

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



**Fiscal Year 2005**  
**Performance Accountability Report**  
**Management Discussion and Analysis**  
**Annual Program Performance Report**  
**Audited Financial Statements**

**November 2005**



United States  
**Office of Government Ethics**

1201 New York Avenue, NW., Suite 500  
Washington, DC 20005-3917

November 15, 2005

The Honorable Joshua B. Bolten  
Director  
Office of Management and Budget  
Washington, DC 20503

Dear Mr. Bolten:

I am pleased to transmit to you the Performance Accountability Report (PAR) for the Office of Government Ethics (OGE) for FY 2005. Our PAR includes our Management Discussion and Analysis of OGE's Mission, Goals, and Program Highlights for FY 2005, our annual Performance Report on how we met our performance goals, and the Audited Financial Statements.

In FY 2005, OGE had many noteworthy accomplishments. These included: a report to Congress evaluating the financial disclosure process for executive branch employees; a three-day conference OGE prepared and presented for 600 ethics officials; the timely review and certification of financial disclosure reports for over 300 Presidential appointees requiring Senate confirmation during this fiscal year; and our representation of the United States during its evaluation by other countries under the Inter-American Convention Against Corruption.

In addition, OGE instituted a new system that significantly raised agencies' on-time submission for the second level review and certification by OGE of the annual and termination public financial disclosure reports of PAS officials and Designated Agency Ethics Officials. OGE also published proposed changes to the confidential financial disclosure system and the OGE Form 450 used for confidential reports.

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, 2005. In addition, the auditors found no material weaknesses related to OGE's compliance and internal controls over financial reporting.

If you need additional information with regard to these statements, please contact Daniel D. Dunning, Deputy Director, Office of Administration and Information Resources Management, at 202-482-9203.

Sincerely,

Marilyn L. Glynn  
General Counsel

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

The Office of Government Ethics is headquartered in Washington, DC. Currently, OGE is authorized a staff of 80 full-time equivalents. This discussion and analysis provides a brief overview of OGE operations. For detailed information on OGE, visit our website at [www.usoge.gov](http://www.usoge.gov).

### **MISSION STATEMENT**

The Office of Government Ethics exercises leadership in the executive branch to prevent conflicts of interest on the part of Government employees and to resolve those conflicts of interest that do occur. In partnership with executive branch agencies and departments, the Office fosters high ethical standards for employees and strengthens the public's confidence that the Government's business is conducted with impartiality and integrity. The Office is the principal agency for administering the Ethics in Government Act for the executive branch.

The chief responsibilities of OGE are:

- Developing, in consultation with the Attorney General and the Office of Personnel Management, rules and regulations to be promulgated by the President or the Director of the Office of Government Ethics pertaining to standards of ethical conduct of executive branch officials, public and confidential financial disclosure of executive branch officials, executive agency ethics training programs, and the resolution of conflicts of interest;
- Monitoring compliance with the executive branch financial disclosure requirements of the Ethics in Government Act of 1978, as amended;
- Providing ethics program assistance and information to executive branch agencies through a desk officer system;

- Conducting periodic reviews of the ethics programs of executive agencies;
- Ordering corrective action on the part of agencies that the Director of the Office deems necessary, including orders to establish or modify an agency's ethics program;
- Providing guidance on and promoting understanding of ethical standards in executive agencies through an extensive program of Government ethics advice, education and training;
- Evaluating the effectiveness of the Ethics in Government Act, the conflict of interest laws, and other related statutes;
- Recommending appropriate new legislation or amendments; and
- Supporting U.S. international anticorruption initiatives by providing technical assistance primarily to prevention programs.

### **GOALS OF OGE'S STRATEGIC PLAN**

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

## HIGHLIGHTS OF FY 2005

### Accomplishments by Office

#### Office of General Counsel and Legal Policy

- Reviewed and certified for the Senate over 300 public financial disclosure reports filed by Presidential nominees for Senate-confirmed positions in the new Presidential term; trained and updated OGE staff on disclosure report review requirements in anticipation of the increased volume of such reports in the first year of the new term and updated the Public Financial Disclosure Reviewer's manual.
- Submitted to Congress a report evaluating the financial disclosure process for employees of the executive branch of Government and making recommendations for improving that process, as required by section 8403(a) of the Intelligence Reform and Terrorism Prevention Act of 2004.
- Responded to over 2,000 inquiries, primarily from ethics officials and employees, on a wide variety of ethics or conflicts of interest related matters.
- Conducted a comprehensive review of the criminal conflict of interest laws relating to executive branch employment to develop a report for submission to the President and pertinent Congressional committees, in accordance with section 8403(d) of the Intelligence Reform and Terrorism Prevention Act of 2004.
- Issued a proposed regulation to amend the confidential financial disclosure system and prepared a revised draft reporting form.
- Worked with the Department of Health and Human Services (HHS) in the development of important supplemental ethics rules jointly promulgated by HHS and OGE regarding limits on outside activities and financial interests for employees of the National Institutes of Health.
- Provided ethics training through OPM to incoming and outgoing Presidential appointees, Schedule C's and noncareer SES, and White House staff.
- Reviewed and approved when appropriate, 77 requests resulting in 110 Certificates of Divestiture; pre-approved and monitored any permissible communications regarding blind trusts between independent trustees and interested parties; and ensured that all quarterly and annual statements, as well as Certificates of Compliance, were filed timely by the trustees.

- Worked as liaison with the Department of Justice on four litigation cases in which OGE is or was a party, including one involving a Constitutional challenge to the Standards of Conduct rule on Teaching, Speaking and Writing (10<sup>th</sup> Circuit appeal currently pending).
- Developed an improved system to track consultations on waivers issued under 18 U.S.C. § 208 and comprehensive guidance to agencies on how to consult on waivers.
- Testified before the Services Acquisition Reform Act Advisory Committee urging that the Committee's review include an evaluation of ethics issues arising from the presence of contractor employees in the Federal workplace. A provision requiring a study of the issues raised by OGE was included in the Senate's FY 2006 defense authorization bill.
- Handled responsibilities under administrative law requirements, including preparing reports and responding to 53 requests under the Freedom of Information Act (18 of which also included requests for information under the Privacy Act), and meeting related deadlines in over 90% of cases.
- Supported the Acting Director's activities as a member of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) and continued to improve OGE's coordination and communication with the Inspector General (IG) community through meetings and presentations.

