

U.S. OFFICE OF GOVERNMENT ETHICS



Fiscal Year 2006
Performance Accountability Report
Financial Statements
Management Discussion and Analysis
Annual Program Performance Report
Management Assurances
Schedule of Performance Indicators

November 2006

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS.....	1
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.....	2
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS.....	3
BALANCE SHEET.....	4
STATEMENTS OF NET COST.....	5
STATEMENTS OF CHANGES IN NET POSITION.....	6
STATEMENTS OF BUDGETARY RESOURCES.....	7
STATEMENTS OF FINANCING.....	8
NOTES TO THE FINANCIAL STATEMENTS.....	9
REQUIRED SUPPLEMENTARY INTRAGOVERNMENTAL AMOUNTS.....	16
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	17
MANAGEMENT ASSURANCES.....	27
SCHEDULE OF PERFORMANCE INDICATORS.....	Pages A-H

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 as of September 30, 2006 and 2005, and the related consolidated statements of net cost and results of operations and changes in net position, and the combined statements of budgetary resources and financing for each of the years ended September 30, 2006 and 2005. These financial statements are the responsibility of the U.S. Office of Government Ethics. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements, as amended*. Those standards and OMB Bulletin No. 06-03 require that we plan and perform the audit to obtain reasonable assurance about whether the principal statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Office of Government Ethics as of September 30, 2006 and 2005, and its net costs, changes in 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 27, 2006 on our consideration of the U.S. Office of Government Ethics' internal control over financial reporting and a report dated October 27, 2006 on its compliance with laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in Management's Discussion and Analysis and Required Supplementary Information sections is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular No. A-136, *revised Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.



Largo, Maryland
October 27, 2006

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited the principal statements (hereinafter referred to as "financial statements") of the U.S. Office of Government Ethics as of and for the year ended September 30, 2006, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the U.S. Office of Government Ethics' (OGE) internal control over financial reporting by obtaining an understanding of OGE's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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.

In addition, with respect to internal control objective related to the performance measures included in the "Management's Discussion and Analysis," we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether they have been placed in operation. Our procedures were not designed to provide an opinion on internal control over reported performance measures, and, accordingly, we do not express an opinion on such controls.

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 27, 2006

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

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

We have audited the principal statements (hereinafter referred to as “financial statements”) of the U.S. Office of Government Ethics as of and for the year ended September 30, 2006, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

The management of the U.S. Office of Government Ethics (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, and certain other laws and regulations specified in OMB Bulletin No. 06-03. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to OGE.

The results of our tests of compliance disclosed no reportable instances of noncompliance with other laws and regulations discussed in the preceding paragraph that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

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 27, 2006

U.S. OFFICE OF GOVERNMENT ETHICS
BALANCE SHEET
AS OF SEPTEMBER 30, 2006 AND 2005
(In Dollars)

	<u>2006</u>	<u>2005</u>
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 2,522,555	\$ 3,296,128
Total Intragovernmental	<u>2,522,555</u>	<u>3,296,128</u>
Account Receivable	58	4,539
Total Assets	<u>\$ 2,522,613</u>	<u>\$ 3,300,667</u>
 LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable (Note 4)	\$ -	\$ 2,400
Other (Note 4)	<u>165,081</u>	<u>113,836</u>
Total Intragovernmental Liabilities	<u>165,081</u>	<u>116,236</u>
Accounts Payable (Note 4)	271,703	716,750
Other (Note 4)	1,140,203	1,040,015
Total Liabilities	<u>\$ 1,576,987</u>	<u>\$ 1,873,001</u>
 NET POSITION		
Unexpended Appropriations	\$ 1,629,143	\$ 2,101,830
Cumulative Results of Operations	(683,517)	(674,164)
Total Net Position	<u>\$ 945,626</u>	<u>\$ 1,427,666</u>
Total Liabilities and Net Position	<u>\$ 2,522,613</u>	<u>\$ 3,300,667</u>

The accompanying notes are an integral part of these statements.

**U.S. OFFICE OF GOVERNMENT ETHICS
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005
(In Dollars)**

	2006	2005
PROGRAM COSTS:		
SALARIES AND EXPENSE		
Gross Costs	\$ 11,731,732	\$ 12,733,880
Less: Earned Revenue	(600)	(277,830)
Net Program Costs	11,731,132	12,456,050
Net Cost Of Operations	\$ 11,731,132	\$ 12,456,050

The accompanying notes are an integral part of these statements.

**U.S. OFFICE OF GOVERNMENT ETHICS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005
(In Dollars)**

	2006	2005
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balances	\$ (674,164)	\$ (675,915)
Budgetary Financing Sources		
Appropriation Used	10,940,873	11,561,022
Other Financing Sources		
Imputed Financing from Costs Absorbed by Others	780,906	896,779
Total Financing Sources	11,721,779	12,457,801
Net Cost of Operations	11,731,132	12,456,050
Net Changes	(9,353)	1,751
Cumulative Results Of Operations	\$ (683,517)	\$ (674,164)
UNEXPENDED APPROPRIATIONS:		
Beginning Balances	\$ 2,101,830	\$ 2,707,911
Budgetary Financing Sources		
Appropriations Received	11,148,000	11,238,000
Other Adjustments (recessions, etc)	(679,814)	(238,059)
Appropriations Used	(10,940,873)	(11,561,022)
Total Budgetary Financing Source	(472,687)	(606,081)
Total Unexpended Appropriation	\$ 1,629,143	\$ 2,101,830
Net Position	\$ 945,626	\$ 1,427,666

The accompanying notes are an integral part of these statements.

