range of substantive topics relating to succession planning was established in several courses presented during the 16<sup>th</sup>

National Government Ethics Conference. These efforts and others will culminate in a succession planning initiative in FY 2010.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 1.2 Enhance Assistance and Oversight</b>						
Performance Measures	<u>Performance Targets - Projected</u>					
	<b>FY Actual Results in bold</b>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of ethics officials who are satisfied with education and training provided by OGE to support ethics officials	64%	70%	75%	80%	80%	80%
		<b>72%</b>	<b>73%</b>			
Percent of ethics officials who view OGE's program review process as adding value to their own programs*	65%	75%	85%	90%	90%	90%
		<b>57%*</b>	<b>93%</b>			
Percent of agencies that conduct internal reviews or audits to evaluate their program's compliance with applicable ethics laws and regulations	59%	60%	65%	65%	70%	75%
		<b>60%</b>	<b>61%</b>			

Objective 1.2 Enhance Assistance and Oversight						
Performance Measures	Performance Targets - Projected					
	Baseline	FY Actual Results in bold				
		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of agencies that use self-assessment surveys to evaluate employee perceptions of their agency's ethics program and ethical culture	24%	25%	30%	40%	40%	50%
		<b>28%</b>	<b>40%</b>			
Percent of ethics officials who are satisfied with information shared on ethics program model practices	55%	65%	70%	75%	80%	80%
		<b>63%</b>	<b>67%</b>			

\* Analysis of the survey data used to track this metric for FY 2007 suggests that the information used may not have been an accurate measure. Of those respondents stating an opinion for FY 2008, 93 percent believed that the program review process added value.

*Objective 1.3: Increase Employees' Awareness of Their Ethics Responsibilities*

Consistent with OGE's preparation for the Presidential transition in FY 2009, OGE developed training and written guidance on topics related to the transition. Specifically, OGE held numerous training sessions and discussion groups for executive branch employees and for the ethics officials who provide advice to departing employees. OGE issued a pamphlet on the qualified blind trust program and a pamphlet for employees who work with Government contractors. OGE completed the first draft of a revised post-employment training course that includes information about the new post-employment regulation. OGE also completed the first draft of a revised course on ethics requirements related to seeking employment. In addition, OGE issued an updated version of a pamphlet titled, "Rules for the Road," that provides summaries of 18 U.S.C. § 207, 18 U.S.C.



§ 203, and the Procurement Integrity Act, and alerts employees to other post-employment restrictions; and an updated version of a pamphlet titled, "Understanding the Revolving Door: How Ethics Rules Apply to Your Job Seeking and Post-Government Employment Activities," which provides a general discussion about how the Federal ethics laws and restrictions may affect departing employees, both while looking for a job and after leaving the Government. These last two pamphlets summarize the most common post-employment restrictions on what employees can do after they leave Government service. They contain revisions that reflect, among other things, a recent statutory change to 18 U.S.C. § 207(d) that increased the cooling off period for "very senior" employees from one year to two years.

Many employees serve the Government as special Government employees (SGE) or as Federal advisory committee members. For this reason, OGE continued its assistance to advisory committees in FY 2008. To assist these employees in understanding their ethical obligations, OGE did the following:

- published a pamphlet titled, "To Serve with Honor";
- published a longer booklet on the ethics rules that apply to advisory committee members serving as special Government employees;
- completed two FACA training courses for GSA and continued to coordinate with the General Services Administration on advisory committee matters;
- evaluated agency processes for determining SGE status during the OGE program review process; and
- provided significant feedback on proposed legislation to revise the Federal Advisory Committee Act during FY 2008.

OGE continued to develop a suite of training courses, materials, and evaluation instruments for agencies to use in training their employees and in assessing the effectiveness of such training. In FY 2008, over 80 percent of agencies used OGE-provided education and training products to promote employee awareness of ethics responsibilities. During FY 2008, OGE:

- developed a course titled, "Are You Vulnerable to Conflicts?" that addresses conflicts of interest and appearance concerns;

- continued to distribute the first course of the series titled, "Initial Ethics Orientation," which OGE has provided to approximately 100 requesters;
- delivered training at the 16<sup>th</sup> National Government Ethics Conference to demonstrate ways to deliver initial ethics orientation to employees; and
- created new and updated materials (such as job aides, bookmarks, and posters) to assist agencies in increasing employee awareness of ethics requirements, using materials that OGE designed in ways that enable mass production by ethics officials for direct distribution to their agencies' employees.

Notably, OGE continued to develop a wide variety of instructor-led training courses for ethics officials. After attending OGE-conducted training in FY 2008, all participants reported that their knowledge of ethics rules had increased.

OGE also expanded its use of educational posters to increase awareness among agency employees. The posters focus on the primary principles of ethical conduct. They are available to agencies in an electronic format that allows customization of information about agency ethics contact points. OGE received numerous requests from agencies seeking customized versions of the posters. In addition, OGE continued to develop and distribute a series of online ethics crossword puzzles available through the OGE website.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 1.3</b>						
<b>Increase Employee Awareness and Understanding</b>						
Performance Measures	<u>Performance Targets - Projected</u>					
	<b>FY Actual Results in bold</b>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of agencies that incorporate OGE education and training products into their program	66%	70%	75%	80%	85%	90%
		<b>72%</b>	<b>76%</b>			

<b>Objective 1.3</b>						
<b>Increase Employee Awareness and Understanding</b>						
Performance Measures	Performance Targets - Projected					
	Baseline	<b>FY Actual Results in bold</b>				
		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of participants whose knowledge of the ethics rules increased after participating in OGE conducted training	87%	90%	90%	100%	100%	100%
		<b>100%</b>	<b>100%</b>			
Percent of ethics officials who are satisfied with employee education and training products provided by OGE	44%	55%	60%	70%	75%	80%
		<b>57%</b>	<b>65%</b>			
Percent of employees who indicate they are familiar with ethics rules	52%	60%	70%	70%	80%	80%
		<b>59%</b>	<b>N/A*</b>	*	*	*
Percent of employees who indicate that they recognize ethics issues when they arise	59%	65%	70%	75%	80%	80%
		<b>66%</b>	<b>N/A*</b>	*	*	*
Percent of employees who believe that if ethics concerns are reported to the agency, action is taken to resolve them	51%	55%	65%	70%	75%	75%
		<b>56%</b>	<b>N/A*</b>	*	*	*

<b>Objective 1.3</b>						
<b>Increase Employee Awareness and Understanding</b>						
Performance Measures	Performance Targets - Projected					
	<b>FY Actual Results in bold</b>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of employees who believe that employees who are caught violating ethics rules are disciplined	42%	45%	45%	50%	55%	60%
		<b>50%</b>	<b>N/A*</b>	<b>*</b>	<b>*</b>	<b>*</b>
Percent of agencies that incorporate OGE-provided education and training products to promote employee awareness of their ethics responsibilities				80%	80%	80%
			<b>82%*</b>			
Percent of agencies that are satisfied with OGE-provided education and training products designed to promote employee awareness of their ethics responsibilities				80%	80%	80%
			<b>79%*</b>			

\* Note: Two new measures have been added for FY 2008 to measure Objective 1.3. In previous years, OGE obtained data related to employee awareness and understanding metrics from employee surveys that it conducted in agencies, and OGE met all objectives. Funding for employee surveys was not available in FY 2008. OGE has encouraged agencies to conduct self-assessment surveys.