#### Office of Government Relations and Special Projects

- Prepared OGE's timely response to all 129 requests from OMB for reviews of draft bills, legislation, agency testimony, and statements of administration policy and made comments as appropriate regarding the impact of those proposals on the ethics program or the impact of the ethics laws on the proposal.
- Provided technical advice to Congressional staff on legislation raising ethics issues.
- Drafted OGE reauthorization legislation and a legislative proposal addressing a concern raised by agencies regarding the impact of one of the conflict of interest laws, obtained OMB clearance and pursued enactment of cleared drafts.
- Served as a principal contributor to the response of the United States Government to questionnaires submitted for purposes of the United States' second round evaluation by the Council of Europe's Group of States Against Corruption (GRECO) and the U.S. first round evaluation under the Follow-Up Mechanism for the Inter-American Convention Against Corruption (MESICIC).

- Represented the US as the substantive expert at the meeting of the Committee of Experts at which the first round evaluation and report on the U.S. by the MESICIC was discussed and adopted.
- Served as an expert evaluator proposed by the US for purposes of conducting on-site second round evaluations of Member States of GRECO.
- Assisted the Departments of State and Justice with international anti-corruption and good governance initiatives, including participating as a US representative and panelist at the Fourth Global Forum Against Corruption and in a Heads-of-Government conference to launch an Initiative for Good Governance and Development in the Arab Countries (GfD).
- Provided, in support of programs of the Departments of State and Justice, briefings to 37 delegations of foreign visitors totaling 287 individuals from 55 countries.

#### Office of Agency Programs

- Planned, organized, and hosted the Fourteenth Annual National Government Ethics Conference for approximately 600 ethics officials from 94 executive branch departments and agencies; the 3-day conference featured over 70 speakers, representing the executive and legislative branches and private industry.
- Increased the effectiveness of OGE's oversight of more than 100 Presidential appointees who entered into agreements to take specific actions to address any actual or apparent conflicts of interest with financial or fiduciary arrangements reported on their financial disclosure statements.
- Increased the effectiveness of the financial disclosure review program covering the more than 1,000 annual and termination public financial disclosure reports filed by senior officials with agencies (for which OGE conducts a second level review) by implementing an enhanced system for collecting the reports from departments and agencies.
- Fulfilled, in a timely manner, requests from 155 individuals and organizations for 1,121 copies of those public financial disclosure reports of senior executive branch officials for which OGE conducts a second level review.
- Implemented an enhanced system for tracking and collecting statutorily required, semi-annual reports from executive branch departments and agencies detailing payments for travel, subsistence and related expenses received from non-Federal sources in connection with the attendance of employees at certain meetings or similar functions (31 U.S.C. § 1353).
- Increased liaison services provided to ethics officials in executive branch departments and agencies by OGE desk officers by answering over 8,000 questions from ethics officials on the conflict of interest statutes, standards of conduct regulations, program operations and financial disclosure.



- Increased by 9% over FY 2004 to 2,354, the number of ethics officials and enforcement personnel with whom we communicate through the OGE e-mail List Service on such topics as emerging issues, best practices, general news and job vacancies in the Federal ethics community.
- Conducted ethics program evaluations in 34 Federal agencies, regional offices, and military commands as well as 16 six-month follow-up reviews for those which had received recommendations to improve their ethics programs during their initial program reviews.
- Conducted seven surveys of agency employees to determine, in part, the perceived effectiveness of their agency's ethics program and produced an internal analysis of the results of the 11 surveys conducted between November 2003 and December 2004.
- Developed three training programs to be used by ethics officials to deliver annual ethics training to their employees; the programs are part of an expanding curriculum for executive branch employees.
- Developed two videos and corresponding video discussion guides -- one as part of a two-day orientation program for new ethics officials and one for use in employee training; over 1,200 duplicates were requested and provided.
- Developed and delivered two new instructor-led courses for ethics officials -- one entitled "Impartiality" and the other "Misuse of Position" -- which rounded out the program of basic training offered to ethics officials.
- Planned, organized and hosted two Regional Symposiums for approximately 160 ethics officials.
- Responded to over 1,000 public inquiries received through the mail, by phone or through the OGE web page.
- Distributed a survey to 600 ethics officials to help OGE identify program needs in order to help establish OGE's program priorities and focus resources to meet those needs.

## Office of Administration and Information Management

- Ensured the publication of Public Financial Disclosure: A Reviewer's Reference as both a hardcopy and as a section 508 compliant version available on the OGE website.
- Analyzed results of a quadrennial OPM human resources program audit, took all corrective action necessary, and achieved a satisfactory rating.
- Completed the OGE FY 2004 internal control review and resulting report.
- Developed or revised eight chapters of OGE's Administration and Human Resources Manuals.
- Developed, obtained OPM approval for and implemented a pay-for-performance SES performance management system.
- Upgraded, on a timely basis, all systems changes required for continuity of support services including accounting, payroll and travel, which are provided by another agency under contract. Ensured that all necessary agency personnel received appropriate training.
- Provided eight in-house training sessions: two pre-retirement seminars, one seminar on managing the telecommuting program, three on using the National Finance Center employee personal page and two on general administrative management.
- Implemented Government-wide E-Quips electronic fingerprinting and personnel security system.
- Provided computer security awareness training to all OGE staff per the Computer Security Act of 1987 (Pub. L. 100-235).
- Completed the development of a new web-based Financial Disclosure Tracking System (FDTS) to be used by OGE staff to track the processing and review public financial disclosure reports filed with OGE. This system will be available both within OGE and remotely for telecommuters via a secure Internet connection.
- Continued the development of a tactical implementation plan and accompanying security plan for modifying OGE's existing network architecture in a way that will provide OGE telecommuters with enhanced electronic network access and connectivity.
- Completed improvements to the electronic version of the Public Financial Disclosure form (SF 278.)
- Completed the installation of a new security/gateway to the OGE network.

# Annual Program Performance Report Office of Government Ethics for FY 2005

## 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, we foster high ethical standards for employees and strengthen the public's confidence that the government's business is conducted with impartiality and integrity.

The strategic plan for the Office contains four strategic goals. In our FY 2005 annual performance plan, OGE set forth additional performance goals for each of these strategic goals. This report describes OGE's success in meeting those performance goals.