U.S. OFFICE OF GOVERNMENT ETHICS
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005
(In Dollars)

	2006	2005
BUDGETARY RESOURCES:		
Unobligated Balance brought forward, October 1	\$ 1,531,327	\$ 1,386,155
Recoveries of Prior-Year unpaid obligation	155,259	726,029
Budget Authority		
Appropriation	11,148,000	11,238,000
Spending Authority from Offsetting Collections		
Collection	600	276,930
Subtotal	12,835,186	13,627,114
Permanently Not Available		
Cancellations of Expired and No-Year Accounts	(568,334)	(193,155)
Enacted Rescissions	(111,480)	(89,904)
Total Budgetary Resources	\$ 12,155,372	\$ 13,344,055
 STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred:		
Direct	\$ 11,148,873	\$ 11,535,798
Reimbursable	-	276,930
Subtotal	11,148,873	11,812,728
Unobligated Balance:		
Available	76,981	281,628
Unobligated Balance Not Available	929,518	1,249,699
Total Status of Budgetary Resources	\$ 12,155,372	\$ 13,344,055
 CHANGE IN OBLIGATED BALANCE:		
Obligated Balance, Net,		
Net, Unpaid obligations, brought forward, October 1	\$ 1,764,801	\$ 1,938,247
Less: Uncollected Customers Payments from Federal Sources, brought forward, October 1	-	(4,400)
Total Unpaid Obligated Balance, Net, Beginning of Period	1,764,801	1,933,847
 Obligations Incurred, Net	 11,148,873	 11,812,728
Less: Gross Outlays	11,242,359	11,260,145
Less: Recoveries of Prior Year unpaid Obligations, Actual	155,259	726,029
Obligated Balance, Net, End of Period		
Unpaid Obligations	1,516,056	1,764,801
Less: Uncollected Customer Payments from Federal Sources	-	-
Total Unpaid Obligated Balance, Net, End of Period	1,516,056	1,764,801
 NET OUTLAYS		
Net Outlays:		
Gross Outlays	11,242,359	11,260,145
Less: Offsetting Collections	600	281,330
Net Outlays	\$ 11,241,759	\$ 10,978,815

The accompanying notes are an integral part of these statements.

**U.S. OFFICE OF GOVERNMENT ETHICS
STATEMENT OF FINANCING
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005
(In Dollars)**

	2006	2005
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$ 11,148,873	\$ 11,812,728
Less: Spending Authority from Offsetting Collections and Recoveries	(155,859)	(1,002,959)
Obligations Net of Offsetting Collections and Recoveries	10,993,014	10,809,769
Other Resources		
Imputed Financing from Costs Absorbed by Others	780,906	896,779
Net Other Resources Used to Finance Activities	780,906	896,779
 Total Resources Used to Finance Activities	 11,773,920	 11,706,547
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
 Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	 (52,141)	 751,254
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(52,141)	751,254
 Total Resources Used to Finance the Net Cost of Operations	 11,721,779	 12,457,801
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Increase in annual leave liability	2,115	4,312
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Future Periods	7,238	(6,063)
Other	7,238	(6,063)
 NET COST OF OPERATIONS	 \$ 11,731,132	 \$ 12,456,050

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, 2006 AND 2005**

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.

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.

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

K. Liabilities

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

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available Congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. Intragovernmental liabilities are claims against OGE by other Federal agencies. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as Components requiring or generating resources on the 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.

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

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2006 and 2005, imputed financing sources was \$780,906 and \$896,779, 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 Judgment Fund maintained by the U.S.

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury rather than from the amounts appropriated to OGE for agency operations. There are no contingencies that require disclosure.

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 2005 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation. The balances in Account 2190 – Other Accrued Liabilities for fiscal year 2005 were reclassified to Account 2110 – Account Payable based on changes to our procedures.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2006 and 2005 were:

Fund Balances:

	2006	2005
Appropriated Funds	\$ 2,522,555	\$ 3,296,128
Total	\$ 2,522,555	\$ 3,296,128

Status of Fund Balances with Treasury:

	2006	2005
Unobligated Balance		
Available	\$ 76,981	\$ 281,628
Unavailable	929,518	1,249,699
Obligated Balance not yet Disbursed	1,516,056	1,764,801
Total	\$ 2,522,555	\$ 3,296,128

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, 2006 AND 2005**

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>
2007	\$ 1,346,001
2008	1,369,249
2009	1,372,655
2010	1,386,826
Thereafter	4,726,837
Total Future Payments	<u>\$ 10,201,568</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, 2006 and 2005, 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 \$615,550 and \$613,435 as of September 30, 2006 and 2005, respectively.