*Objective 1.4: Increase OGE's Focus on Senior Officials' Roles in Implementing Ethics Program*

OGE's Leadership Initiative provides the leaders of executive branch agencies with suggestions for concrete actions that they can implement in order to fulfill their ethics responsibilities. Leadership support is a critical component of

a successful agency ethics program. OGE is committed to raising the level of communication between the leadership of executive branch agencies and the ethics community. In FY 2008, OGE emphasized that commitment and action by agency leadership is the keystone for ensuring the integrity of an agency's ethical culture and for fostering public confidence in the Government's decision-making processes. To carry this message to the executive branch's leadership in FY 2008, OGE delivered presentations on ethical leadership and building ethics into the culture that reached approximately 600 mid- and high-level managers. To further OGE's commitment to this message, OGE senior officials met with the leadership from several agencies in connection with ethics program reviews in FY 2008. In addition, OGE's Director personally met with a number of agency heads and other high-level agency officials to discuss ways that they could strengthen the existing ethical cultures of their agencies. Several presentations at the 16<sup>th</sup> National Government Ethics Conference also focused on teaching ethics officials skills for engaging their own agency leadership in this initiative. Over 90 percent of ethics officials believed that their agency's leaders paid attention to ethics and demonstrated support for the ethics program in FY 2008.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 1.4</b>						
<b>Promote Agency Leadership</b>						
Performance Measures	Performance Targets - Projected					
	Baseline	FY Actual Results in bold				
		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of employees who believe their agency leaders pay attention to ethics	64%	65%	70%	75%	75%	80%
		<b>69%</b>	<b>N/A*</b>	*	*	*
Percent of employees who believe their immediate supervisors pay attention to ethics	75%	75%	75%	80%	80%	80%
		<b>80%</b>	<b>N/A*</b>	*	*	*

<b>Objective 1.4 Promote Agency Leadership</b>						
Performance Measures	Performance Targets - Projected					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of ethics officials who indicate that their agency's leaders pay attention to ethics			<b>92%*</b>	90%	90%	90%
Percent of ethics officials who indicate that their agency's leadership demonstrates support for the ethics program			<b>92%*</b>	90%	90%	90%

\* Note: Two new measures have been added for FY 2008 to measure Objective 1.4. In previous years, OGE obtained data related to employee awareness and understanding metrics from employee surveys that it conducted in agencies, and OGE met all objectives. Funding for employee surveys was not available in FY 2008. OGE has encouraged agencies to conduct self-assessment surveys.

**Strategic Goal Two: Preventing Conflicts of Interest**

*Objective 2.1: Enhance Assistance to the President and the Congress in the Presidential Appointment Process*

OGE took proactive measures to enhance its assistance during the upcoming Presidential transition. During the Presidential transition, OGE anticipates the turnover of most of the 1,100 to 1,200 Presidentially-appointed, Senate-confirmed (PAS) positions in the executive branch. To prepare for the anticipated increase in the volume of PAS nominee reports and termination reports that OGE will receive during the transition, OGE undertook the following specific measures:

- OGE's 16<sup>th</sup> National Government Ethics Conference in September 2008 focused primarily on transition-related matters such as post-employment restrictions, seeking private sector employment, writing and publication of books, and disqualification issues. Several presentations at the conference addressed both technical disclosure issues and substantive conflicts issues related to nominee financial disclosure. In addition to the usual attendees, who numbered over 600, OGE invited key members of the campaign staffs of the two major party Presidential candidates in order to acclimate their transition teams to ethics and disclosure requirements and to establish liaison relationships with OGE staff as early in the transition process as possible.
- OGE prepared briefings for transition teams on ethics and financial disclosure as well as other transition-specific topics, and arranged meetings with the staffs of each of the major campaigns before the election.
- OGE conducted additional training for new financial disclosure reviewers in Washington, D.C. OGE also developed and distributed an electronic compilation of OGE's financial disclosure guidance and documents to individuals who attended financial disclosure training. This post-training CD-ROM provided students with a comprehensive reference guide and a series of audio files, recorded by OGE experts. The audio files addressed complex financial disclosure issues and "grey areas" that reviewers will typically face during the transition period.
- On February 28, 2008, OGE presented a Regional Conference for ethics officials from over 70 departments and agencies on financial disclosure issues related to PAS nominees in order to help prepare individual ethics officials for the increased number and complexity of financial disclosure reports that are expected during transition. The conference focused on advanced technical disclosure and substantive conflicts issues specific to PAS individuals. Approximately 300 experienced attorneys and ethics officials registered for the conference, and feedback from these attendees indicated that the result was an increase in their expertise in addressing financial disclosure requirements.

- In connection with the February 2008 Regional Conference, OGE distributed a bound volume containing 258 pages of instructional material and contact information designed to prepare executive branch ethics officials for the anticipated increase in the volume of nominee and termination financial disclosure reports associated with the Presidential transition. Nearly all of the material in this volume was new material that OGE developed specifically for this purpose.
- OGE supplied financial disclosure reviewers at executive branch agencies with an electronic compilation of new guidance on public financial disclosure requirements for complex financial instruments. This compilation supplements OGE's "Financial Disclosure: A Reviewer's Reference" manual and is posted on OGE's website.
- OGE issued a written manual that provides extensive guidance on drafting ethics agreements for PAS nominees. OGE distributed this manual both at its February 2008 Regional Conference on public financial disclosure and through the electronic notification mailing system (ListServe), to which over 2,700 executive branch ethics officials are subscribed. OGE also made this manual available to both agency ethics officials and the general public by posting it on OGE's website.
- OGE continued to expand its pool of public financial disclosure report reviewers and continued to encourage other executive branch ethics programs to expand their pools as well. To assist one major department with its capacity-building effort, OGE allowed the department to detail a nominee report reviewer to OGE. During the detail, OGE provided both formal training and on-the-job training to the department's employee. OGE has offered similar opportunities to other departments and agencies.
- OGE's Director testified at a hearing before a Senate subcommittee regarding OGE's role in, and preparations for, the Presidential transition. Officials of the Office of Management and Budget in the Executive Office of the President and the General Services Administration also testified at the hearing.
- OGE expedited the Certificate of Divestiture request process by issuing a new sample format for requests. This



format will assist with the increased volume of requests that OGE expects to receive during the Presidential transition.

