



Fiscal Year 2017

Agency Financial Report



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Chairperson's Message

The Council of the Inspectors General on Integrity and Efficiency (CIGIE or Council) was established by the Inspector General Reform Act of 2008. Currently composed of 73 Federal Inspectors General (IGs) and 6 integrity-related senior officials, the Council and its member organizations, function as a robust oversight group engaged in issues of nationwide significance. CIGIE's mandated mission is to address integrity, economy, and effectiveness issues that transcend individual Government agencies, and to increase the professionalism and effectiveness of the inspector general community.

In this Agency Financial Report (AFR), we discuss CIGIE's fiscal year (FY) 2017 accomplishments in carrying out its mission and performance plan goals; provide the independent auditor's report regarding CIGIE's financial statements as of September 30, 2017; and highlight the work of CIGIE's Executive Council, eight standing committees, and individual members on cross-cutting issues affecting Federal departments, agencies, and Offices of Inspector General.

The financial audit was performed by Allmond and Company, LLC (Allmond). CIGIE is pleased to report that Allmond found that CIGIE's financial statements present fairly the financial position of CIGIE and that there were no reportable instances of noncompliance with laws or regulations governing CIGIE's financial management systems. Allmond found that there were no internal control deficiencies over financial reporting considered to be material, and that there were no reportable instances of noncompliance with laws or regulations governing CIGIE's financial management systems.

Allmond's opinion letters and audited CIGIE financial statements and notes to the financial statements are included in this AFR. Further information related to the Council's assurance as to the accuracy and reliability of the financial and performance data presented in this report may be found under the Management Statement of Assurance.

In FY 2017, our work has been strengthened by the efforts of leaders in the IG community; the Office of Management and Budget; Congress; the Government Accountability Office; other Federal agencies, and law enforcement and professional organizations; and private-sector supporters who share a dedication to helping improve Government programs by ensuring accountability, efficiency, and oversight.

In particular, we sincerely thank the approximately 13,000 professionals that make up the Federal inspector general community for the work they do every day to ensure the effectiveness and integrity of Federal programs that affect the lives of all Americans.



Michael E. Horowitz
Chairperson, CIGIE



Date

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Council of the
INSPECTORS GENERAL
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Management's Discussion and Analysis Fiscal Year 2017

The Council of the Inspectors General on Integrity and Efficiency (CIGIE or the Council) has chosen to produce an Agency Financial Report (AFR), which is posted on CIGIE's website at www.ignet.gov.

The Council of the Inspectors General on Integrity and Efficiency's Mission and Organization

Mission: The mission of the Council is to address integrity, economy, and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Offices of Inspectors General.

Organization: The Council is made up of 73 individual Inspectors General (IGs) from both the Executive and Legislative branches and 6 integrity-related senior officials: the Deputy Director for Management (DDM), Office of Management and Budget (OMB); the Deputy Director, Office of Personnel Management; the Special Counsel, Office of the Special Counsel; the Assistant Director of the Criminal Investigative Division, Federal Bureau of Investigation (FBI); the Director, Office of Government Ethics; and the Controller of the Office of Federal Financial Management, OMB. Mr. Dustin Brown, Acting Deputy Director for Management, Office of Management and Budget, is the Acting Executive Chairperson of the Council. The Council is led by the elected Chairperson, Michael E. Horowitz, IG, U.S. Department of Justice; the Vice Chairperson, Allison C. Lerner, IG, National Science Foundation; and the other members of the Executive Council (see the below table).

Executive Council	
Michael E. Horowitz, U.S. Department of Justice	Chairperson
Allison C. Lerner, National Science Foundation	Vice Chairperson
Tom Howard, Amtrak	Audit Committee Chair
Carol F. Ochoa, General Services Administration	Budget Committee Chair
Tammy L. Whitcomb, U.S. Postal Service	Information Technology Committee Chair
Daniel R. Levinson, Department of Health and Human Services	Inspection and Evaluation Committee Co-Chair
Carl W. Hoecker, Securities and Exchange Commission	Investigations Committee Chair
Kathy A. Buller, Peace Corps	Legislation Committee Chair
Robert Westbrook, Pension Benefit Guarantee Corporation	Professional Development Committee Chair
Phyllis K. Fong, U.S. Department of Agriculture	Past Chairperson
Kathleen S. Tighe, Department of Education	At-Large Member

CIGIE Committees

CIGIE consists of eight (8) standing committees, seven (7) of which represent functional responsibilities of the IG community. The eighth, the Integrity Committee, is a statutory committee established by the IG Reform Act of 2008 that serves as an independent and objective investigative mechanism for addressing allegations of misconduct against IGs and their senior staff members. The following organizational chart represents the Council’s organizational structure.