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

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

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

*The Office continued to have a strong working relationship with OMB throughout the year, receiving 129 requests for OGE's views on draft and pending legislation, draft testimony and enrolled bills. OGE's views were utilized in all instances where there would be a substantial impact on the executive branch ethics program (although we were not successful at convincing a Department to seek the repeal of a long-standing exemption found outside the conflicts laws for a small number of special Government employees.) Regardless of the issues on which OGE's views were sought, OGE met its responsibilities to this internal Governmental policy process by responding to each of the requests within the time set by OMB, thus allowing for a full opportunity for OGE's views to be considered.*

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

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

*On a formal and informal basis throughout the year, OGE continued to meet with ethics officials, enforcement officials, policy makers and Congress. With regard to the ethics official community, OGE's Acting Director met periodically with ethics officials to discuss ethics program and policy issues, and convened informal meetings on various subjects as the need arose. For example, OGE specifically sought input from ethics officials this year about two reports required of OGE to be submitted to the President and to Congress -- one on financial disclosure and the other on the criminal conflict of interest statutes -- and on the need and desirability of a tailored national interest exemption to 18 U.S.C. § 207 for the executive branch. OGE staff also attended the monthly interagency ethics council meetings to hear common concerns that raise policy considerations and held a three-day Government ethics conference that was attended by approximately 600 ethics officials from throughout the executive branch.*

*With regard to the investigating community, OGE's Acting Director participates as a member of the PCIE and the ECIE and either personally or with staff participated in seminars hosted by IG's. These links of communication help to identify trends discussed within the investigative community as well as to provide venues for the discussion of common interests. With regard to prosecutors, OGE continued to survey annually all U.S. Attorneys' offices and the Department of Justice's Criminal and Civil Divisions for information on prosecutions being conducted and continued to work closely with the Public Integrity Section regarding matters referred to that section.*

*OGE's Acting Director or OGE staff consulted with the White House and the Department of Justice on numerous matters relating to needed changes in ethics policies, including for example, exemptions to certain statutory prohibitions. In particular, during this year, the discussions helped inform OGE's work on the report on the public financial disclosure system and its analysis of the conflicts of interest laws for a report to be completed in FY 2006.*

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

*During the latter half of this fiscal year, OGE drafted, cleared through OMB and sent to Congress a bill that would reauthorize the Office until FY 2011. In addition, a large agency began the process to redefine various terms in 18 U.S.C. § 207 for some of its employees. Their underlying concern had also been expressed to OGE by other agencies. As it is OGE's policy to promote continued uniformity in the application of the criminal conflict of interest laws, OGE worked with the most affected agencies and then drafted and cleared through OMB a provision that would establish a national interest waiver within section 207 in narrowly-specified circumstances for all employees of the executive branch. Both proposals are under discussion in this Congressional session and, if not acted upon, will continue to be pursued during the next session.*

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

*This fiscal year was marked by OGE's considerable participation at the request of and in conjunction with the Departments of State and Justice in U.S. international anti-corruption initiatives and with existing agreements containing mutual evaluation mechanisms in which the U.S. was or is soon to be evaluated. (Reports issued on the basis of those evaluations could contain recommendations to the U.S. regarding OGE's programs.) The Departments relied upon OGE as a primary contributor to the U.S. written responses to the questionnaires for two multi-disciplinary mutual evaluation mechanisms: the second round evaluation of the Council of Europe's Group of States Against Corruption (GRECO), and the first round of evaluation under the follow-up mechanism for the implementation of the Inter-American Convention Against Corruption (MESICIC). In addition, OGE served as the principal substantive U.S. representative in the evaluation and subsequent Committee of Experts discussion and adoption of the U.S. report by MESICIC and was the principal substantive evaluator of two other member countries on behalf of the U.S. (The second round GRECO evaluation will occur in FY 2006 and OGE is fully engaged in the U.S. preparations for that review.)*

*During this fiscal year an OGE employee, who was already serving as an onsite expert evaluator for other GRECO member states (2 in FY 2005) was also designated by the State Department as an Alternate U.S. representative to GRECO and as a U.S. expert for conflict of interest projects of the OECD Public Governance and Territorial Development Directorate. OGE assisted the Departments of State and Justice in an Initiative for Good Governance and Development in the Arab Countries and the U.S. participation in the Fourth Global Forum Against Corruption, a biennial ministerial level meeting initiated by and receiving continued support of the U.S. OGE also sent a representative to Peru, at the request of the Department of State, to participate in a week long anti-corruption program to conduct a seminar on financial disclosure for the Peruvian equivalent to the Government Accountability Office.*

*There were no negotiations of international agreements having an actual or potential effect on the executive branch ethics program during the fiscal year. The negotiations for the most wide-ranging and important agreement, the UN Convention Against Corruption, were concluded at the end of the previous fiscal year. Since that time at the request of the State Department, OGE has reviewed documents necessary for purposes of ratification of the Convention by the U.S and the implementation of the Convention world-wide.*

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

The six Performance Goals supporting this strategic goal focus upon OGE's ability to: provide evaluations of agency ethics programs to agency heads and ethics officials which identify strengths and weaknesses of the program; make specific recommendations for program enhancements designed to help ensure integrity in Government operations; provide timely and accurate written and oral opinions and be available for informal consultations concerning matters involving the applications of the Standards of Conduct, criminal conflict of interest statutes, and other related statutes and regulations; provide technical assistance to agencies in order to implement well-run and employee-helpful agency ethics programs; provide expert review and conflict of interest analysis of the new, annual and termination financial disclosure reports filed by Presidential appointees requiring Senate confirmation in order to assist agencies in providing

appropriate advice on and taking appropriate actions to prevent financial conflicts of interest by those appointees; evaluate follow-up by agencies and officials regarding ethics commitments made by nominees during the confirmation process; and promote the importance of the ethics program to department and agency heads and other Government officials in order to secure personal commitment and sufficient agency resources.

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

To meet this performance goal, OGE will conduct evaluations in 35 agencies and conduct a single-issue review or survey in FY 2005. OGE will make recommendations to improve the program when deficiencies are found in systems and procedures. OGE will also share with agencies the best practices and procedures found during program evaluations. These will be shared with agencies during program evaluations, and also publicized on OGE's website and other forms of communication and outreach.

*OGE continued to conduct agency program evaluations at a pace that meets a four year cycle, conducting 34 evaluations during this year. Prior to commencing eight of these evaluations, OGE also conducted a survey of the employees of each of the eight agencies to help assess the effectiveness of its program and the agency's ethical climate from the employees' perspective. The results from these surveys helped focus OGE's on-site evaluations of those agencies and will provide useful benchmarks for subsequent evaluations of these agencies. The surveys also provide OGE with valuable information and insights concerning issues, trends, training needs and related matters of significance to the ethics community generally.*

*Agency evaluation reports, as appropriate, include recommendations with regard to deficiencies found as a result of evaluations. Six months after issuing a report to an agency that contains recommendations, OGE conducts a follow-up visit to review the agency's progress in addressing those recommendations. Timely corrections by the agencies made in response to OGE recommendations fell short of our goal for the fiscal year, but fortunately were completed shortly into the current year.*