- OGE obtained the administration's approval for draft legislation to streamline the financial disclosure process and submitted the draft legislation to Congress.
- OGE published comprehensive post-Federal employment ethics regulations and conducted training on these regulations.
- OGE published several new pamphlets on substantive ethics requirements.
- OGE began the development of a video for potential PAS nominees that explains the reasons for the financial disclosure requirements, as well as the essential nature of early and strong involvement by nominees in ethical leadership.
- OGE issued a memorandum on the heightened scrutiny of PAS nominee reports and the need for agencies' ethics officials to seek additional information, rather than relying on standard review assumptions, when reviewing PAS nominee reports.

In conjunction with the foregoing efforts to prepare for the Presidential transition, OGE began conducting a series of focused reviews to evaluate agencies' processes and procedures for collecting, reviewing, and certifying financial disclosure reports, including those filed by PAS nominees. While evaluating agencies' financial disclosure processes and procedures is a routine part of OGE's plenary reviews, conducting the focused reviews allows OGE to evaluate a larger number of agencies in a shorter period of time. In order to identify areas for improvement before the transition, OGE designed components of the reviews, as follows:

- The reviews consist of two parts, including both a questionnaire to be completed electronically and on-site follow-up interviews by OGE reviewers.
- The reviews focus on internal controls.
- The reviews underscore the importance of ensuring accuracy, consistency, and timeliness in the processing of PAS

nominee reports in anticipation of the Presidential transition.

- Part of each focused review includes an emphasis on the need for agencies to develop and maintain follow-up procedures for pursuing the collection of the reports of delinquent filers.

In connection with these focused reviews, OGE completed comprehensive evaluations of the financial disclosure programs at nine agencies. OGE used the information gathered through these reviews to develop model practices and recommendations that will enhance the executive branch ethics program.

OGE continued in FY 2008 to provide agency ethics officials with guidance and instruction that will improve their review of public financial disclosure reports. In the course of reviewing nominee reports in FY 2008, OGE closely scrutinized the work of agency ethics officials and met internally to discuss the issues that were arising in the course of these reviews. OGE's financial disclosure team and program reviewers also worked directly with agency reviewers in connection with the report of each PAS nominee. During these interactions, OGE staff provided agency ethics officials with assistance in reviewing the individual financial disclosure reports. This assistance included substantive guidance regarding the broadly applicable financial disclosure requirements and conflicts of interest issues that those reports implicated. As a result, these exchanges facilitated the nominations of numerous candidates for PAS appointments and increased the level of expertise of the community of agency ethics officials who reviewed their reports. Notably, 95 percent of conflict and technical reporting issues for nominee financial disclosure reports were resolved within five days after a nomination was made.

During FY 2008, OGE reviewed and certified 254 financial disclosure reports filed by PAS nominees. In addition, OGE increased its focus on the ethics agreements of PAS nominees, working closely with ethics officials to provide extensive guidance on such agreements in order to resolve potential conflicts of interest and concerns about appearances of conflicts of interest. Heightened scrutiny of the quality of these ethics agreements resulted in better outcomes with regard to resolving conflicts prospectively. In order to build the skills of agency ethics officials, OGE contacted agency ethics officials directly to explain and negotiate changes to their nominees' ethics agreements. OGE also enhanced its service by

working directly with PAS nominees and their representatives in many cases in order to expedite the processing of reports when agency ethics officials were unable to resolve disclosure and conflicts issues quickly. In addition, OGE continued to monitor compliance with the ethics agreements of PAS officials following their confirmations; 97 percent of PAS officials complied with the agreements within required time frames.

As there continues to be significant agency interest in electronic filing of financial disclosure forms, OGE decided in FY 2007 to allow each agency to undertake its own development of an electronic filing process to use with either the public reporting system (Standard Form 278) or the confidential reporting system (OGE Form 450). In FY 2008, OGE continued to support agency e-filing efforts in the following ways:

- OGE participated in an interagency e-filing working group called the "Electronic Filing Workgroup," which promotes the development and advancement of executive branchwide electronic financial disclosure report filing. OGE also facilitated a presentation by this group at the 16<sup>th</sup> National Government Ethics Conference in September 2008. In addition to the panel presentation, OGE organized a one-day e-filing workshop where participants saw three live demonstrations of existing electronic filing systems.
- As a member of the e-filing workgroup of the Interagency Ethics Council (IEC), OGE assisted in the development of a document titled, "eFiling Roadmap & Planning Workbook: Electronically File (eFile) & Manage Financial Disclosure Reports (FDRs)." Once completed, this document will serve as a guide for ethics officials seeking to implement an electronic process for the filing of financial disclosure reports (Standard Form 278 and OGE Form 450) in their agencies. The roadmap details ways to decide on and deploy an e-filing solution based on the experiences of several agencies. The workgroup will finalize this document in FY 2009.
- OGE met with several agencies that are in the process of developing e-filing systems, including the National Aeronautics and Space Administration, the Department of Veterans Affairs, the Executive Office of the United States Attorneys, the Department of Health and Human Services, the United States Postal Service, and the Federal Deposit Insurance Corporation.

- OGE developed and distributed an e-filing survey to 129 independent agencies and 46 major components. The survey provided OGE with specific information on the extent to which steps in each agency's process can be completed electronically, and it helped OGE to fulfill its commitment to monitor the e-filing efforts of individual agencies.

OGE enhanced the assistance it provides to the President and Congress by updating its regulations. Specifically, OGE submitted in FY 2007 a proposed regulation on qualified blind trusts and qualified diversified trusts to the Department of Justice (DOJ) and the Office of Personnel Management (OPM) for review. This proposed regulation revises existing regulations in order to clarify the processes for establishing such trust instruments. OGE received and responded to comments from DOJ and OPM in FY 2008. OGE hoped to submit the proposed regulation to the Office of Management and Budget (OMB) in FY 2008 and adopt a final regulation before the beginning of the Presidential transition, but was unable to submit the rule to OMB in FY 2008 because OMB imposed a moratorium on new rules that will remain in force through the end of the current administration. OGE will continue to pursue this initiative in FY 2009. Also in FY 2008, OGE began developing revised regulations dealing with exemptions to the conflicts of interest rules, but did not submit the regulations to OMB in FY 2008 due to the moratorium on new rules.