Committees

Audit Committee

The Audit Committee provides leadership to and serves as a resource for the Federal IG audit community. Sponsors and coordinates audits that address multi-agency or Government-wide issues, maintains professional standards for OIG audit activities, and administers the audit peer review program. Provides input to the CIGIE Professional Development Committee and the Training Institute on the training and development needs of the CIGIE audit community, and

advice to the Chairperson, Vice Chairperson, and Executive Director regarding CIGIE's contracts for audit services.

Budget Committee

Provides leadership in the development of the Council's annual Congressional appropriation request by coordinating a transparent process to assess current CIGIE activities and, in consultation with the Chairperson, Vice Chairperson, and Executive Council, presenting a proposed budget to the membership for discussion and adoption. In addition, the Committee serves as the IG Community's lead in coordinating with the OMB and relevant Congressional committees to establish and maintain a direct annual appropriation to fund Council activities.

Professional Development Committee

The Professional Development Committee provides educational opportunities, through the Training Institute, for members of the IG community to ensure the development of competent personnel. Receives input from the Audit, Investigations, and Inspection and Evaluation Committees on the training and development needs of the CIGIE community. Seeks opportunities to improve training methods, enhance the development of OIG staff, and establish training to meet continuing professional educational requirements.

Information Technology Committee

The Information Technology Committee facilitates effective OIG information technology (IT) audits, evaluations, reviews, and investigations, and provides a vehicle for expressing the IG community's perspective on Government-wide IT operations.

Inspection and Evaluation Committee

The Inspection and Evaluation Committee provides leadership for the CIGIE inspection and evaluation community's efforts to improve agency program effectiveness by maintaining professional standards; leading the development of protocols for reviewing management issues that cut across departments and agencies; promoting the use of advanced program evaluation techniques; and fostering awareness of evaluation and inspection practice in OIGs. Provides input to the CIGIE Professional Development Committee and the Training Institute on the training and development needs of the CIGIE inspection and evaluation community.

Investigations Committee

The Investigations Committee contributes to improvements in program integrity, efficiency, and cost effectiveness government-wide by providing analysis of investigative issues common to federal agencies. Provides the CIGIE community with guidance, support, and assistance in conducting high quality investigations. Provides input to the CIGIE Professional Development Committee and the Training Institute on the training and development needs of the CIGIE investigations community.

Legislation Committee

The Legislation Committee ensures that CIGIE is kept abreast of matters in the Congressional arena that are of interest to the IG community. Develops, coordinates, and represents the official IG community positions on legislative issues.

Integrity Committee

The Integrity Committee is required by the IG Act and has the statutory responsibility to review and refer for investigation allegations of wrongdoing made against CIGIE IGs and their designated staff members. The Committee is chaired by an IG member elected by the other committee members. The committee consists of four IGs appointed by the Council Chairperson for four-year terms. In addition, the Director of the Office of Government Ethics or designee and the FBI official serving on the Council or designee are also members. The Chief of the Public Integrity Section of the Criminal Division of the Department of Justice, or designee, serves as a legal adviser. In conjunction with the Council Chairperson, the Integrity Committee develops policies and procedures, which are submitted to the congressional committees of jurisdiction. Under the IG Empowerment Act of 2016, CIGIE is now responsible for committee records management and administrative support.

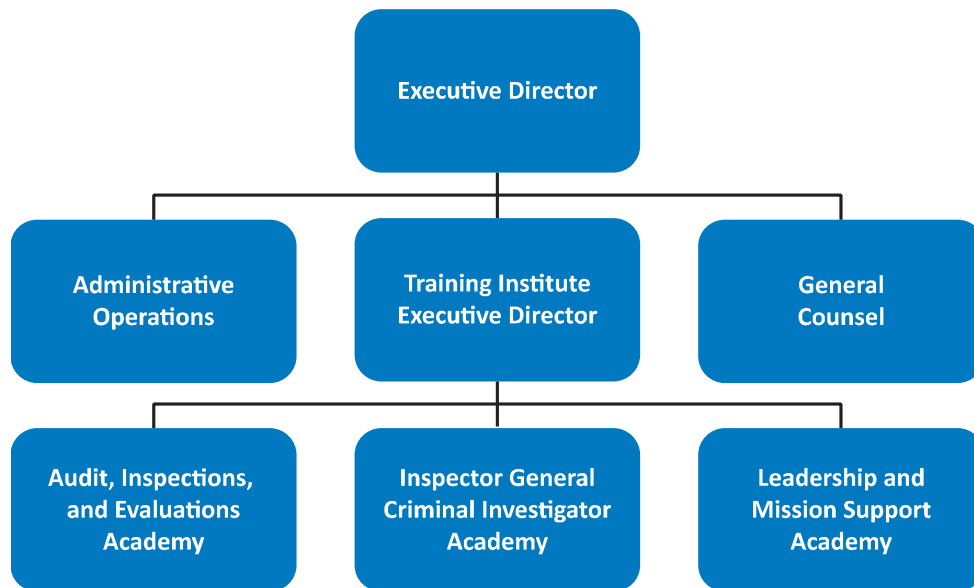
In addition to these eight standing committees, there are several councils, panels, roundtables, and work groups that are discipline-specific within the IG community or function under the auspices of CIGIE or the standing committees. A few examples of these and their purposes are:

- Federal Audit Executive Council (FAEC) – A council under CIGIE established to discuss and coordinate issues affecting the Federal audit community with special emphasis on audit policy and operations of common interest to CIGIE members.
- Assistant Inspectors General for Investigations (AIGI) Committee – A council under CIGIE established to serve as a forum for internal discussion and a conduit for suggestions, issues and concerns that affect the OIG investigations community to the CIGIE Investigations Committee for appropriate action.
- IG Candidate Recommendations Panel – A panel under CIGIE which, as required by the IG Act, maintains and submits to appointing officials recommendations of individuals for vacant IG positions.
- Inspections and Evaluations Roundtable – A roundtable that provides support to the Inspection and Evaluation Committee on a myriad of issues pertinent to the inspection and evaluation function with the IG community.
- Suspension and Debarment Working Group – This working group under the Investigations Committee is focused on finding ways to protect taxpayer dollars through expanded and more effective use of suspension and debarment remedies.
- Ombuds Working Group – This working group under the Investigations Committee is focused on myriad of matters associated with the responsibilities of OIG ombudsman.

- Human Resources Roundtable – This roundtable under the Professional Development Committee is focused on myriad of issues pertinent to the OIG’s human resources community.
- Council of Counsels to the Inspectors General (CCIG) – Comprised of counsels to IGs, this council discusses issues of common interest generally of a legal nature within the IG community.

Staff

The Council is an independent federal entity and maintains its own permanent staff for which the Chairperson provides oversight. Council staff is responsible for supporting the activities of the Council, including, but not limited to, preparing minutes of all Council meetings, drafting Council reports such as the annual report, maintaining the Council’s website and archives, maintaining a Training Institute for the professional training of OIG personnel, and additional functions. Below represents the Council’s staff organizational structure.



Performance Goals, Objectives and Results

During the fiscal year, the Council approved its annual performance plan to guide its activities for the year. The performance plan is associated with CIGIE's five-year Strategic Plan and aligns with the goals, objectives, and performance measures associated with the Strategic Plan. CIGIE's performance plan sets out three major business goals and supporting objectives. These goals are: 1) deliver timely, relevant products that identify and address cross-government vulnerabilities, opportunities for improvements, and best practices; 2) promote and improve professional development for the IG community; and 3) improve CIGIE capacity to carry out its mission and vision. The following information reflects CIGIE's accomplishments during fiscal year (FY) 2017 under each of these goals.

Goal 1: Deliver timely, relevant products that identify and address cross-government vulnerabilities, opportunities for improvements, and best practices.

During FY 2017, the Council approved its annual performance plan associated with its 5-year Strategic Plan to track goals, objectives, and performance measures. In addition, during the year CIGIE completed, commissioned or continued the following cross-cutting studies and projects:

- Web Applications Security Cross-Cutting Project - A Federal Government Assessment of Publicly Facing Web Applications – The CIGIE IT Committee established a working group to assess how well Federal agencies and other designated federal entities are able to identify, assess, and resolve security vulnerabilities on their publicly accessible web applications through a Council of the Inspectors General on Integrity and Efficiency (CIGIE) cross-cutting project. Nine participating OIGs conducted an assessment of their agency's publicly accessible web applications using a standard testing approach developed by the CIGIE web application cross-cutting project group. The OIG testing consisted of identifying web applications, scanning those applications for security weaknesses, conducting an in-depth review of selected systems, and reviewing their agency's web application related security policies and procedures. An additional 22 OIGs responded to a survey for information about their agency's web application security practices, which helped broaden the scope and increase the data of this report. The report, "Web Applications Security Cross-Cutting Project – A Federal Government Assessment of Publicly Facing Web Applications," was issued September 19, 2017, suggesting that Federal agencies conduct a review of all web applications within their agency to ensure their web applications have been properly inventoried, authorized, and secured using web application best business practices such as OWASP and NIST guidance. Additionally, recommending that the Office of Management and Budget require agencies to include web applications in current security processes and policies or develop agency processes and policies to properly secure their web applications.