	2006	2005
Intragovernmental		
Account Payable	\$ -	\$ 2,400
Unfunded FECA Liability	68,025	65,268
Payroll Taxes Payable	97,056	48,568
Total Intragovernmental	165,081	116,236
Account Payable	271,703	716,750
Payroll Taxes Payable	8,123	18,163
Accrued Fund Payroll Leave	516,530	408,417
Unfunded Annual Leave	615,550	613,435
Total Liabilities	\$ 1,576,987	\$ 1,873,001

**U.S. OFFICE OF GOVERNMENT ETHICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 5. OPERATING/PROGRAM COSTS

OGE's operating and programs costs as of September 30, 2006 and 2005 were \$11,731,732 and \$12,733,880 respectively. Earned revenues for their Annual Ethics Conference was \$277,830 for FY 2005. OGE did not hold an Annual Ethics Conference in FY 2006.

<u>Budgetary Object Classifications</u>	<u>2006</u>	<u>2005</u>
Personnel and Benefits	\$ 9,178,569	\$ 9,453,500
Travel and Transportation	79,959	477,612
Rents, Communication & Utilities	1,407,914	1,117,127
Printing and Contractual Services	802,917	1,243,014
Supplies and Materials	117,818	153,862
Equipment	144,556	285,233
Insurance Claims	-	2,000
Interest and Dividends	-	1,532
Total	<u>\$ 11,731,732</u>	<u>\$ 12,733,880</u>

**NOTE 6. BUDGETARY RESOURCE COMPARISONS TO THE
BUDGET OF THE UNITED STATES GOVERNMENT**

The 2008 Budget of the United States Government, with the Actual Column completed for fiscal year 2006, 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 2007. The 2007 Budget of the United States Government, with the Actual Column completed for 2005, has been reconciled.

**U.S. OFFICE OF GOVERNMENT ETHICS
REQUIRED SUPPLEMENTARY INFORMATION
TRADING PARTNER INFORMATION
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2006**

		<u>Assets</u>			<u>Liabilities</u>			
<u>Agency</u>	<u>Dept Code</u>	<u>Fund Balance with Treasury</u>	<u>Advances</u>	<u>Total</u>	<u>Accounts Payable and Accruals</u>	<u>Payroll Taxes</u>	<u>Other</u>	<u>Total</u>
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dept of Labor	1600	-	-	-	-	-	(68,025.02)	(68,025.02)
Dept of Treasury	2000	2,522,554.71	-	2,522,554.71	-	-	-	-
Office of Personnel Management	2400	-	-	-	-	(97,056.26)	-	(97,056.26)
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Total		<u>\$2,522,554.71</u>	<u>\$ -</u>	<u>\$ 2,522,554.71</u>	<u>\$ -</u>	<u>\$(97,056.26)</u>	<u>\$(68,025.02)</u>	<u>\$(165,081.28)</u>

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's mission, goals of our Strategic Plan, and highlights of our accomplishments in FY 2006. For detailed information on OGE, visit our website at 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 for FY 2006

1. OGE will provide overall policy direction to the executive branch ethics program.
2. 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.
3. 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.
4. OGE will administer an effective outreach program

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

1. Provide Overall Policy Direction to the Executive Branch Ethics Program
2. Support the President, Executive Branch Agency Heads and Employees in Administering Effective, Fair, and Consistent Ethics Programs with the Branch and Individual Agencies
3. 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
4. Administer an Effective Outreach Program

HIGHLIGHTS OF FY 2006 ACCOMPLISHMENTS

OGE's accomplishments in FY 2006 reflect the successful outcomes of our activities in the final year of our former Strategic Plan. Our report of those achievements is described in detail below and is organized by the broad goals of the former plan. A few highlights of OGE's FY 2006 accomplishments include:

- *Tackling emerging issues.* During FY 2006, OGE focused on anticipating and responding to current issues that impact how agencies ensure high ethical standards. For example, OGE organized a group of nearly 40 departments and agencies to study the ethical implications of emergency response. This initiative resulted in a conference, a report, and new materials to assist agencies in ensuring that ethical considerations are addressed when the Government responds to emergency situations such as natural disasters. The Office also completed a comprehensive review of the criminal conflict of interest statutes, many of which had not been evaluated for decades. Based on the review, OGE submitted a report on the statutes to the President and the Congress recommending improvements to various provisions.
- *Improving the identification of conflicts of interest through financial disclosure.* In FY 2006, OGE published proposed and final rules designed to streamline financial disclosure for nearly 300,000 employees who file confidential forms. OGE also developed a new confidential reporting form to help eliminate errors. The revised form conforms to the more streamlined reporting requirements of the new rule and may be completed electronically.
- *Providing quality education and other resources to ethics officials and employees.* In FY 2006, OGE held symposia and individual training events for approximately 1500 ethics officials working in the Washington metro area, in regional offices, and at military bases. The mini-conferences focused on ethics rules and laws, as well as on the Hatch Act, travel regulations, and prohibited personnel practices.
- *Promoting good governance.* OGE took a lead U.S. role in coordinating GRECO's (Council of Europe's Group of States Against Corruption) evaluation of the U.S.'s anti-corruption efforts.