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

*OGE redesigned and streamlined its oversight of the compliance component of the ethics agreement program and, as a result, has increased its efficiency and consistency in reminding agencies about providing notice to OGE regarding an appointee's compliance with the steps necessary to avoid actual or apparent conflicts which the appointee agreed to during the nomination/confirmation process (ethics agreement). In FY 2005, OGE tracked 203 ethics agreements and in 95.5% of the agreements received from agencies information necessary to conclude that the appointees fully satisfied all promised*

*actions within required timeframes. After follow-up by OGE, evidence of compliance was received from agencies for all remaining items.*

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

*The Program Services Division staff answered more than 8,000 questions from ethics officials: providing advice and counseling on the conflict of interest statutes, Standards of Conduct regulations, program operations, and instruction on reviewing financial disclosure reports. Based on the number of phone calls questioning the accuracy of answers provided, the advice and information was determined adequate in over 99% of the cases. In 90% of the requests, responses were provided within two days. During FY 2005, OGE also increased by 9% the number of subscriptions to our Ethics Information E-Mail Service (2,354 subscriptions representing 120 agencies). This service provides an effective way to communicate quickly and directly to a large number of ethics officials, especially those working outside the Washington, DC area. Forty-one announcements were made using this service, covering such topics as OGE's program review plan, the OGE ethics conference, training opportunities, and reminders about various deadlines.*

4. Performance Goal: The Office of General Counsel and Legal Policy will respond to a large number of requests from agency ethics officials, the Department of Justice, the White House, Inspectors General, Congress, executive branch employees, and members of the public for interpretations of the Standards of Conduct, the criminal conflict of interest statutes, and other related statutes and regulations. The interpretations will be adequate in 99% of the cases. In 90% of the cases, OGE attorneys will respond to requests for information and for oral statutory and regulatory interpretations within two workdays of obtaining the information necessary to respond. In 75% of the cases, OGE attorneys will respond to requests for written statutory and regulatory interpretations within 20 workdays of obtaining the information necessary to respond. In addition, in order to measure the adequacy of the responses, the Office of General Counsel and Legal Policy will track the number of instances where a requester or other person contacts OGE questioning the adequacy of advice.

*The Office of General Counsel and Legal Policy (OGC) received, and responded to, over 2,000 inquiries during FY 2005. Most of the advice rendered by OGC involved interpretations of complex issues stemming from application of the criminal conflict of interest laws, as well as the administrative Standards of Conduct. Examples of the types of issues handled included: when does a senior appointee serving as an advisor to the Administration become a regular Government employee; what post-employment rules apply to a former employee who worked on the Yucca Mountain project; and when do the conflict of interest rules apply to a Government official who serves on the Board of a private organization that lobbies the Government on behalf of its members.*

*OGE's advice was consistently well-received, and rarely challenged. It was also provided on a timely basis: Almost 90% of the requests for oral advice received a response within two working days. Nearly three quarters of requests for written opinions were issued within 20 working days.*

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

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

*Open and direct communications within the executive branch ethics program and with those outside the branch who can affect the program is always a critical aspect of helping to maintain an effective, fair and consistent program. Fortunately OGE did not need to seek a meeting with an agency head because no programs were found to be significantly deficient. However we did meet with agency heads and individuals in the White House and OMB on a variety of issues of interest including supplemental regulations and legislation. We also kept an open line of communication with Congressional staff, through the telephone and e-mail, and through personal meetings, when the issue was of significance to OGE as an agency or to the ethics program, i.e., financial disclosure legislation, amendments to the conflicts laws and appropriations. We also worked closely with the White House staff on the financial disclosure portion of the nominee clearance process, particularly as this was the first year of a new Presidential term.*

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

*One of OGE's most important functions is the review of financial disclosure statements submitted by individuals nominated by the President to positions that required Senate confirmation. OGE devotes significant resources to analyzing draft financial disclosure reports, and to devising appropriate remedies to resolve potential conflicts of interest. This nominee review system ensures that the highest level appointees in the executive branch will be in compliance with applicable ethics rules. The system also ensures that the administration of ethics rules is consistent across the entire executive branch. OGE also monitors continued compliance with ethics rules by these top level officials: we monitor compliance with any ethics agreements that were entered into, and we review*



*annual and termination financial disclosure statements submitted by these top appointees to determine whether any newly acquired interests might pose a conflict of interest.*

*In FY 2005, OGE reviewed a total of nearly 1,500 statements. Of this number, well over 300 were nominee statements, and the remainder were annual and termination reports. Of the nominee statements, over 96% were certified and sent to the Senate within two weeks of the nomination or receipt of the certified form from the appropriate agency. In addition, over 200 of the individuals who submitted nominee forms entered into ethics agreements. Of the annual and termination statements, over 86% were reviewed within 60 days of receipt, a 15% increase in timeliness over FY 2004.*

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

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

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

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

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

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

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

*During the first half of the year the Education Division completed development of two instructor-led courses. The Initial Ethics course is an employee course and is the foundation for the employee curriculum. It was designed to help agencies meet their requirement to provide ethics training to new employees within 90 days of the employee's starting to work for the Federal Government. The Misuse of Position course was designed for ethics officials and addressed an area that, through our agency program surveys, we identified as the standard most frequently reported as a basis for administrative sanctions. The Misuse course rounded out the program of eight basic training courses offered to ethics officials.*

*The needs analysis was suspended in FY 2005 because the division was addressing issues raised in the FY 2004 analysis. In FY 2006, the division will revise its need analysis. The new analysis will be designed to better identify the tasks that lend themselves to training and expand the focus of training mediums the Office offers to officials to better capitalize on recent developments in technology.*

*OGE assessed the 53 training courses conducted in FY 2005 to determine whether the training was effective in meeting the needs of the ethics community. OGE also identified areas where the course materials needed to be revised and where the instructors needed to improve their delivery. The evaluations (with an average rating of 4.5 out of 5 in FY 2005 vs. 4.16 out of 5 in FY 2004) demonstrated that in spite of the changes needed, the courses and materials were well received by ethics officials.*

*In an effort to better assess the effectiveness of the training programs the ethics officials use to train their employees, the Education Division now incorporates evaluation instruments into the training. For the online courses, the evaluation instruments are built directly into the new web-based courses. This addition gives employees who complete the training ready access to the evaluations. The evaluation instruments developed for all the instructor-led courses are part of the instructional package distributed to ethics officials.*

*Materials produced by OGE continue to be in demand as OGE's website had 21,223 visits to ethics educational products and over 2,000 videos were duplicated and distributed by OGE or through a vendor to ethics officials.*

2. **Performance Goal:** Annually OGE will develop, administer, and analyze an executive branch-wide survey to determine the state of the ethics program, identifying trends and areas of weakness/strength which OGE will incorporate into and address in its policy-making, interpretation and opinion functions.