- Administrative Leave Act Guidance – The CIGIE Investigations Committee developed a working group to evaluate, prepare, and issue guidance as required by the Administrative Leave Act of 2016 (ALA), which charged the Council of the Inspectors General on Integrity and Efficiency (CIGIE) with issuing guidance for two sections of the Act: (1) Extensions of Investigative Leave for Office of Inspector General (OIG) Employees and (2) Consultations between OIGs and Agencies about placement of employees on investigative leave. The guidance, “Administrative Leave Act – CIGIE Guidance,” was issued September 19, 2017. The guidance provides CIGIE member OIGs with certain factors to consider when developing its policies, procedures, and practices relative to the ALA or executing the two provisions mentioned above. Part A of this guidance addresses extensions of investigative leave for OIG employees and Part B covers ALA consultations between OIGs and agencies.

- Continuous Monitoring under the Federal Information Security and Management Act (FISMA) – Under the CIGIE IT Committee, the Federal Audit Executive Council working with the Department of Homeland Security and the Office of Management and Budget developed and issued on April 17, 2017, the 2017 OIG FISMA metrics to be used by the OIGs in their FISMA reviews of agency programs. The metrics provide reporting requirements across key areas to be addressed in the independent assessment of agencies’ information security programs by IGs or independent external auditors. The metrics align with the NIST Framework for Improving Critical Infrastructure Cybersecurity. This alignment helps promote consistent and comparable metrics and criteria in the CIO and IG metrics processes while providing agencies with a meaningful independent assessment of the effectiveness of their information security program.

- Critical Issues Involving Multiple Offices of Inspector General - The Inspector General Empowerment Act of 2016 mandated that CIGIE conduct an analysis of critical issues that involve the jurisdiction of more than one individual federal agency. In response, CIGIE consulted within the IG community to determine six high-impact issues where coordination and collaboration would continue to be most beneficial: Strengthening cybersecurity; Safeguarding national security; Ensuring integrity and efficiency in contracting and subcontracting; Modernizing information technology (IT) infrastructure; Enhancing oversight of grants; and Preventing fraudulent benefit claims and improper payments. Although, CIGIE already conducts collaborative work on these issues, there are opportunities to increase these efforts that would yield a good return for federal oversight by allowing OIGs to use resources more effectively and share knowledge. In addition, such collaborative efforts could reduce fragmentation and duplication within the government and across the oversight community. CIGIE’s work on this project continues and seeks to issue its report the first quarter of fiscal year 2018.

- Disaster Assistance Oversight – CIGIE reactivated its Disaster Assistance Working Group on September 18, 2017. This working group, initially established after Hurricane Katrina, serves to coordinate and deconflict Inspectors General audit, inspection, and investigative activities. Membership is open to all Inspectors General. The working group will give a forum to provide joint coordination of Inspectors General activities involved with the response and recovery work associated with Hurricanes Harvey, Irma, and Maria, and will allow us to jointly develop strategies, coordinate efforts, and speak with a unified voice to our stakeholders.
- American Indian and Alaskan Natives Grants Funding Project - The CIGIE Inspections and Evaluations Committee established a working group to examine and assess internal controls in place to identify weaknesses and promote more appropriate use of Federal funding and coordination across Federal American Indian and Alaskan Natives grants funding and programs to promote efficiency and more effective outcomes. The working group continues their efforts on this project and plans to issue the CIGIE report in the first half of fiscal year 2018.

Goal 2: Promote and improve professional development for the IG community.

In FY 2017, CIGIE continued to provide quality training to the IG community and finalized its annual training plans for FY 2018. In order to ensure its training programs continue to be of the highest quality and relevance, CIGIE maintains a robust training evaluation process. Evaluations received during the year indicate a 95.5 percent positive score from participants. Additionally, in an effort to build upon its successes in this area, CIGIE began its strategic planning for determining the future roadmap for providing professional development opportunities, as well as quality instruction, aligned with OIGs' missions and that support emerging OIG community needs and Training Institute-wide professional development processes.

CIGIE continued to focus much of its training efforts on developing and providing leadership and management training programs to the OIG community. In total, 20 different program offerings were delivered to 471 participants from across the community to very favorable reviews. These programs were designed to both sharpen experienced managers' skills and equip new and future leaders with the vital tools they need to become effective public administrators. This included a new congressional course that was so well received that two additional iterations were scheduled to accommodate a combined total of 122 participants. Further, CIGIE held its 3rd Annual Leadership Forum focusing on OIG independence and transitioning to a new administration, with over 450 participants attending both in person and virtually, a 40% increase in attendance over the 2016 Forum.