Annual Program Performance Report Office of Government Ethics for FY 2006

The strategic plan for the Office contains four strategic goals. In our FY 2006 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.

FY 2006 Results

Strategic Goal One: Provide Overall Policy Direction to the Executive Branch Ethics Program

OGE provides overall policy direction to the executive branch ethics program by serving as the primary authoritative source of Federal executive branch ethics policy. To execute that responsibility, OGE undertook a number of projects in FY 2006 designed to improve the effectiveness of the advice the Office gives through legal and policy guidance, to address emerging issues, and to promote intergovernmental good governance policies and practices.

Issued Legal and Policy Guidance

OGE undertook projects to provide clear and up-to-date direction for the executive branch ethics program by reviewing existing laws and policies and issuing new regulations and guidance. One such project was a review of the Standards of Ethical Conduct, a comprehensive set of ethics rules that apply to all employees in the executive branch. This review has resulted in a set of internal recommendations to revise the Standards. In addition, OGE published proposed and final rules on the applicability of the Standards of Ethical Conduct to individuals detailed to work in the Government under the Intergovernmental Personnel Act (IPA). These rules clarify the standards that apply to IPA detailees, many of whom are expert scientists who work in various science agencies. Because these IPA detailees are essentially on a leave of absence from their non-governmental employers, typically there are a number of conflict of interest issues that need to be resolved.

To improve the confidential financial disclosure system, OGE published a final rule in FY 2006 that streamlines the disclosure requirements and changes the dates for filing so that they align with the calendar year. The Office also developed a new, simpler reporting form that is designed to be completed electronically rather than on paper. The new reporting system will become effective beginning calendar year 2007.

Focused on Emerging Ethics Issues

OGE also actively addressed several critical emerging ethics issues including contractor ethics and Federal emergency response. Because of the increasing use of contractors in the Federal workplace and the myriad ethics issues that can arise when employees and contractors work side by side, OGE issued a comprehensive memorandum to agency ethics officials on this topic. In addition, OGE continued to draw attention to the question of whether some form of ethics rules needs to apply to the employees of Government contractors. OGE spoke to several groups about this topic (including the staff of the Senate Armed Services Committee) and participated in a working group examining the multi-sector workforce being undertaken by the National Academy of Public Administration.

To address the pressing issue of the ethical implications of emergency response, OGE established a working group in October of 2005. Federal agencies that had either been affected by Hurricanes Katrina and Rita or were involved in the response and recovery efforts came together to discuss lessons learned. Representatives of 15 departments and 21 agencies attended one or more of the working group sessions held between October 2005 and March 2006. The working group meetings culminated in a conference: "Ethical Implications of Emergency Response," held on March 21 and 22, 2006. The conference emphasized the need for all ethics officials to better position themselves to be part of, and thereby ensure

that ethics remains an integral part of, future response efforts. In June 2006, OGE published and distributed the conference presentations to the ethics community so that it can better prepare for the next emergency. OGE also distributed a draft document that addressed questions ethics officials have on the acceptance of gifts and fundraising efforts that flow from a national emergency.

OGE also established a “value added group” whose goal is to enhance executive branch ethics programs by creating an environment in which model practices, knowledge, and experiences are shared. Ethics officials representing 20 executive branch departments and agencies began a discourse about adding value. Thus far, the group has focused on assessing their own ethics programs, developing model practices, and exploring other opportunities to leverage the resources and accomplishments of individual agencies to better serve the mutual interests of the ethics community.

Promoted Intergovernmental Good Governance Activities

OGE’s Congressional efforts in FY 2006 focused on two principal areas. First, OGE completed a comprehensive review of the criminal conflict of interest laws relating to executive branch employment, in consultation with the Department of Justice, and submitted a report to the President and Congress evaluating those laws in accordance with the Intelligence Reform and Terrorism Prevention Act of 2004. In addition, because OGE’s current authorization lapses at the end of this fiscal year, the Office pursued reauthorization legislation in the House and Senate including preparing and presenting testimony, preparing an extensive response to post-hearing questions and working with House and Senate committees on proposed reauthorization legislation. OGE also drafted testimony and responded to Congressional and Office of Management and Budget (OMB) requests for comment on draft bills, legislation, bill reports and testimony.

The Office’s recognized ethics program and policy expertise within the executive branch and its ability to see the role of an ethics program in a broader good governance context has made the Office a substantial resource to the United States in meeting its commitments in international anti-corruption agreements and promoting concepts of good governance. The use of OGE expertise was particularly substantial for those agreements that involve multi-disciplinary mutual evaluation. During this fiscal year, the Departments of State and Justice asked OGE to take the principal role in coordinating the Council of Europe’s Group of States Against Corruption’s (GRECO) evaluation of portions of the United States’ anti-corruption efforts.

Also, based upon recognized policy and program expertise, members of the OGE staff served as expert evaluators from the U.S. for the GRECO evaluation process and for the Follow-up Mechanism for the Inter-American Convention Against Corruption (MESICIC). OGE staff also served as the U.S. representative in expert meetings on conflicts of interest and ethics policies for the Organization for Economic Cooperation and Development (OECD) Public Governance and Territorial Development Directorate and served as a member of an internal working group on policy objectives for implementation of the U.N. Convention Against Corruption.