*OGE sent an annual survey to 126 executive branch agencies and received completed surveys from all. The information in these surveys was used to analyze issues and trends in the ethics program and to help respond to questionnaires the U.S. was required to complete for purposes of mutual evaluation under international anti-corruption agreements. Survey results also provided a secondary needs analysis for additional training materials. Before conducting an evaluation of an individual agency's program OGE analysts also used the information provided by the agency to help focus the evaluation.*

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

*OGE's FY 2005 Ethics Conference was attended by 600 ethics officials representing 74.6% of the executive branch agencies. The conference continues to be a key element in educating and training ethics officials. In the conference, OGE expanded its traditional focus by including topics (such as appropriations law) that also must be considered by ethics officials to fully answer questions received from employees. OGE also offered its internally developed training courses at a pre-conference for ethics officials who had less than four years experience. During a plenary session, the Counsel to the President communicated the Administration's goals for the ethics community. This session provided ethics officials with an opportunity to exchange information and ideas, an approach that was utilized throughout the conference and facilitated networking between ethics officials and other stakeholders, such as Inspectors General and Department of Justice officials. The conference received a score of 3.54 (on a 1-4 point scale) from attendees, which exceeded our target of 3 points.*

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

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

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

*At the end of one and the start of another Presidential term, OGE's resources are more focused on providing information within the Government on such issues as negotiating for employment, post-employment and financial disclosures of Presidential nominees. This fiscal year was no exception and while not meeting our target of 20, OGE personnel did provide 12 presentations to domestic audiences that were not current Government officials. The audiences were clearly within the targeted groups: graduate law and public policy students who may choose the Government as a career, professional associations whose members represent clients before the Government, and trade associations whose members seek to do business with the Government.*

2. Performance Goal: OGE will establish target levels of responsiveness to requests for information under the Freedom of Information and Privacy Acts, as well as requests for public financial disclosure forms (SF 278), ethics agreements, waivers issued under 18 U.S.C. § 208(b), certificates of divestiture, blind trust documents and reports of agency acceptance of travel reimbursement under 31 U.S.C. § 1353. To meet this Performance Goal, OGE will establish internal response deadlines and meet them in 90% of the cases.

*Transparency and responsiveness of Government to requests from the public for information is a fundamental part of good governance. Recognizing this, OGE established clear written standards for timeliness for its responses to requests from the public for documents maintained by OGE -- at least 90% of the requests would be filled within 20 working days of their receipt. This year we met that standard for all requests under the Freedom of Information and Privacy Acts and for all other requests for documents required to be maintained by the Ethics in Government Act or other specific law.*

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

*Addressing corruption and promoting integrity requires prevention, detection, investigation and prosecution. OGE administers one of the longest continual "prevention" programs in the world, and consequently continues to receive a number of requests from foreign governments and international organizations to provide technical assistance as they develop anti-corruption and integrity programs. In addition, the expertise of the Office continues to be sought within the USG for programs designed to meet US obligations under various international agreements and to promote anti-corruption foreign policy initiatives world wide.*

*With regard to assistance for those outside the U.S., the Department of State has recognized OGE's expertise and the value of its assistance in promoting U.S. foreign policy initiatives and has provided OGE with funds in order to meet the travel expenses, translation costs and video conferencing expenses this assistance sometimes requires. OGE, typically, however, is able to utilize electronic means of communication for much of its assistance. OGE has reviewed and made comments on 21 documents relating to the establishment or modification of a country's or international organization's ethics or corruption prevention program. Internal to the USG it has also taken a leading role in reviewing draft country reports as a part of the more general U.S. obligations under mutual evaluation agreements. Where more substantial, ongoing assistance was provided, OGE has been able, where there has been time for it to occur, to see a real effect as a result of the assistance. Finally, both the Departments of State and Justice continue to request that OGE provide briefings to delegations of visitors to the U.S. During the fiscal year, OGE personnel briefed 37 such delegations with a total of 287 participants representing 55 countries.*

Schedule of Performance Indicators  
 Comparing FY 2002-2005

STRATEGIC GOAL I	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
Performance Goal 1				
PERFORMANCE INDICATORS				
How often OMB requests input	205	197	125	129
Percentage of timely inputs	99%	97%	94%	100%
Percentage of input employed on direct	100%	100%	100%	89%
Performance Goal 2				
PERFORMANCE INDICATORS				
How often ethics policy is discussed with Presidents Council of Integrity and Efficiency (PCIE) and the Executive Council of Integrity and Efficiency (ECIE)	Once a year with each	Once a year with each	Once a year with each	Once a year with each
How often OGE seeks information from IG's or DOJ on types of alleged misconduct investigated	50-75 times a year	50-75 times a year	50-75 times a year	Regularly with OMB White House, DOJ
How often OGE creates an opportunity for discussion of a regulation or discusses a proposed Executive Order with Office of Legal Counsel, White House officials or OMB	Each draft or proposal	Each draft or proposal	Each draft or proposal	Each draft or proposal
Length of time between formal identification of needed policy change and internal implementing draft	90% of instances time is < 6 months	90% of instances time is < 6 months	90% of instances time is < 6 months	90% of instances time is < 6 months
Percentage of time OGE was not consulted or asked to draft ethics Executive orders	0%	0%	0%	0%

	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of proposals submitted to OMB	1	2	2	2
Percentage cleared for transmittal	75%	50%	100%	100%
Length of time between transmittal and enactment	< 18 months	< 18 months	na	na
Performance Goal 4 (new for FY 04)				
PERFORMANCE INDICATORS				
Number of Negotiations			1	0
Number of required U.S. responses to existing agreements with corruption prevention or ethics program elements			1	7
Percentage of negotiations in which OGE assistance is sought			100%	n/a
Percentage of USG corruption prevention or ethics program actions required by international agreements in which OGE assistance is sought			100%	100%
STRATEGIC GOAL II				
Performance Goal 1				
PERFORMANCE INDICATORS				
Number of agencies reviewed	30	39	33	34
Number of recommendations	41	33	50	32
Percent of Follow-up Reviews (WHERE RECOMMENDATIONS ARE MADE)	100%	100%	100%	100%
Correction of program deficiencies by agencies	86%	80%	81%	72%
Number of single-issue reviews	1	2	0	0