In broadening professional development opportunities within the IG community, CIGIE launched its 2nd cohort of the interagency fellowship program for the OIG community in FY 2017. Fellows in the program participate in a 6-month rotational assignment with another OIG; these assignments are designed to enhance specific leadership skills aligning with the Office of Personnel Management's Senior Executive Service executive core qualifications. Further, the program provides fellows with engaging cohort activities designed to provide additional developmental opportunities and foster collaboration and cohesion among the cohort.

In FY 2017, based on demand from the audit community, CIGIE developed an intermediate auditor training program and delivered it to 90 participants from OIG staff from across the government. Relatedly, CIGIE delivered 6 iterations of its introductory auditor training program to 175 new auditors to ensure that they would conduct their work in accordance with *Government Auditing Standards*. To teach the basics of inspection and evaluation (I&E) work in accordance with *Quality Standards for Inspection and Evaluation*, CIGIE delivered four I&E fundamentals training programs to nearly 115 students. Furthermore, in support of the I&E community, CIGIE delivered a learning forum on the topic of interviewing skills and developed a new training program to support implementation of the I&E peer review effort. CIGIE developed the new planning, organizing, and writing training program and delivered the pilot to nearly 50 professionals from across the community. CIGIE also delivered several other training programs to IG members' staff, including critical thinking skills, IG authorities, peer review, and writing-related training programs. In addition, CIGIE delivered the inaugural community-wide data analytics learning forum to 300 participants, including those in OIG field offices. CIGIE awarded National Association of State Boards of Accountancy (NASBA) continuing professional education credits (CPE) for its audit, inspection, and evaluation managed training programs during the fiscal year.

CIGIE also provides training to OIG investigators and other professionals. In FY 2017, CIGIE delivered basic, refresher, and advanced investigator training programs along with more specialized instruction, such as the Public Corruption Investigations Training Program. In total, CIGIE delivered over 30 training courses in over 16 locations across the country that were attended by over 750 students, representing nearly every Federal OIG, in addition to agents from State and local entities. CIGIE provided OIG wide professional development opportunities by assigning approximately 228 Adjunct Instructors and Facilitators to key roles in our training programs and trained over 30 new Adjunct Instructors through our Adjunct Instructor Training Program.

Drawing from historical lessons learned as well as current challenges facing today's leaders, the Training Institute provided a total of 93 training programs that were attended by over 3,083 OIG professionals in FY 2017.

In the future, CIGIE plans to make professional development opportunities more widely available and synchronized with the professional needs of its member organizations by creating a variety of programs, including web-based developmental opportunities. CIGIE's goal is to

create responsive, high-quality, cost-effective, state-of-the-art, specialized training and professional development opportunities that can satisfy the IG community's needs today and in the future.

Goal 3: Improve CIGIE capacity to carry out its mission and vision.

In FY 2016, CIGIE developed a working group charged with developing a website to consolidate in one place all public reports from Federal Inspectors General (IGs) in order to improve the public's access to independent and authoritative information about the Federal Government. Led by the U.S. Postal Service Office of Inspector General and the U.S. Department of Justice Office of Inspector General, the working group developed an intuitive website, Oversight.gov, that aggregates public reports from Federal OIGs that are members of CIGIE. Oversight.gov provides a "one stop shop" to follow the ongoing oversight work of all IGs that publicly post reports. Oversight.gov was launched beta launched July 28, 2017, and subsequently launched as a live website on October 1, 2017. With the launch of Oversight.gov, users can now sort, search, and filter the site's database of public reports across agencies to find oversight areas of interest.

In FY 2017, CIGIE continued its work towards reviewing and ensuring its quality standards and quality assessment peer review guides were updated for the IG community. CIGIE's Audit, Inspection and Evaluation, and Investigations committees continued to ensure that the quality standards for those professions were current and that changes are made when necessary during the year.

CIGIE also continued its efforts towards reviewing and updating, when necessary, its quality assessment peer review guides. Such as the "Qualitative Assessment Review Guidelines for Investigative Operations of the Federal Offices of Inspector General," which was updated July 18, 2017.

CIGIE established various working groups of specialists and practitioners within the OIG community to exchange information on effective practices in the areas of their specialty. Examples of these working groups include three IG Empowerment Act working groups, a suspension and debarment working group, data analytics options working group, inspections and evaluations roundtable, and a disaster assistance working group. These working groups shared information across the OIG community that contributed to advancing effective operations, to include the issuance of the "Guide on the Inspector General Empowerment Act's Exemption to the Paperwork Reduction Act - Conducting Surveys as Part of Audit, Investigation, Inspection, Evaluation, and Other Review Work," and the "Guide to the Inspector General Empowerment Act's Computer Matching Exemption."