Strategic Goal Two: Support the President, Executive Branch Agency Heads and Employees in Administering Effective, Fair, and Consistent Ethics Programs with the Branch and Individual Agencies

OGE took significant steps to support executive branch ethics programs in FY 2006. The Office reviewed agency ethics programs, began improvements to the review and certification process of public financial disclosure reports, streamlined the confidential financial disclosure rules and form, and enhanced ongoing communication with executive branch agencies.

Provided Additional Agency Ethics Program Review and Feedback

OGE conducted on-site reviews of ethics programs at executive branch departments and agencies to: (1) identify and report on strengths and weaknesses of the programs and, as appropriate, make specific

recommendations for program enhancements designed to help ensure integrity in Government operations; and (2) provide technical assistance to agencies in order to implement well-run and employee-helpful agency ethics programs. This assistance includes: sharing model practices observed during reviews at other agencies; providing suggestions on how to correct identified deficiencies; and assisting agencies in developing plans, processes, and procedures to implement report recommendations and suggestions. In FY 2006, OGE reviewed 31 executive branch agency ethics programs.

OGE also conducted six-month follow-up reviews to address the recommendations and suggestions contained in its reports. Through discussions with ethics officials and an examination of relevant documentation, OGE determined whether appropriate practices and procedures had been put into place to provide reasonable assurances that the identified program weaknesses had been appropriately addressed.

In addition, OGE updated and formalized its procedure for administering the Agency Program Review Evaluation Process, which is designed to provide: (1) insight into how ethics program reviews can be improved and (2) benchmarks for the performance measures established in the FY 2007-11 strategic plan. The Office streamlined this process by developing an electronic evaluation form and instituting a formal follow-up mechanism.

In response to a specific agency request, OGE formed a task force to assist the Federal Emergency Management Agency (FEMA) in meeting a broad range of its ethics program challenges, including promoting program compliance, raising awareness, and allocating resources. This special project complemented a series of program reviews of other components of the Department of Homeland Security, provided a basis for developing improvements to OGE's general review process, and established a framework for a more value-added approach to program review.

The Office also administered various surveys to evaluate agency ethics programs and establish baseline data for OGE's FY 2007 strategic plan. The Office administered a survey to attendees of the Ethical Implications of Emergency Response Conference held in March 2006, to evaluate the effectiveness of the conference, to assess the usefulness of the working group structure, and to assist OGE in developing future plans to address emerging ethics program issues. Another survey instrument OGE administered to employees was designed to measure their perceptions of their agencies' ethical culture and ethics program. OGE also administered a third survey to ethics officials throughout the executive branch – approximately 130 departments and agencies – to measure their perceptions of the services provided by the Office and to help establish benchmarks for performance measures defined in OGE's new strategic plan.

Improved Financial Disclosure Processes

OGE took strides in FY 2006 to improve its performance of one of its key responsibilities, the review and certification of public financial disclosure reports, through a range of improvements that included the retooling of OGE's internal process for reviewing the reports.

Improvements in FY 2006 addressed two separate aspects of the public financial disclosure process: (1) the review of reports filed by individuals nominated by the President for Senate-confirmed executive branch positions (nominee reports); and (2) the review of their annual and termination reports. With regard to annual and termination public financial disclosure reports, to reduce the follow-up required on the 1,000 reports for which OGE is the final certifying authority, OGE published guidance on certain technical review deficiencies that routinely raise "red flags" and result in automatic follow-up with agency ethics officials. OGE developed and implemented new internal policies that reduced its backlog of uncertified reports by 50%. The Office worked with OMB to develop an E-Gov initiative on electronic filing of the public and confidential financial disclosure reports, which are filed each year by approximately 330,000 employees and Presidential nominees throughout the executive branch.

OGE began an effort to improve the review and certification process for nominee reports. The Office instituted an inter-office review team and completed a work flow study on the existing report review process for these reports to identify the policies and procedures to be improved. An advisory team is making suggestions and creating training documents on review procedures for new reviewers as the examination of current processes progresses. In addition, the reviewers now meet regularly to build skills and discuss more complex reporting issues as they arise. OGE is continuing to monitor the compliance of more than 500 Presidential appointees with ethics agreements in which they have agreed to take specific actions to address actual or potential conflicts of interest with financial or fiduciary arrangements disclosed in their financial disclosure reports. OGE also timely filled requests from 143 individuals and organizations for 500 copies of those public financial disclosure reports of senior executive branch officials for which OGE conducts a second-level review.

OGE made improvements to the confidential financial disclosure process through the issuance of new rules and a new form that will streamline these reporting requirements. (See discussion in Strategic Goal One.) In addition, the Office continued to encourage and approve the use of alternative confidential financial disclosure procedures in order to more effectively permit agencies to obtain information about specific kinds of financial interests that could present conflicts for their employees. In FY 2006, OGE approved the use of alternative confidential financial disclosure procedures for the U.S. Commission on Civil Rights, National Archives and Records Administration, Department of Defense, Department of the Army, and Department of Veterans Affairs. Discussions on alternative procedures are underway with the Department of Agriculture.