In FY 2008, in conjunction with its nominee review process, OGE also continued its efforts to ensure that incumbent PAS appointees' financial interests did not pose actual or apparent conflicts of interest with their current duties. OGE accomplished this effort by reviewing annual financial disclosure reports and termination reports that such officials submitted. OGE performed a conflicts analysis on 1,087 annual and termination public financial disclosure reports filed by these employees. OGE also worked with small boards and commissions to strengthen their substantive and technical reviews of financial disclosure reports. In addition, OGE provided instructor-led courses to ethics officials from various agencies on identifying and resolving conflicts of interest.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 2.1 Enhance Assistance to the President and the Congress</b>						
Performance Measures	<u>Performance Targets - Projected</u> <b>FY Actual Results in bold</b>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of agencies using an electronic filing system	2	6 <b>4</b>	* <b>9</b>	*	*	*
Percent of officials who comply with ethics agreements within required time frames	95%	95% <b>98%</b>	95% <b>97%</b>	95%	95%	95%
Resolves all conflicts and technical reporting issues for nominee financial disclosure reports no later than five days after a nomination is made	90%	90% <b>95%</b>	90% <b>95%</b>	95%	95%	95%

*Objective 2.2: Monitor Continued Compliance With Conflict of Interest Laws*

Inspectors General provide critical support in the enforcement of ethics laws and rules because they usually conduct the primary investigations of alleged violations. OGE has sought opportunities to strengthen the relationship between the community of Inspectors General and the community of ethics officials, in an effort to help Inspectors General understand the application of the ethics requirements. OGE's Director maintained consistent communication with the Inspectors General community through regular attendance at the meetings of the President's Council on Integrity and Efficiency (PCIE) and the

Executive Council on Integrity and Efficiency (ECIE). In FY 2008, OGE continued its effort to foster effective working relationships with the Inspectors General community. In addition to its meetings with Inspector General personnel, OGE provided educational support to the Inspectors General community, including the following:

- OGE developed and conducted two formal training courses on investigating conflicts of interest during FY 2008 at the Inspector General Academy.
- OGE staff presented training directly to the staffs of Inspectors General on five other occasions during FY 2008. On one of these occasions, OGE provided individualized training to the staff of the Department of Education's Inspector General on reviewing financial disclosure reports. This training enabled the Inspector General's staff to respond to an important Congressional inquiry regarding financial disclosure at the Department of Education.
- At the 16<sup>th</sup> National Government Ethics Conference, OGE expanded its outreach to Inspectors General by inviting them to increase the number of their representatives at the conference. OGE also reached out to the Inspectors General community before the conference in order to ensure that the conference agenda included topics of interest to them. The Inspectors General community's attendance and participation in the conference provided an opportunity for the staffs of Inspectors General to develop better working relationships with members of the ethics community. The collaboration between these communities also served to help develop strategies for assisting one another in carrying out their respective responsibilities. As a result, they identified common needs and ways to meet these responsibilities through future collaboration.

OGE also continued to work directly with the Department of Justice and Inspectors General on enforcement of ethics requirements. OGE regularly provides assistance to prosecutors and investigators concerning the interpretation and application of the conflict of interest laws and ethics rules in the context of specific prosecutions and investigations. The subjects of these interactions included such matters as improper gifts, falsification of financial disclosure statements, financial conflicts of interest, and post-employment restrictions. In addition to these activities, OGE continued to collect and

monitor concurrent notifications of conflict of interest referrals to the Department of Justice to identify trends. In FY 2008, OGE also developed an electronic process for receipt of concurrent notification of conflict of interest referrals to the Department of Justice.

Also in FY 2008, OGE's formal tracking systems effectively monitored the activities of executive branch agencies in connection with conflicts of interest laws, as follows:

- OGE continued to maintain a monitoring system that ensures that PAS appointees file annual and termination financial disclosure reports as quickly as possible. In FY 2008, OGE achieved a 10% increase in the number of PAS reports that agencies timely filed with OGE for final review and certification.
- OGE continued to monitor compliance of PAS appointees with their ethics agreements. In FY 2008, OGE found that 97% of all tracked PAS appointees met the regulatory requirement of complying with their agreements within applicable timelines.
- As part of the standard program review process, OGE program reviewers routinely emphasized to agencies the importance of notifying public filers once their reports are reviewed and certified. All agency programs reviewed in FY 2008 provide public financial disclosure report filers with feedback after their reports have been reviewed. In those cases where reports had not been certified or were certified late due to filing errors or inconsistencies, OGE program reviewers ensured that agency officials were making efforts to collect information or correct any deficiencies that were delaying certification.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 2.2</b>						
<b>Monitoring Compliance with Conflict of Interest Laws</b>						
Performance Measures	<b>Performance Targets - Projected</b>					
		<b>FY Actual Results in bold</b>				
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of audited entities that provide public financial disclosure report filers with feedback after their reports have been reviewed	84%	85%	90%	90%	95%	95%
		<b>100%</b>	<b>100%</b>			
Percent of audited entities that have written procedures for following up with delinquent filers	49%	60%	75%	90%	90%	90%
		<b>91%</b>	<b>85%</b>			

*Objective 2.3: Administer an Effective Confidential Financial Disclosure System*

In FY 2008, OGE continued to emphasize the availability and advantages of alternative financial disclosure procedures and to assist agencies in developing alternative procedures where appropriate. All alternative financial disclosure systems reviewed in FY 2008 had been implemented effectively. In FY 2008 OGE also reviewed and approved requests to implement or update alternative financial disclosure procedures at the following four agencies:

- Environmental Protection Agency;



- National Aeronautics and Space Administration;
- Department of Agriculture; and
- Department of Veterans Affairs.

OGE also maintained a Frequently Asked Questions section for confidential financial disclosure reports on its website.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 2.3</b>						
<b>Improved Administration of Confidential System</b>						
Performance Measures	<u>Performance Targets - Projected</u>					
		<b>FY Actual Results in bold</b>				
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of alternative systems judged by program review to have been effectively implemented	60%	65%	70%	80%	90%	90%
		<b>100%</b>	<b>100%</b>			
Percent of required confidential filers who filed by end of reporting year	70%	*	75%	75%	80%	80%
			<b>TBD*</b>			

\* The pertinent regulation was amended in FY 2007. Because of the amendment, there were no results in FY 2007 and results for FY 2008 are not yet available.