CIGIE implemented additional information security policies and procedures in FY 2017 further strengthening CIGIE's cybersecurity posture. These included CIGIE's Cybersecurity Framework Implementation Plan, CIGIE's Cybersecurity Incident Response Plan, and CIGIE's Cybersecurity Risk Management Plan. Additionally, CIGIE has made efforts to further mitigate potential cybersecurity risks through upgrading and deploying additional security hardware and

software; and by implementing best practices for cybersecurity management and protection controls.

In early FY 2017, CIGIE established a working group charged with developing CIGIE's second five-year strategic plan. The working group made up of several CIGIE member OIG offices deliberated on CIGIE's future endeavors and presented a recommended framework of strategic goals and objectives for CIGIE's future. This framework was subsequently approved by the CIGIE membership and issued in September 2017.

Additionally, CIGIE continues to efficiently administer its financial resources as reflected through its FY 2017 Financial Statement audit, in which an unmodified opinion was received.

In addition to these accomplishments, CIGIE met all of its statutory responsibilities, including:

- Coordinating OIG activities government-wide, including producing cross-cutting studies that mitigate common vulnerabilities and increase economy, efficiency, and effectiveness;
- Increasing the professionalism and effectiveness of OIG personnel by developing policies, standards, and approaches to aid in establishing a well-trained and highly-skilled OIG workforce;
- Maintaining public and business websites for the benefit of the public, stakeholders, and the OIG community;
- Preparing and transmitting the *Annual Progress Report to the President*;
- Responding to inquiries from the public and stakeholders about CIGIE and OIG activities, including complaints and allegations against IGs;
- Administering peer review programs that assess OIG compliance with professional standards; and
- Recommending individuals to the appointing authority when IG vacancies occur.

Analysis of CIGIE's Financial Statements and Stewardship Information

CIGIE prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance. The financial statements and notes are presented on a comparative basis in the required format in accordance with OMB Circular No. A-136, revised, *Financial Reporting Requirements*.

CIGIE obtained its funding in FY 2016 from the carry-over balance of non-expended/non-obligated funds from FY 2015 in its no-year revolving fund. In FY 2016, CIGIE operated under its established internal control and financial management systems to ensure accountability of these funds while continuing to build operations to support CIGIE and its mission. These funds are being used to continue: 1) creating the infrastructure necessary to fully support the activities of CIGIE; 2) providing educational and professional development programs to increase the

professionalism and effectiveness of the IG community workforce; and 3) operating and managing CIGIE's website.

The following table summarizes the significant changes in CIGIE's financial position during FY 2016:

Financial Condition	FY 2017 Balance	FY 2016 Balance	Increase/ (Decrease)	Percentage Difference
Total Assets	\$14,480,166	\$14,834,577	(\$354,411)	-2.39%
Total Liabilities	\$1,261,571	\$1,632,279	(\$370,708)	-22.71%
Net Position	\$13,218,594	\$13,202,298	\$16,296	0.12%
Net Cost of Operations	\$96,312	\$70,270	\$26,042	37.06%
Budgetary Resources	\$21,006,558	\$19,781,376	\$1,225,182	6.19%

As of the close of FY 2017, CIGIE had obligated \$2,961,070 to continue building the necessary infrastructure to fully support these activities. Additionally, CIGIE had obligated \$5,497,775 to assist in providing the IG community with training in the areas of leadership, audit, inspections and evaluations, and investigations.

At the end of FY 2017, the gross obligations for CIGIE were \$8,690,005. Additionally, \$1,774,283 in unpaid obligations from FY 2016 were brought forward to FY 2017, of which \$253,099 were recovered. With these total obligations, CIGIE's gross outlays for FY 2017 amounted to \$8,151,641. The table below summarizes CIGIE's budgetary resource outlays and obligations and identifies our initial projections for FY 2017.

**Summary of Budgetary Resources
For the Year Ending September 30, 2017**

Funding:	
FY 2016 Carry Over Balance	\$12,652,860
Recoveries of Prior Year Obligations	\$253,099
Contributions Received	<u>\$8,100,599</u>
Total Budgetary Resources	<u>\$21,006,558</u>
Status of Budgetary Resources:	
Obligations Incurred	
Reimbursable	\$8,690,005
Unobligated Balances	
Apportioned	\$3,897,995
Unobligated Balances – not available	<u>\$8,436,558</u>
Total Status of Budgetary Resources	<u>\$21,006,558</u>

Each year, CIGIE prepares a projected budget for funding needed to meet its planned activities. Based on the projected budget member offices are requested to contribute a pro rata rate of their annual funding level towards CIGIE operations that results in the funding necessary to meet CIGIE’s projected budget, except in years such as FY 2017, where the CIGIE members determine the carry-over balance of non-expended/non-obligated funds available in its no-year revolving fund is to be used to fund the year.