Finally, the Office fully implemented new Executive Order 13392 regarding the Freedom of Information Act (FOIA). OGE completed the review plan and report required by that Order.

Enhanced Agency Communication

OGE instituted a practice of inviting agency leadership to meet with OGE's leadership in connection with ethics program reviews. In addition to promoting the importance of the ethics program, this practice serves to help ensure personal commitment to the program by agency leadership as well as to define and allocate sufficient agency resources for the program. The Office also maintained strong liaison services provided to ethics officials in executive branch departments and agencies through the OGE desk officer program and the random call desk. These 12 desk officers answered over 3,800 questions from ethics officials on the conflict of interest statutes, Standards of Conduct regulations, program operations and financial disclosure and over 2,100 questions from the public. These were in addition to the numerous legal and policy questions answered by OGE attorneys. In addition, OGE increased by 11 percent the number of ethics officials and enforcement personnel with whom the Office communicates through the OGE email ListServe on such topics as emerging issues, best practices, general news, and job vacancies in the Federal ethics community.

Strategic Goal Three: 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 Office provided extensive education and training opportunities and materials to an array of ethics officials and employees during FY 2006. From the development of new courses to the creation of new materials and initiatives, OGE worked to ensure that Federal employees have the information necessary to perform their jobs with integrity.

Created Innovative Training and Education Materials

OGE developed several job aids aimed at helping ethics officials to more efficiently perform their jobs. These include: (1) a flow chart on analyzing post-employment conflicts, (2) an analysis of conflicts

of interest, (3) an analysis of the impartiality rule, (4) guidance on post-employment, (5) remedies for seeking employment conflicts, and (6) a flow chart on ethics agreements. OGE distributed these job aids to ethics officials who attended ethics training either as a stand-alone event or as part of the regional symposia or national ethics conference. Also, OGE developed a comprehensive training program for new ethics officials. The highly interactive, two-day program is designed to prepare new ethics officials to give advice and to help them hit the ground running. The Office conducted approximately 50 instructor-led training programs for ethics officials in headquarters and in the regions, with most sessions filled within 48 hours of being announced. The end-of-course evaluations demonstrate that the ethics officials found the training very helpful (as evidenced by an average rating of 4.3 on a 5-point scale). Lastly, OGE developed several crossword puzzles on ethics. The puzzles are to be hosted on the OGE website.

OGE also generated new guides and evaluation tools. The Office developed instructor and participant guides for three courses to be distributed to ethics officials for use in training their employees. These materials include one online course and two instructor-led courses. Ultimately, each ethics topic will be presented in both online and instructor-led versions so that ethics officials have the option of selecting the medium that best addresses their needs. In addition, OGE developed two new evaluation products: an objective multiple choice test to measure the extent to which employees acquired knowledge and skills as a result of the training provided and a subjective assessment that asks ethics officials at the start and end of the training to rate their perceived knowledge and skills.

Provided Quality Ethics Education and Training

OGE developed and delivered numerous training sessions tailored to the specific needs of individual agency ethics programs. These sessions covered such topics as making the appropriate determinations of positions meeting the requirements for filing confidential financial disclosure reports, determining the rules applicable to special Government employees, and carrying out other aspects of the duties and responsibilities associated with the position of Designated Agency Ethics Official (DAEO). OGE routinely evaluated and revised its ethics training programs based on information provided by ethics officials who attended OGE training, feedback from the instructors, and observations made by the instructional designers. These annual revisions help to ensure that products are up-to-date. To further ensure the quality of its products, OGE formalized the internal review and approval process for employee and ethics officials' course materials. Also, OGE convened a meeting of ethics officials representing a range of executive branch agencies in order to better focus employee ethics training.

OGE also continued its efforts to provide clear guidance to Federal advisory committees. In FY 2006, the Office revised the training it offers in coordination with GSA to agency advisory committee management officials. OGE also worked with GSA to develop a template to be used by agencies to draft advisory committee charters.

To recognize educational achievements and enhance the ethics community's ability to leverage its resources, OGE launched an initiative to give awards to agency ethics training programs. By identifying creative and innovative products, OGE can underscore the responsibility of the ethics community to go beyond merely fulfilling minimum ethics training requirements. This initiative also is aimed at promoting efficiency by allowing agencies to avoid unnecessarily starting from scratch or duplicating the efforts of others. The awards will be presented at OGE's national conference in March, 2007.

Finally, OGE conducted three symposia, two of which covered ethics laws as well as such diverse topics as the Hatch Act, travel regulations, prohibited personnel practices and contractors in the workplace. The third symposium addressed ethics issues that arise during and after emergencies. OGE also began planning the 15th National Government Ethics Conference to be held in Orlando, Florida in March, 2007.

Strategic Goal Four: Administer an Effective Outreach Program

The Office focused its outreach efforts on two tracks in FY 2006: externally, by disseminating ethics information to private sector, nonprofit, and international organizations, as well as state, local and foreign governments; and internally, by participating in Federal government conferences, working groups and councils to address ongoing and emerging ethics issues.