	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
Best practices shared with agency during program reviews	84%	95%	93%	804
Performance Goal 2				
PERFORMANCE INDICATORS				
Number of appointees w/ethics agreements	220	86	86	170
Number of ethics agreements	341	132	141	203
Percent of ethics agreements completed within established time frames	82%	75.6%	80%	95.5%
Percent of cases resolved after OGE took action	100%	100%	100%	100%
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of requests for advice	6280	3240	2600	8000
Number of contacts concerning adequacy of advice	<1%	1%	1%	1%
Time expended to adequately satisfy requests for advice and information	99% within one day	within 2 days for 90% of requests FY 03 Projected	within 2 days for 90% of requests FY 04 Projected	within 2 days for 90% of requests
Performance Goal 4				
PERFORMANCE INDICATORS				
Number of inquiries	853	735	2694	2052
Number of contacts concerning adequacy of advice	<1%	<1%	<1%	<1%
Length of time to respond to requests for information and for oral statutory and regulatory interpretations	99.6% within 2 work days	99% 2 work days 90% of the requests	2 work days 91% of the requests	2 work days 87% of the requests

	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
Length of time to respond to requests for written statutory and regulatory interpretations	88%	20 work days 85.7% of the requests	20 work days 75% of the requests	20 work days 74% of the requests
Performance Goal 5				
PERFORMANCE INDICATORS				
Percentage of agency heads met following issuance of a a corrective action order			None issued	None issued
New resources devoted to the program by agency head to correct problems after OGE finding			Eliminated Indicator	
Percentage of White House ethics initiatives on which OGE met with White House staff			Eliminated Indicator	
Percentage of meetings held with White House after they expressed concerns for an OGE proposed regulation			Eliminated Indicator	
Numbers of meetings with members/staff for purposes of seeking support of program		10	Meetings held with Congressional staff	11 meetings



	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
Performance Goal 6				
PERFORMANCE INDICATORS				
Number of nominee statements received	389	219	236	320
Percentage of nominee statements certified, opinions rendered to Senate within 2 weeks of receiving final certified form from agency after nomination	95.9%	95%	96.2%	96.3%
Number of annual and termination financial disclosure statements received	862	979	950	1163
Percentage of annual and termination statements reviewed within 60 days of receipt	86.3%	77.8%	80.9%	86.2%

STRATEGIC GOAL III	FY 02	FY 03	FY 04	FY 05
Performance Goal 1	Actual	Actual	Actual	Actual
PERFORMANCE INDICATORS				
Number of Needs Analyses conducted	1	1	1	Discontinued
Number of agencies providing input for the Needs Analysis	87	79	78	Discontinued
Number of training courses conducted for ethics officials	44	50	115	59
Number of training courses conducted for employees at agency request	34	35	17	8
Number of new educational products developed	4	4	4	3
Number of evaluation instruments requested (training courses)	na	8430	2178	1266
Number of evaluation instruments received from ethics official training	na	886	1103	1048
Overall rating of training courses for ethics officials	3.57 (on a 4 pt. scale)	4.43 (on a 5 pt. scale)	4.16 (on a 5 pt. scale)	4.5 (on a 5 pt. scale)
Number of evaluation instruments received for OGE educational products	8851	7440	1549	1165
Number of educational products downloaded from the web site	na	139135	10718	7624
Number of visitors to the web site	9975725	15688000	8572006	5055104

	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
Performance Goal 2				
PERFORMANCE INDICATORS				
Number of surveys distributed	127	127	125	126
Number of completed surveys received	100% compliance	100% compliance	100% compliance	100% compliance
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of conference attendees	445	465	529	603
Number of agencies represented	75%	72%	75%	74.6%
Evaluations of the conference (scale 1 to 4)	3.37	3.42	3.67	3.54

	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
STRATEGIC GOAL IV				
Performance Goal 1				
PERFORMANCE INDICATORS				
Numbers of presentations to private groups	20	13	20	12
Numbers of articles or speeches published	1	1	1	2
Performance Goal 2				
PERFORMANCE INDICATORS (NEW FOR FY 04)				
Number of subscriptions			2134	2354
Number of messages transmitted per year			43	41
Number of agencies represented in total subscriptions			125	120

	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
Performance Goal 3				
PERFORMANCE INDICATORS				
In 90% of the cases the number of days to respond to requests for the following:				
documents under the Freedom of Information Act	80% completed within 20 working days	70% completed within 20 working days	61.3% completed within 20 working days	90.6% completed within 20 working days
and Privacy Act	80% completed within 20 working days	70% completed within 20 working days	61.3% completed within 20 working days	90.6% completed within 20 working days
ethics agreements	3	3	3	met
waivers under 18 U.S.C. § 208(b)	3	3	3	met
certificates of divestiture	3	3	3	met
blind trust documents	3	3	none requested	met
agency 1353 reports	3	3	3	met

Performance Goal 4 (new for FY 04)

PERFORMANCE INDICATORS

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

6 8

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

35 briefings 37 delegations with 287 participants

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

2 4

	FY 02 Actual	FY 03 Actual	FY 04 Actual	FY 05 Actual
Number of specific foreign government document (e.g. draft codes of conduct) reviews requested by USG foreign policy agencies/entities			3	21
Percentage of recipients of briefings responding in a positive, tangible manner			10%	25%
Percentage of recipients of more extensive assistance responding in a positive manner evidenced by some action within the country			100%	75%

**UNITED STATES OFFICE OF GOVERNMENT ETHICS  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

**U.S. OFFICE OF GOVERNMENT ETHICS  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2005 AND 2004**

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

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

We have audited the accompanying consolidated balance sheets of the U.S. Office of Government Ethics (OGE) as of September 30, 2005 and 2004, and the related consolidated statements of net cost, and changes in net position and of financing and the combined statement of budgetary resources for the years then ended. These financial statements are the responsibility of OGE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. Those standards 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated and combined statements referred to above present fairly, in all material respects, the financial position of OGE as of September 30, 2005 and 2004, and the results of its net costs of operations, changes in its net position, budgetary resources and financing for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2005 on our consideration of OGE's internal control over financial reporting and a report dated October 28, 2005 on its compliance with laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Largo, Maryland  
October 28, 2005



**INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING**

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

We have audited the financial statements of the U.S. Office of Government Ethics (OGE) as of and for the year ended September 30, 2005 and have issued our report thereon dated October 28, 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered OGE's internal control over financial reporting by obtaining an understanding of OGE's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect OGE's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

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

Largo, Maryland  
October 28, 2005



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

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

We have audited the financial statements of the U.S. Office of Government Ethics (OGE) as of and for the year ended September 30, 2005, and have issued our report thereon dated October 28, 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

The management of OGE is responsible for complying with laws and regulations applicable to OGE. As part of obtaining reasonable assurance about whether OGE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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 U.S. Office of Government Ethics, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Largo, Maryland  
October 28, 2005