CIGIE began its first year of operations in FY 2009. The services and functions of the Council, during FY 2009, were provided by individual OIGs’ volunteers while funding mechanisms were developed and subsequently implemented for CIGIE. As CIGIE began its financial activities in FY 2010, it also started working towards building operations set out to meet the CIGIE mission and membership’s expectations. Since its inception, CIGIE has placed much thought and deliberation into determining what CIGIE operations are necessary to reach both its mission and membership expectations.

CIGIE has taken, and continues to take, a prudent approach towards its continued operations. This is reflected in both the growth of its activities over the past few years and the expenses associated with that growth. Below reflects CIGIE’s growth via gross costs:

- From FY 2010 to FY 2011 – 252.8%
- From FY 2011 to FY 2012 – 61.6%
- From FY 2012 to FY 2013 – 9.3%
- From FY 2013 to FY 2014 – 0.5%
- From FY 2014 to FY 2015 – 8.8%
- From FY 2015 to FY 2016 – 7.2%
- From FY 2016 to FY 2017 – 20.7%

Analysis of CIGIE's Systems, Controls, and Legal Compliance

This AFR provides timely information for CIGIE's stakeholders and the public to better understand CIGIE's program and operations. As always, CIGIE is committed to continuing its efforts in bettering its internal controls and maintaining an unqualified audit opinion in future years.

CIGIE 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). FMFIA is implemented by OMB Circular A-123, revised, *Management's Responsibility for Internal Control*. The objectives of FMFIA are to ensure that CIGIE's controls and systems provide reasonable assurance that:

- obligations and costs are in compliance with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

Section 2 of the FMFIA requires federal agencies to report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. Section 4 of the FMFIA requires that agencies annually provide assurance on programmatic internal controls and financial management systems, and effectiveness of internal control over financial reporting.

Further, the Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (known as the Green Book), provides the overall framework for establishing and maintaining an effective internal control system. The Green Book, along with OMB's Circular A-123, provide guidance on assessing five components that contain a total of 17 principles, that are summarized in the below table:

Component	Principles
Control Environment	<ol style="list-style-type: none"> 1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibility 3. Establishes structure, authority, and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability
Risk Assessment	<ol style="list-style-type: none"> 6. Specifies suitable objectives 7. Identifies and analyzes risk 8. Assesses fraud risk 9. Identifies and analyzes significant change
Control Activities	<ol style="list-style-type: none"> 10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys through policies and procedures
Information & Communication	<ol style="list-style-type: none"> 13. Uses relevant information 14. Communicates internally 15. Communicates externally
Monitoring	<ol style="list-style-type: none"> 16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies

CIGIE operated during Fiscal Year 2017 with 26 employees, inclusive of permanent and detailed employees. CIGIE performs internal control reviews on financial, management, and information systems, and conducts fact finding activities to support decisions impacting revisions to the Council's accounting and financial reporting systems. For example, CIGIE initially developed its financial policies and procedures in FY 2010 to ensure internal controls were established to meet the objectives of OMB Circular A-123. Annually, we review our internal controls to see if there is any need for improvement. Additionally, we seek feedback from those intimately involved in the day-to-day financial operations of CIGIE to determine if any matters have arisen that reflect a potential weakness in these controls, and during FY 2017, our financial statement auditors did not identify any material weaknesses in our internal controls.


Further, CIGIE relies upon its Federal shared financial service provider as an additional control that lessens the risk of weaknesses in CIGIE's controls. CIGIE uses the financial services of the U.S. Department of Agriculture's Office of Chief Financial Officer (USDA/OCFO). The operating effectiveness of the USDA/OCFO's financials, general information technology, accounting operations and payroll controls was examined under Statements on Standards for Attestation Engagements No. 18 (SSAE 18), Quality Control Review of Controls over the Service Provider, issued by the American Institute of Certified Public Accountants (AICPA). An unqualified opinion was issued by USDA/OCFO's independent public accounting firm for the period July 1, 2016 through June 30, 2017, and in which no material weaknesses or significant deficiencies were noted. Accordingly, USDA/OCFO was able to provide CIGIE with assurance that the description of controls in the FY 2016 report presents fairly the operating effectiveness of USDA/OCFO controls that were in place as of September 30, 2017, as they relate to key controls relied upon by CIGIE. Based on the results of the evaluation of USDA/OCFO financial systems and controls documented in its SSAE 18 report, CIGIE can provide reasonable assurance that the internal controls over USDA/OCFO's financial reporting were operating effectively and CIGIE's financial management systems complied substantially with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