External Outreach

OGE administered an effective outreach program by sharing its programmatic and policy development experiences with those outside the U.S. Government. This outreach included governments, non-profits, corporations, professional and trade associations, and institutions of higher education that are developing or enhancing their own educational or ethics programs.

Primary examples of OGE's effective sharing of programmatic and policy development experiences through international organizations and directly with foreign governments include: (1) OGE's well-received service as a U.S. expert for conflict of interest and good governance projects of the OECD including the Good Governance for Development in the Arab countries of the Middle East and North Africa; and (2) service as a member of the delegation to the U.S.-China Joint Liaison Group bilateral meetings on anti-corruption held this fiscal year in China. OGE also worked directly with individual country programs such as the Commission for the Prevention of Corruption of Slovenia, and through the Network of Ethics Offices of the Americas with Argentina, Uruguay, Chile, Brazil, Mexico, China and Puerto Rico.

In addition, repeat requests for OGE's service as a primary resource for the State Department's International Visitors Program, particularly in the areas of ethics, conflicts of interest and good governance programs, indicated the continued value of those presentations. During the fiscal year, OGE met with over 45 delegations comprised of more than 378 foreign visitors representing over 80 countries. OGE also has continued to be an active member of the Council of Governmental Ethics Laws (COGEL), an organization of Federal, state and local government agencies with expertise in ethics, campaign finance, lobbying registration and access to information.

Internal U.S. Government Outreach

OGE's internal U.S. Government outreach included consistent participation in the activities of the President's Council on Integrity and Efficiency (PCIE), the Executive Council on Integrity and Efficiency, the Interagency Ethics Council, and the Small Agency Council. OGE implemented an outreach program aimed at small boards and commissions to better tailor and more efficiently provide OGE services. The Office also worked with agencies that have a significant number of scientists to address ethics issues particularly pertinent to the scientific community. The Office plans to follow up in FY 2007 by identifying and disseminating model practices. Finally, OGE also sought to improve and modernize the Office's web page in order to streamline the information available, enhance its usefulness to the ethics community and the general public, and better position it as a tool for meeting OGE's strategic goals.

Enhanced Internal Administrative Support

Without critical, internal administrative supports, OGE could not successfully pursue or reach its strategic goals. During FY 2006, OGE strove to maintain strong, effective leadership by undertaking vital services related to budget and finance, human resources, graphics, facilities and property management, travel, procurement, telecommunications, records management, and information and web site technologies.

In addition to this array of services, OGE undertook a significant number of internal, mission-support initiatives. To assist OGE in attracting and retaining a highly efficient workforce, the Office received OPM recertification of its SES pay-for performance system and developed or revised eight

Human Resource Manual chapters. In addition, the Office developed and conducted reviews of OGE's awards, telecommuting, and training programs. OGE also improved recruiting by providing electronic notifications to African-American and Hispanic serving colleges and universities and by enhancing performance on OPM's 45-day hiring model.

In FY 2006, to harness technology to improve business processes, the Office upgraded its email system, converted its IT network backup system from tape to disk, and provided the capability to transmit live or recorded video. In addition, as part of the Office's efforts to improve the financial disclosure system, it implemented a web-based Financial Disclosure Tracking System and continued the development of a web-based Review Tracking System. The Office also provided OGE's telecommuting employees with the capability to access their network files remotely, replicate their "C drive" data into a network drive for remote access, make and receive telephone calls remotely via an OGE notebook computer, and instant message. OGE met all FY 2006 OMB deadlines concerning the transition to a new Internet Protocol (IPv6).

Finally, to provide as safe a work environment as possible and ensure continuity of OGE operations, in FY 2006 the Office established an off-the-premises OGE Intranet site to store record information that can be accessed during an emergency, oversaw the development of a pandemic continuity of operations plan, and in light of the pandemic effort, initiated a review of the existing non-pandemic continuity plan. The Office also updated its Federal Protective Service alarm system, developed an Administrative Manual chapter on information privacy, and continued the transition to the government-wide standard identification card.

MANAGEMENT ASSURANCES

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

OGE's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). OGE conducted its assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, OGE can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, OGE conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, OGE can provide reasonable assurance that its internal control over financial reporting as of June 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Robert I. Cusick

/s/

Director

November 15, 2006

Schedule of Performance Indicators
 Comparing FY 2003-2006

STRATEGIC GOAL I	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Actual
Performance Goal 1				
PERFORMANCE INDICATORS				
How often OMB requests input	197	125	129	114
Percentage of timely inputs	97%	94%	100%	100%
Percentage of input employed on direct	100%	100%	89%	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	Regularly with OMB White House, DOJ	81 times
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 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Actual
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of proposals submitted to OMB	2	2	2	0
Percentage cleared for transmittal	50%	100%	100%	na
Length of time between transmittal and enactment	less than 18 months	na	na	na
Performance Goal 4 (new for FY 04)				
PERFORMANCE INDICATORS				
Number of multilateral program discussions with prevention as a topic		1	0	4
Number of required U.S. responses to existing agreements with corruption prevention or ethics program elements		1	7	5
Percentage of multilateral discussions in which OGE assistance is sought		100%	n/a	100%
Percentage of USG corruption prevention or ethics program actions required by international agreements in which OGE assistance is sought		100%	100%	100%
STRATEGIC GOAL II				
Performance Goal 1				
PERFORMANCE INDICATORS				
Number of agencies reviewed	39	33	34	31
Number of recommendations	33	50	32	27
Percent of Follow-up Reviews (WHERE RECOMMENDATIONS ARE MADE)	100%	100%	100%	100%
Correction of program deficiencies by agencies	80%	81%	72%	70%