### **Strategic Goal Three: 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*

In FY 2008, OGE engaged in a number of activities with Federal, State, and local agencies that promote integrity, accountability, and transparency in Government. At the Federal level, OGE's Director maintained consistent communication with the Inspectors General community through regular attendance at monthly meetings of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). OGE's Director continued to serve on the PCIE Integrity Committee and served as a presenter for the Inspector General Leadership Development Course. In addition, OGE developed and began presenting a course for the Inspector General Training Academy that will enhance the Academy's training on investigating public corruption and ethics cases.

OGE also maintained a consistent presence at the Federal Interagency Ethics Council, an informal group of executive branch ethics officials who meet monthly to share model practices and practical information. In particular, OGE made a significant presentation on the newly issued post-employment regulations.

In continued support of the substantial number of Federal advisory committees, OGE staff participated in a multi-day curriculum development exercise held by the General Services Administration to improve training for Federal advisory committee management officers in departments and agencies.

Transparency in government is fundamental to good governance. OGE provided team leadership in conjunction with the Department of Justice on a long-standing FOIA and Constitutional law claims suit.

Exploring a new opportunity to reach a broader audience on subjects complementary to the ethics program, OGE participated in the development of a podcast that addressed the duty to report misconduct and identified the offices that can receive reports of misconduct. OGE developed this broadcast with a representative of the Office of Special Counsel's Disclosure Unit and a representative of an Inspector General Hotline program.

At the State and local level, OGE continued to be an active member of the Council on Governmental Ethics Laws (COGEL), an organization comprised of Federal, State, and local government agencies primarily from the United States and Canada, which are, in part, responsible for government ethics and access to information programs. In FY 2008, OGE utilized the newly revamped COGEL member forum to answer program inquiries from other members, and to pose its own questions concerning good practices.

Throughout FY 2008, OGE coordinated extensively with other Federal agencies and, to some degree, with State, and local government agencies in conjunction with the United States' obligations under international anti-corruption conventions and mutual evaluation mechanisms. In the more general area of programs within public administration that help support the prevention of corruption, as opposed to law enforcement, OGE took the lead within Federal working groups in gathering specific information on applicable laws, regulations, policies and practices of these agencies for those programs. For example, OGE worked cooperatively with Federal agencies to implement or report on implementation of recommendations made to the United States as the result of the first-round and second-round evaluations by the Council of Europe's Group of States Against Corruption (GRECO) and the first-round evaluation by the follow-up mechanism for the Inter-American Convention Against Corruption (MESICIC). As a more general matter, OGE used the anti-corruption conventions and evaluation mechanisms as platforms for discussions of specific internationally recognized good governance and integrity issues.

OGE's participation and interaction with other Federal, State and local agencies on topics that build on the complementarity of a variety of programs within public administration was well received and also provided helpful insights to OGE as it evaluated its own programs.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 3.1</b> <b><i>Increase OGE's Support of and Cooperation With Federal, State and Local Agencies Implementing Programs That Help Support Good Governance</i></b>						
Performance Measures	<u>Performance Targets</u> <b>FY Actual Results in bold</b>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of programs/projects involving federal agencies/organizations	6	8	8	10	10	10
		<b>14</b>	<b>9</b>			
Percent of feedback from federal program/project attendees indicating OGE participation was useful	30%	30%	40%	50%	50%	60%
		<b>95%</b>	<b>100%</b>			
Number of programs/projects involving state/local/government agencies/organizations	2	2	2	3	3	3
		<b>5</b>	<b>3</b>			
Percent of feedback from state and local program/project attendees indicating OGE participation was useful	30%	30%	40%	50%	50%	60%
		<b>100%</b>	<b>100%</b>			

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

In FY 2008, OGE's Director and other members of OGE's staff made numerous presentations to private sector and civil society organizations whose understanding of the Federal ethics program helped to support public trust in Government. The audiences included non-Government organizations, professional and business associations, and educational institutions, such as the American Bar Association, the D.C. Bar Association, and a national association of scientists. The OGE Director and his staff also specifically reached out to various organizations for their views on such issues as the role of leadership in enhancing and maintaining ethical cultures in agencies and the anticipated challenges in the upcoming Presidential transition. These interactions also consistently drew positive responses. OGE's 16<sup>th</sup> National Government Ethics Conference included presentations by representatives of private sector and civil society organizations focused on ethics issues.

In FY 2008, OGE continued to serve the public effectively through its help desk, which provided timely and thorough responses to over 900 queries for information. OGE timely responded to numerous press inquiries in order to ensure accuracy of reporting on ethics laws and rules that apply to the executive branch. In addition, OGE conducted three formal interviews with various media outlets on ethics issues. OGE responded directly to letters from the public seeking information or assistance on issues that often require referral to other Federal or State entities. OGE released 160 reports of PAS officials in response to 32 requests. OGE continued its 100 percent on-time response rate for FOIA and Privacy Act requests. OGE also released 64 travel payment reports (or § 1353 reports). All executive branch agencies file these reports with OGE semi-annually in order to show the extent to which agencies accepted payments for travel, subsistence and related expenses received from non-Federal sources in connection with the attendance of employees at certain meetings and similar functions.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 3.2</b>						
<b>Enhance Outreach to the Private Sector and Civil Society</b>						
Performance Measures	Performance Targets					
	Baseline	FY Actual Results in bold				
		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of meetings, speeches, presentations and similar outreach efforts to organizations that represent the public, civil society and persons who do business with the Government	8	10	10	12	12	15
		<b>12</b>	<b>13</b>			
Percent of feedback from attendees indicating that interaction with OGE was useful	30%	30%	40%	50%	50%	60%
		<b>100%</b>	<b>100%</b>			

*Objective 3.3: Support U.S. Foreign Policy Anti-Corruption and Good Governance Initiatives*

OGE's provision of ethics program expertise and an understanding of an ethics program's role in good governance continued to have an appreciable and positive effect on the recipients of the United States' anti-corruption foreign policy initiatives. Its expertise was also highly appreciated by the Federal agencies whose initiatives and programs OGE supported. As a result, FY 2008 was an extremely active and highly successful year for OGE in its continuing support of the United

States' foreign policy initiatives in the area of corruption prevention.

Throughout the year, OGE staff continued to represent the United States Government at the plenary meetings of the Council of Europe's Group of States Against Corruption (GRECO) and serve as expert evaluators of other GRECO members for the third round of evaluations. In addition, a representative from OGE was asked to write the substantive section of GRECO's Eighth General Activity Report that addressed practices and lessons learned from GRECO reviews on the topic of "revolving doors" or "pantouflage." The section was well received by the member countries, with a number of countries subsequently translating that section of the text into other languages for use by their own policymakers.