**U. S. OFFICE OF GOVERNMENT ETHICS**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2005 AND 2004**  
(In Dollars)

	2005	2004
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 3,296,128	\$ 3,320,001
Account Receivable	-	4,400
Advances and Prepayments	-	7,829
Total Intragovernmental	3,296,128	3,332,230
Account Receivable	4,539	147
Total Assets	\$ 3,300,667	\$ 3,332,377
 <b>LIABILITIES</b>		
Intragovernmental Liabilities:		
Other (Note 4)	\$ 116,236	\$ 139,527
Total Intragovernmental Liabilities	116,236	139,527
Accounts Payable (Note 4)	10,248	684
Other (Note 4)	1,746,517	1,160,170
Total Liabilities	1,873,001	1,300,381
Contingencies (Note 5)	-	-
 <b>NET POSITION</b>		
Unexpended Appropriations	\$ 2,101,830	\$ 2,707,911
Cumulative Results of Operations	(674,164)	(675,915)
Total Net Position	\$ 1,427,666	\$ 2,031,996
Total Liabilities and Net Position	\$ 3,300,667	\$ 3,332,377

The accompanying notes are an integral part of these statements.

**U. S. OFFICE OF GOVERNMENT ETHICS**  
**CONSOLIDATED STATEMENT OF NET COST**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**  
(In Dollars)

	<b>2005</b>	<b>2004</b>
<b>PROGRAM COSTS</b>		
Intragovernmental Gross Costs	\$ 3,576,933	\$ 3,226,283
Less: Intragovernmental Earned Revenue	<u>(277,830)</u>	<u>(249,950)</u>
Intragovernmental Net Costs	\$ 3,299,103	\$ 2,976,333
Gross Costs With the Public	<u>9,156,947</u>	<u>8,464,497</u>
Net Costs With the Public	<u>\$ 9,156,947</u>	<u>\$ 8,464,497</u>
Total Net Cost	\$ 12,456,050	\$ 11,440,830
<b>Net Cost Of Operations</b>	<b>\$ 12,456,050</b>	<b>\$ 11,440,830</b>

The accompanying notes are an integral part of these statements.

**U. S. OFFICE OF GOVERNMENT ETHICS**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**  
(In Dollars)

	2005		2004	
	<u>Cumulative Results Of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results Of Operations</u>	<u>Unexpended Appropriations</u>
Beginning Balances	\$ (675,915)	\$ 2,707,911	\$ (651,386)	\$ 2,687,395
Beginning Balances, as Adjusted	<u>\$ (675,915)</u>	<u>\$ 2,707,911</u>	<u>\$ (651,386)</u>	<u>\$ 2,687,395</u>
Budgetary Financing Sources				
Appropriations Received		11,238,000		10,738,000
Other Adjustments (recissions, etc)		(283,059)		(195,792)
Appropriations Used	11,561,022	(11,561,022)	10,521,692	(10,521,692)
Other Financing Sources				
Imputed Financing from Costs Absorbed by Others	896,779		894,609	
Total Financing Sources	<u>\$ 12,457,801</u>	<u>\$ (606,081)</u>	<u>\$ 11,416,301</u>	<u>\$ 20,516</u>
Net Cost of Operations	<u>12,456,050</u>		<u>11,440,830</u>	
Ending Balances	<u><u>\$ (674,164)</u></u>	<u><u>\$ 2,101,830</u></u>	<u><u>\$ (675,915)</u></u>	<u><u>\$ 2,707,911</u></u>

The accompanying notes are an integral part of these statements.

**U. S. OFFICE OF GOVERNMENT ETHICS  
 COMBINED STATEMENT OF BUDGETARY RESOURCES  
 FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004  
 (In Dollars)**

	2005	2004
<b>BUDGETARY RESOURCES</b>		
Budget Authority		
Appropriations	\$ 11,238,000	\$ 10,738,000
Unobligated Balance		
Beginning of Period	1,386,155	1,265,254
Spending Authority from Offsetting Collections		
Earned		
Collected	281,330	247,150
Receivable from Federal Sources	(4,400)	2,800
Subtotal	\$ 12,901,085	\$ 12,253,204
Recoveries of Prior-Year Obligations		
Actual	726,029	719,113
Permanently Not Available		
Cancellations of Expired and No-Year Accounts	(193,155)	(132,438)
Pursuant to Public Law	(89,904)	(63,354)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 13,344,055</b>	<b>\$ 12,776,525</b>

**STATUS OF BUDGETARY RESOURCES**

Obligations Incurred:		
Direct	\$ 11,535,798	\$ 11,139,920
Reimbursable	276,930	250,450
Subtotal	11,812,728	11,390,370
Unobligated Balance:		
Available	281,628	277,103
Unobligated Balance Not Available	1,249,699	1,109,052
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 13,344,055</b>	<b>\$ 12,776,525</b>

**RELATIONSHIP OF OBLIGATIONS TO OUTLAYS**

Obligated Balance, Net, Beginning of Period	\$ 1,933,846	\$ 1,844,509
Obligated Balance, Net, End of Period		
Accounts Receivable	-	(4,400)
Undelivered Orders	570,503	1,313,927
Accounts Payable	1,194,298	624,319
Outlays:		
Disbursements	\$ 11,260,145	\$ 10,579,119
Collections	(281,330)	(247,150)
Subtotal	\$ 10,978,815	\$ 10,331,969
Net Outlays	\$ 10,978,815	\$ 10,331,969

The accompanying notes are an integral part of these statements.

**U. S. OFFICE OF GOVERNMENT ETHICS**  
**CONSOLIDATED STATEMENT OF FINANCING**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**  
(In Dollars)

	<b>2005</b>	<b>2004</b>
<b>Resources Used to Finance Activities</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 11,812,728	\$ 11,390,370
Less: Spending Authority from Offsetting Collections and Recoveries	(1,002,959)	(969,063)
Obligations Net of Offsetting Collections and Recoveries	\$ 10,809,769	\$ 10,421,307
Other Resources		
Imputed Financing from Costs Absorbed by Others	896,779	894,609
Net Other Resources Used to Finance Activities	896,779	894,609
 Total Resources Used to Finance Activities	 \$ 11,706,548	 \$ 11,315,916
 <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	\$ 751,253	\$ 100,385
Resources That Fund Expenses Recognized in Prior Periods	-	(12,786)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	751,253	87,599
 Total Resources Used to Finance the Net Cost of Operations	 \$ 12,457,801	 \$ 11,403,515
 <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	4,311	37,315
Other	(6,062)	-
Total Components of Net Cost of Operations That will Require or Generate Resources in the Future Period	(1,751)	37,315
 Total Components of Net Cost of Operations That will not Require or Generate Resources	 (1,751)	 37,315
 <b>Net Cost of Operations</b>	 \$ 12,456,050	 \$ 11,440,830

The accompanying notes are an integral part of these statements.