	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Actual
Number of single-issue reviews	2	0	0	1
Best practices shared with agency during program reviews	95%	93%	84%	100%
Performance Goal 2				
PERFORMANCE INDICATORS				
Number of appointees w/ethics agreements	86	86	170	198 out of 349 confirmed appointee
Number of ethics agreements	132	141	203	346
Percent of ethics agreements completed within established time frames	75.6%	80%	95.5%	92.4%
Percent of cases resolved after OGE took action	100%	100%	100%	100%
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of requests for advice	3240	2600	8000	3800
Number of contacts concerning adequacy of advice	1%	1%	1%	1%
Time expended to adequately satisfy requests for advice and information	within 2 days for 90% of requests	within 2 days for 90% of requests	within 2 days for 90% of requests	met

	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Actual
Performance Goal 4				
PERFORMANCE INDICATORS				
Number of inquiries	735	2694	2052	1849
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% 2 work days 90% of the requests	2 work days 91% of the requests	2 work days 87% of the requests	2 work days 99% of the requests
Length of time to respond to requests for written statutory and regulatory interpretations	20 work days 85.7% of the requests	20 work days 75% of the requests	20 work days 74% of the requests	20 work days 85% 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	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	18 meetings

	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Actual
Performance Goal 6				
PERFORMANCE INDICATORS				
Number of nominee statements received	219	236	320	308
Percentage of nominee statements certified, opinions rendered to Senate within 2 weeks of receiving final certified form from agency after nomination	95%	96.2%	96.3%	96.50%
Number of annual and termination financial disclosure statements received	979	950	1163	913
Percentage of annual and termination statements reviewed within 60 days of receipt	77.8%	80.9%	86.2%	80.90%
Performance Goal 1				
PERFORMANCE INDICATORS				
Number of Needs Analyses conducted	1	1	Discontinued	
Number of agencies providing input for the Needs Analysis	79	78	Discontinued	
Number of training courses conducted for ethics officials	50	115	59	44
Number of training courses conducted for employees at agency request	35	17	8	9
Number of new educational products developed	4	4	3	9
Number of evaluation instruments requested (training courses)	8430	2178	1266	1994
Number of evaluation instruments received from ethics official training	886	1103	1048	1237
Overall rating of training courses for ethics officials	4.43 (on a 5 pt. scale)	4.16 (on a 5 pt. scale)	4.5 (on a 5 pt. scale)	4.3 (on a 5 pt. scale)

	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Actual
Number of evaluation instruments received for OGE educational products	7440	1549	1165	0
Number of educational products downloaded from the web site	139135	10718	7624	8162
Number of visitors to the web site	15688000	8572006	5055104	60995
Performance Goal 2				
PERFORMANCE INDICATORS				
Number of surveys distributed	127	125	126	138
Number of completed surveys received	100% compliance	100% compliance	100% compliance	100% compliance
Performance Goal 3				
PERFORMANCE INDICATORS				
Number of conference attendees	465	529	603	no conference held
Number of agencies represented	72%	75%	74.6%	no conference held
Evaluations of the conference (scale 1 to 4)	3.42	3.67	3.54	no conference held
STRATEGIC GOAL IV				
Performance Goal 1				
PERFORMANCE INDICATORS				
Numbers of presentations to private groups	13	20	12	18
Numbers of articles or speeches published	1	1	2	2 1 submitted not yet Published

	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Actual
Performance Goal 2				
PERFORMANCE INDICATORS				
Number of subscriptions		2134	2354	2660
Number of messages transmitted per year		43	41	70
Number of agencies represented in total subscriptions		125	120	120

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	70% completed within 20 working days	61.3% completed within 20 working days	90.6% completed within 20 working days	100% completed within 20 working days
and Privacy Act	70% completed within 20 working days	61.3% completed within 20 working days	90.6% completed within 20 working days	100% completed within 20 working days
other documents such as 278's	met	met	met	met
ethics agreements	3	3	met	met
waivers under 18 U.S.C. § 208(b)	3	3	met	none requested
certificates of divestiture	3	3	met	met
blind trust documents	3	none requested	met	met
agency 1353 reports	3	3	met	met

	FY 03 Actual	FY 04 Actual	FY 05 Actual	FY 06 Actual
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	3
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	45 ITAs
Number of specific long-term programs supported by INL/State		2	4	2
Number of specific foreign government document (e.g. draft codes of conduct) reviews requested by USG foreign policy agencies/entities		3	21	1
Percentage of recipients of briefings responding in a positive, tangible manner		10%	25%	27%
Percentage of recipients of more extensive assistance responding in a positive manner evidenced by some action within the country		100%	75%	100%