The United Nations Convention Against Corruption has been, and continues to be, a priority anti-corruption foreign policy initiative of the United States. Because of OGE's expertise in mutual evaluation mechanisms, OGE continued to serve as a principal member of an interagency committee that is responsible for developing the United States' position on a review mechanism for implementation of the Convention; represented the United States at meetings that the United Nations Office on Drugs and Crime (UNODC) held to advance the development of a review mechanism; and assisted the United States with its own review and with its commitments to review three other countries in a pilot review program. Based on OGE's active participation in these activities, the Department of State asked OGE to serve as a member of the United States' delegation to the Second Council of States Parties to the Convention.

Throughout FY 2008, OGE provided expertise in a number of initiatives of other international organizations in which the United States is a member. For example, OGE worked with the members of the Asia Pacific Economic Cooperation's (APEC) Anti-corruption and Transparency Task Force, and with China in particular, to begin designing a symposium on the APEC Principles of Conduct for Public Officials tentatively to be held in FY 2009. In addition, OGE continued to serve as a United States expert resource to the Organization for Economic Cooperation and Development through the Directorate on Public Governance and Territorial Development for a variety of topics and programs including post-employment, lobbying, and assessing integrity programs and to the Directorate for Financial and Enterprise Affairs in a program for the Anti-Corruption Network for Eastern Europe and Central Asia.

In long-standing support of the Department of State's International Visitor Leadership Program, OGE continued to meet with delegations of foreign visitors interested in ethics, conflicts of interest, transparency, and other good governance initiatives. During FY 2008, OGE hosted 33 delegations made up of over 375 visitors from over 80 countries. Approximately 80 percent of the surveyed visitors were public officials and the remainder included journalists, academics, and members of non-governmental organizations. From completed surveys of the visitors, OGE found that nearly all visitors reported OGE's presentations helped them to understand the activities of OGE and its role and function in the broader context of good governance. Most indicated they felt the knowledge they gained from the presentations would be useful to them in their countries.

Finally, OGE continued to serve as a resource to the Department of State's Bureau for International Narcotics and Law Enforcement Affairs (INL) and the Department of Justice's Office for Overseas Prosecutorial Development Assistance and Training (OPDAT) for technical assistance to individual country anti-corruption programs. In support of INL, OGE continued to review follow-up reports on anti-corruption prevention efforts made by countries who have agreed to participate in the Follow-up Mechanism of the Inter-American Convention Against Corruption.

**Performance Measures**

OGE's success in meeting its performance targets is shown below:

<b>Objective 3.3</b>						
<b>Support U.S. Foreign Policy Anti-Corruption and Good Governance Initiatives</b>						
Performance Measures	<u>Performance Targets</u>					
	<b>FY Actual Results in bold</b>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of programs/projects OGE participates in at the request U.S. foreign policy agencies/ organizations	7	7	7	8	8	8
		<b>21</b>	<b>21</b>			



Objective 3.3 Support U.S. Foreign Policy Anti-Corruption and Good Governance Initiatives						
Performance Measures	Performance Targets					
	Baseline	FY Actual Results in bold				
		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of feedback from program/project participants indicating that interaction with OGE was useful	30%	30%	40%	50%	50%	60%
		<b>90%</b>	<b>100%</b>			

*Enhanced Internal Administrative Support*

During FY 2008, OGE staff maintained vital services related to budget, finance, human resources, graphics, facilities, property management, travel, procurement, telecommunications, records management, information, and website technologies. To add to this array of services and related reporting requirements, OGE took steps to enhance its ability to attract and retain a highly effective workforce. OGE obtained recertification of its SES pay-for-performance system and completed a human capital survey of its employees. OGE also enhanced its ability to continue operations in the event of a natural disaster, attack, or other emergency through participation in the Department of Homeland Security's "Operation Eagle Horizon" exercise. OGE redrafted its Continuity of Operations Plan, updated its building evacuation plan, reviewed the currency of its Shelter-in-Place procedures, and provided emergency training to employees. OGE also continued its compliance with HSPD-12 deadlines.

To improve its business processes, OGE took steps to improve remote connectivity to its IT network, oversaw the installation and security requirements for a multi-media workstation system within the Office of Agency Programs, assisted in the development of electronic survey instruments, met NIST security requirements, and successfully completed its facilitation of the redesign of the OGE website. OGE continued its progress in meeting trusted Internet connection requirements and the accompanying transition to WITS3. OGE approved an action

plan for refreshing its IT equipment in FY 2009. OGE also successfully tested its Internet Protocol version 6 capability.

## MANAGEMENT ASSURANCES

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

OGE's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). OGE conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, OGE can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, OGE conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, OGE can provide reasonable assurance that its internal control over financial reporting as of June 30, 2008 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

/s/

Robert I. Cusick  
Director  
Office of Government Ethics  
November 14, 2008

**UNITED STATES OFFICE OF GOVERNMENT ETHICS**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
SEPTEMBER 30, 2008 AND 2007**

**BY**

**BROWN & COMPANY CPAs, PLLC**

**NOVEMBER 7, 2008**

 **BROWN & COMPANY CPAS, PLLC** 

**UNITED STATES OFFICE OF GOVERNMENT ETHICS  
FOR THE FISCAL YEARS ENDED  
SEPTEMBER 30, 2008 AND 2007**

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**BROWN & COMPANY CPAs, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

Board of Directors  
Office of Government Ethics  
Washington, DC

We have audited the accompanying balance sheet of the Office of Government Ethics (OGE) as of September 30, 2008 and 2007, 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 audit 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, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 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, 2008 and 2007 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, we have also issued a report dated November 7, 2008 on our consideration of the OGE internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in "Management's Discussion & Analysis" (MD&A) is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised *Financial Reporting Requirements*. The OGE's MD&A contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with OGE officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

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 specific parties.

Largo, Maryland  
November 7, 2008

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL**

Board of Directors  
Office of Government Ethics  
Washington, DC

We have audited the financial statements of the Office of Government Ethics (OGE) as of and for the year ended September 30, 2008 and have issued our report thereon dated November 7, 2008. We conducted our audit 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, *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. 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 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 significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. 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 material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. 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 significant deficiencies or material weaknesses as defined above.

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

*Brown & Company*

Largo, Maryland  
November 7, 2008





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

Board of Directors  
Office of Government Ethics  
Washington, DC

We have audited the financial statements of the Office of Government Ethics (OGE) as of and for the year ended September 30, 2008, and have issued our report thereon dated November 7, 2008. We conducted our audit 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, *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. 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 other 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.