**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

**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, status and availability of budgetary resources, and the reconciliation between proprietary and budgetary accounts 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, the Accountability of Tax Dollars Act of 2002 and the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirement. 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 Requirement 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, Statement of Budgetary Resources, Statement of Financing, and the Statement of Custodial Activity. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all dollar 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.

**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

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

***D. Basis of Accounting***

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

***E. Revenues & Other Financing Sources***

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

Appropriations are recognized as a financing source when expended. 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 or foreign currency balances.

**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

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

***H. Accounts Receivable***

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. For the fiscal years ended September 30, 2005 and 2004, accounts receivable with the public was \$4,539 and \$147, respectively.

***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 Prepayments***

Advance and prepayments 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. For the fiscal years ended September 30, 2005 and 2004, advances were \$0 and \$7,829, respectively.

**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

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

***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 Statement of Financing. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. (See Note 4 for additional information).

***L. Accounts Payable***

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

***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. Sick leave is generally nonvested, except for sick leave balances at retirement under the terms of certain union agreements. 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.

***N. Accrued 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.

**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

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

***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 AB'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.

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 and assumptions when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. Actual results could differ from these estimates. Significant estimates include (a) year-end accruals of accounts payable, (b) accrued workers' compensation, and (c) allowance for doubtful accounts receivable.

**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

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

***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. For the fiscal years ended September 30, 2005 and 2004, imputed financing sources was \$896,778 and \$894,609, respectively.

***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 e 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.

***S. Expired Accounts and Cancelled Authority***

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

***T. Reclassification***

Certain fiscal year 2004 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation.

**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

**NOTE 2. FUND BALANCE WITH TREASURY**

Fund balance with Treasury account balances as of September 30, 2005 and 2004 were:

**Fund Balances:**

	<u>2005</u>	<u>2004</u>
Appropriated Funds	\$ 3,296,128	\$ 3,320,001
Total	<u>\$ 3,296,128</u>	<u>\$ 3,320,001</u>

**Status of Fund Balances with Treasury:**

	<u>2005</u>	<u>2004</u>
Unobligated Balance		
Available	\$ 281,628	\$ 277,103
Unavailable	1,249,699	1,109,052
Obligated Balance not yet Disbursed	<u>1,764,801</u>	<u>1,933,846</u>
Total	<u>\$ 3,296,128</u>	<u>\$ 3,320,001</u>

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

**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

**NOTE 3. 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.

<u>Fiscal Year</u>	<u>Totals</u>
2006	\$1,333,101
2007	1,346,001
2008	1,369,249
2009	1,372,655
2010	1,386,826
Thereafter	<u>4,726,837</u>
Total Future Payments	<u>\$ 11,534,669</u>

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

**NOTE 4. LIABILITIES**

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

The liabilities on OGE's Balance Sheet as of September 30, 2005 and 2004, 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. There are no intragovernmental liabilities not covered by budgetary resources. Other liabilities not covered by budgetary resources consist entirely of unfunded leave. Unfunded leave balances are \$613,435 and \$609,124 as of September 30, 2005 and 2004, respectively.



**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

**NOTE 4. LIABILITIES (CONTINUED)**

	<u>2005</u>	<u>2004</u>
Intragovernmental		
Accrued Liabilities	\$ 2,400	\$ 17,876
Unfunded FECA Liability	65,268	66,938
Payroll Taxes Payable	48,568	54,713
Total Intragovernmental	<u>116,236</u>	<u>139,527</u>
Accounts Payable	10,248	684
Accrued Liabilities	706,502	150,399
Payroll Taxes Payable	426,580	400,647
Unfunded Annual Leave	613,435	609,124
Total Liabilities	<u>\$ 1,873,001</u>	<u>\$ 1,300,381</u>

**NOTE 5. CONTINGENCIES**

OGE is a named party in two pending civil actions. The first was decided in OGE's favor at the U.S. District Court level, but has been appealed to the U.S. Court of Appeals for the 10<sup>th</sup> Circuit. The amount of potential loss is estimated at \$115,000. The second case is an ongoing litigation with the potential loss exceeding \$115,000.

**NOTE 6. OPERATING/PROGRAM COSTS**

OGE's operating and programs costs as of September 30, 2005 and 2004 were \$12,733,880 and \$11,690,780 respectively. Earned revenues for their Annual Ethics Conference was \$277,830 for 2005 and \$249,950 for 2004. Net Cost of Operations as of September 30, 2005 and 2004 were \$12,456,050 and \$11,440,830, respectively.

**U.S. OFFICE OF GOVERNMENT ETHICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

**NOTE 6. OPERATING/PROGRAM COSTS (CONTINUED)**

<u>Budgetary Object Classifications</u>	<u>2005</u>	<u>2004</u>
Personnel and Benefits	\$ 9,453,500	\$ 9,124,999
Travel and Transportation	477,612	415,132
Rents, Communication & Utilities	1,117,127	482,006
Printing and Contractual Services	1,243,014	1,013,669
Supplies and Materials	153,862	135,664
Equipment	285,233	519,250
Insurance Claims	2,000	-
Interest and Dividends	1,532	60
Total	<u>\$ 12,733,880</u>	<u>\$ 11,690,780</u>

**NOTE 7. BUDGETARY RESOURCE COMPARISONS TO THE  
BUDGET OF THE UNITED STATES GOVERNMENT**

The 2007 Budget of the United States Government, with the Actual Column completed for fiscal year 2005, has not yet been published as of the date of these financial statements. The Budget is expected to be published and delivered to Congress in early February 2006. The 2006 Budget of the United States Government, with the Actual Column completed for 2004, has been reconciled.

**OFFICE OF GOVERNMENT ETHICS**  
**Required Supplementary Information**  
**Trading Partner Information**  
**As of and for the year ended September 30, 2005**

Agency	Assets			Liabilities			
	Fund Balance with Treasury	Advances	Total	Accounts Payable and Accruals	Payroll Taxes	Other	Total
Dept of Labor	\$ -	-	\$ -	\$ -	-	-	\$ -
Dept of Treasury	3,296,127.90	-	3,296,127.90	(65,268.32)	-	-	(65,268.32)
Office of Personnel Management	-	-	-	(2,400.00)	(48,568.09)	-	(50,968.09)
<b>Total</b>	<b>\$ 3,296,127.90</b>	<b>\$ -</b>	<b>\$ 3,296,127.90</b>	<b>\$ (67,668.32)</b>	<b>\$ (48,568.09)</b>	<b>\$ -</b>	<b>\$ (116,236.41)</b>