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

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

Largo, Maryland  
November 7, 2008

**UNITED STATES OFFICE OF GOVERNMENT ETHICS**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2008 AND 2007**  
**(In Dollars)**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 2,454,523	\$ 2,444,572
Accounts Receivable	37,636	-
Total Intragovernmental	<u>2,492,159</u>	<u>2,444,572</u>
Accounts Receivable	259	-
Total Assets	<u>\$ 2,492,418</u>	<u>\$ 2,444,572</u>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable (Note 3)	\$ 25,000	\$ 179,683
Other (Note 3)	149,117	132,218
Total Intragovernmental	<u>174,117</u>	<u>311,901</u>
Accounts Payable (Note 3)	697,053	277,991
Federal Employee and Veterans' Benefits (Note 3)	335,745	-
Other (Note 3)	1,230,347	1,147,716
Total Liabilities	<u>\$ 2,437,262</u>	<u>\$ 1,737,608</u>
<b>NET POSITION</b>		
Unexpended Appropriations	\$ 1,228,435	\$ 1,495,340
Cumulative Results of Operations	<u>(1,173,279)</u>	<u>(788,376)</u>
Total Net Position	<u>55,156</u>	<u>706,964</u>
Total Liabilities and Net Position	<u>\$ 2,492,418</u>	<u>\$ 2,444,572</u>

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

**UNITED STATES OFFICE OF GOVERNMENT ETHICS  
STATEMENT OF NET COST  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007  
(In Dollars)**

	<u>2008</u>	<u>2007</u>
<b>PROGRAM COSTS</b>		
<b>SALARIES AND EXPENSES</b>		
Gross Costs (Note 6)	\$ 13,063,488	\$ 12,044,502
Less: Earned Revenue	<u>506,414</u>	<u>260,700</u>
Net Program Costs	12,557,074	11,783,802
Net Cost of Operations	<u><u>\$ 12,557,074</u></u>	<u><u>\$ 11,783,802</u></u>

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

**UNITED STATES OFFICE OF GOVERNMENT ETHICS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**  
(In Dollars)

	<u>2008</u>	<u>2007</u>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
Beginning Balances	<u>\$ (788,376)</u>	<u>\$ (683,517)</u>
Budgetary Financing Sources:		
Appropriations Used	11,628,496	11,069,035
Other Financing Sources		
Imputed Financing Sources	<u>543,675</u>	<u>609,908</u>
Total Financing Sources	12,172,171	11,678,943
Net Cost of Operations	<u>12,557,074</u>	<u>11,783,802</u>
Net Change	<u>(384,903)</u>	<u>(104,859)</u>
Cumulative Results of Operations	<u>\$ (1,173,279)</u>	<u>\$ (788,376)</u>
<b>UNEXPENDED APPROPRIATIONS</b>		
Beginning Balances	<u>\$ 1,495,340</u>	<u>\$ 1,629,143</u>
Budgetary Financing Sources		
Appropriations Received	11,750,000	11,115,085
Other Adjustments	(388,409)	(179,853)
Appropriations Used	<u>(11,628,496)</u>	<u>(11,069,035)</u>
Total Budgetary Financing Sources	<u>(266,905)</u>	<u>(133,803)</u>
Total Unexpended Appropriations	<u>\$ 1,228,435</u>	<u>\$ 1,495,340</u>
NET POSITION	<u><u>\$ 55,156</u></u>	<u><u>\$ 706,964</u></u>

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

**UNITED STATES OFFICE OF GOVERNMENT ETHICS**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**  
(In Dollars)

	<u>2008</u>	<u>2007</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance:	\$ 1,159,369	\$ 1,006,499
Recoveries of Prior Year Unpaid Obligations	351,876	186,569
Budget Authority		
Appropriation	11,750,000	11,115,085
Spending Authority From Offsetting Collections		
Earned		
Collected	468,666	260,700
Change In Receivables From Federal Sources	37,747	-
Change In Unfilled Customer Orders		
Without Advance From Federal Sources	34,403	-
Permanently Not Available	388,409	179,853
Total Budgetary Resources	<u>\$ 13,413,652</u>	<u>\$ 12,389,000</u>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred		
Direct	\$ 11,987,569	\$ 10,968,667
Reimbursable	540,817	260,964
Unobligated Balance		
Apportioned	71,860	157,939
Unobligated Balance Not Available	813,406	1,001,430
Total Status of Budgetary Resources	<u>\$ 13,413,652</u>	<u>\$ 12,389,000</u>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 1,285,203	\$ 1,516,056
Total Unpaid Obligated Balance, Net	1,285,203	1,516,056
Obligations Incurred Net	12,528,386	11,229,631
Less: Gross Outlays	11,820,306	11,273,915
Less: Recoveries of Prior Year Unpaid Obligations, Actual	351,876	186,569
Change In Uncollected Customer Payments		
From Federal Sources	(72,150)	-
Obligated Balance, Net, End of Period		
Unpaid Obligations	1,641,407	1,285,203
Less: Uncollected Customer Payments From Federal Sources	72,150	-
Total, Unpaid Obligated Balance, Net, End of Period	<u>\$ 1,713,557</u>	<u>\$ 1,285,203</u>
<b>NET OUTLAYS</b>		
Net Outlays:		
Gross Outlays	\$ 11,820,306	\$ 11,273,915
Less: Offsetting Collections	468,666	260,700
Net Outlays	<u>\$ 11,351,640</u>	<u>\$ 11,013,215</u>

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

**OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 Office of Government Ethics (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 statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

**B. 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.

**C. Budgets and Budgetary Accounting**

OGE receives all funding through Congressional appropriation from the budget of the United States. Annual appropriations are used within statutory limits, to incur obligations for specified purposes. OGE also has reimbursable authority to conduct an Annual Ethics Conference. Budgetary resources are recorded when funds on deposit with the Department of Treasury are made available to OGE through a warrant(s) for expenditures and liabilities.

**D. Basis of Accounting**

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

The accompanying notes are an integral part of these statements.

**OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

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

**E. Revenues & Other Financing Sources**

Congress enacts annual and multi-year appropriations to be used, within statutory limits, for operating and capital expenditures. Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

We recognize 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, Net**

Accounts receivable consists of amounts owed to OGE by other Federal agencies and the 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 either (1) 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, or (2) an account for which no allowance has been established is submitted to the Department of the Treasury for collection, which takes place when it becomes 180 days delinquent.

The accompanying notes are an integral part of these statements.

**OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

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

**I. Property, Plant and Equipment, Net**

OGE's property, plant and equipment is recorded at original acquisition cost and is depreciated using the straight-line method over the estimated useful life of the asset. 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, plant and equipment. 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

**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 covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due.

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available Congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. Intragovernmental liabilities are claims against OGE by other Federal agencies. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as Components requiring or generating resources on the Reconciliation of Net Cost to Budget. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

**L. Accounts Payable**

Accounts payable consists of amounts owed to other Federal agencies and the public.

The accompanying notes are an integral part of these statements.



**OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

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

**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 Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employee's Retirement System (FERS)-covered employees.

**N. Accrued and Actuarial Workers' Compensation**

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The actual costs incurred are reflected as a liability because OGE will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. 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 Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (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.

FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 elected to join either FERS and Social Security, or remain in CSRS. 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 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.

The accompanying notes are an integral part of these statements.

**OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

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

**O. Retirement Plans (Continued)**

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 communicates 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. Use of Estimates**

Management has made certain estimates when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Q. 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.

**R. Contingencies**

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. OGE recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. OGE discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to OGE for agency operations. Payments from the Judgment Fund are recorded as an "Other Financing Source" when made. There are no contingencies that require disclosure.

The accompanying notes are an integral part of these statements.

**OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

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

**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**

The preparation of financial statements in conformity with generally accepted accounting principles requires in some cases for prior year balances to be 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, 2008 and 2007 were:

**Fund Balances:**

	2008	2007
Appropriated Funds	\$ 2,454,523	\$ 2,444,572
Total	\$ 2,454,523	\$ 2,444,572

**Status of Fund Balance with Treasury:**

	2008	2007
Unobligated Balance		
Available	\$ 71,860	\$ 157,939
Unavailable	813,406	1,001,430
Obligated Balance Not Yet Disbursed	1,569,257	1,285,203
Total	\$ 2,454,523	\$ 2,444,572

Restricted 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 accompanying notes are an integral part of these statements.

**OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

**NOTE 3. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The liabilities on OGE's Balance Sheet as of September 30, 2008 and 2007, include liabilities not covered by budgetary resources, which are liabilities for which 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. Unfunded FECA liability is an intragovernmental liability not covered by budgetary resources. Unfunded FECA liabilities are \$71,795 and \$69,004 as of September 30, 2008 and 2007, respectively. Other liabilities not covered by budgetary resources consist of unfunded leave. Unfunded leave balances are \$ 766,467 and \$ 719,372 as of September 30, 2008 and 2007, respectively.

**NOTE 4. OTHER LIABILITIES**

The accrued liabilities for OGE are comprised of program expense accruals, payroll accruals, and unfunded annual leave and retirement 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>2008</u>	<u>2007</u>
Intragovernmental		
Payroll Taxes Payable	\$ 77,322	\$ 63,214
Unfunded FECA Liability	<u>71,795</u>	<u>69,004</u>
Total Intragovernmental	<u>149,117</u>	<u>132,218</u>
Accrued Funded Payroll	452,943	420,901
Actuarial FECA Liability	335,745	-
Payroll Taxes Payable	10,937	7,443
Unfunded Annual Leave	<u>766,467</u>	<u>719,372</u>
Total Liabilities	<u>\$ 1,566,092</u>	<u>\$ 1,147,716</u>

All liabilities are current liabilities.

**NOTE 5. 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.

The accompanying notes are an integral part of these statements.

**OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

**NOTE 5. LEASES (CONTINUED)**

<u>Fiscal Year</u>	<u>Totals</u>
2009	\$ 1,372,655
2010	1,386,826
2011	1,401,175
2012	1,415,909
2013	1,431,042
Thereafter	<u>478,711</u>
Total Future Payments	<u>\$ 7,486,318</u>

**NOTE 6. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE**

Intragovernmental costs represent goods and services exchanged between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs are summarized as follows:

	<u>2008</u>	<u>2007</u>
Intragovernmental Costs	\$ 3,708,566	\$ 3,448,805
Public Costs	9,354,922	8,595,697
Less: Earned Revenue	<u>506,414</u>	<u>260,700</u>
Net Cost	<u>\$ 12,557,074</u>	<u>\$ 11,783,802</u>

**NOTE 7. OPERATING/PROGRAM COSTS**

Costs by major budgetary object classification as of September 30, 2008 and 2007 are as follows:

<u>Budgetary Object Classification</u>	<u>2008</u>	<u>2007</u>
Personnel and Benefits	\$ 10,262,796	\$ 9,209,227
Travel and Transportation	306,685	111,059
Rents, Communication & Utilities	1,492,214	1,345,165
Printing and Contractual Services	682,375	1,031,969
Supplies and Materials	77,802	187,868
Equipment	241,608	105,011
Interest and Dividend	8	54,203
Total	<u>\$ 13,063,488</u>	<u>\$ 12,044,502</u>

The accompanying notes are an integral part of these statements.

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**NOTE 8. 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). Amounts paid from the U.S. Treasury’s Judgment Fund in settlement of claims or court assessments against OGE are also recognized as imputed financing. For the years ended September 30, 2008 and 2007, imputed financing was as follows.

	2008	2007
Office of Personnel Management	\$ 543,675	\$ 609,908
Total Imputed Financing Sources	\$ 543,675	\$ 609,908

**NOTE 9. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT.**

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the United States Government (President’s Budget). However, the President’s Budget that will include FY08 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2009 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb>. The 2009 Budget of the United States Government, with the Actual column completed for 2007, has been reconciled with the Statement of Budgetary Resources, and there were no material differences.

**NOTE 10. 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 years ended September 30, 2008 and 2007, undelivered orders amounted to \$ 378,153 and \$ 335,971, respectively.

The accompanying notes are an integral part of these statements.

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**NOTE 11. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

	2008	2007
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 12,528,386	\$ 11,229,631
Less: Spending Authority from Offsetting Collections and Recoveries	892,692	447,269
Obligations Net of Offsetting Collections and Recoveries	11,635,694	10,782,362
Other Resources		
Imputed Financing from Costs Absorbed by Others	543,675	609,908
Net Other Resources Used to Finance Activities	543,675	609,908
Total Resources Used to Finance Activities	\$ 12,179,369	\$ 11,392,270
 <b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	\$ (7,779)	\$ 286,673
Resources That Fund Expenses Recognize in Prior Period	335,745	-
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	327,966	286,673
Total Resources Used to Finance the Net Cost of Operations	\$ 12,507,335	\$ 11,678,943
 <b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	\$ 47,095	\$ 103,822
Other	2,644	1,037
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	49,739	104,859
<b>NET COST OF OPERATIONS</b>	<b>\$ 12,557,074</b>	<b>\$ 11,783,802</b>

The accompanying notes are an integral part of these statements.