Finally, the Accountability of Tax Dollars Act (ATDA) of 2002 requires the preparation of financial statements by the federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular No. A-136, *Financial Reporting Requirements*, enables agencies to consolidate their audited financial statements and other financial and performance reports into one report, the AFR. This report meets the requirements of the Act. In accordance with the ATDA, CIGIE's financial information was audited in FY 2017 by the Certified Public Accounting firm of Allmond and Company, LLC, which reviewed the FY 2017 financial records and internal controls of the Council and submitted an unmodified audit opinion. The audit found no material weaknesses surrounding the Council's internal controls related to financial reporting. The results of the audit are considered by the Council in its assessment of whether or not the objectives of FMFIA are being met.



Analysis of Entity's Systems, Controls and Legal Compliance

CIGIE's management is responsible for managing risks and establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the FMFIA and meet FFMIA. CIGIE conducted an assessment risk and of the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of this evaluation, CIGIE can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations, reporting, and compliance with applicable laws and regulations as of September 30, 2017, was operating effectively.



Executive Director

November 9, 2017

Date

Federal Information Security Management Act

The Federal Information Security Management Act of 2002 (FISMA) requires each federal agency to establish and maintain an information security program for all non-national security information and information systems. The Council's information security program includes a process for planning, implementing, evaluating, and documenting remedial action to address any deficiencies in its information security policies, procedures, and practices.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of CIGIE, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of CIGIE in accordance with U.S. generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 and 2016



**REVOLVING FUND
FINANCIAL STATEMENTS**

As Of And For The Years Ended September 30, 2017 and 2016

The Council of the Inspectors General on Integrity and Efficiency

BALANCE SHEET

As Of September 30, 2017 and 2016

		2017	2016
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 12,837,845.60	\$ 12,434,716.34
Accounts Receivable	(Note 3)	1,455,049.52	1,891,574.30
Other:			
Advances and Prepayments	(Note 4)	168,998.65	399,683.04
Total Intragovernmental		14,461,893.77	14,725,973.68
Assets With The Public:			
Accounts Receivable, net	(Note 3)	16,378.34	75,793.30
General Property, Plant and Equipment, Net	(Note 5)	1,893.53	32,809.84
Total Assets		\$ 14,480,165.64	\$ 14,834,576.82
Liabilities:			
Intragovernmental:			
Accounts Payable	(Note 6)	\$ 942,390.56	\$ 1,283,624.14
Other:			
Employer Contributions and Payroll Taxes Payable	(Note 7)	15,040.09	12,918.98
Liability for Advances and Prepayments		75.00	
Total Intragovernmental		957,505.65	1,296,543.12
Liabilities With the Public:			
Accounts Payable		61,934.84	111,057.76
Other:			
Accrued Funded Payroll and Leave	(Note 7)	49,044.80	42,116.80
Employer Contributions and Payroll Taxes Payable		2,147.28	1,766.58
Unfunded Leave		190,938.73	180,794.99
Total Liabilities		\$ 1,261,571.30	\$ 1,632,279.25
Net Position:			
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		\$ 13,218,594.34	\$ 13,202,297.57
Total Net Position - All Other Funds (Consolidated Totals)		13,218,594.34	13,202,297.57
Total Net Position		\$ 13,218,594.34	\$ 13,202,297.57
Total Liabilities and Net Position		\$ 14,480,165.64	\$ 14,834,576.82

The accompanying notes are an integral part of these statements.

The Council of the Inspectors General on Integrity and Efficiency
STATEMENT OF NET COST

As Of And For The Years Ended September 30, 2017 and 2016

		2017	2016
Program Costs:	(Note 9)		
CIGIE:			
Gross Costs		\$ 8,097,710.02	\$ 6,701,986.72
Less: Earned Revenue		8,001,398.20	6,631,716.38
Net Program Costs		96,311.82	70,270.34
Net Cost of Operations		\$ 96,311.82	\$ 70,270.34

The accompanying notes are an integral part of these statements.

The Council of the Inspectors General on Integrity and Efficiency
STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2017 and 2016

FY 2017 (CY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results from Operations:				
Beginning Balances		\$ 13,202,297.57		\$ 13,202,297.57
Budgetary Financing Sources:				
Transfers-in/out without reimbursement		57,356.82		57,356.82
Other Financing Sources (Non-Exchange):				
Imputed financing		55,251.77		55,251.77
Total Financing Sources		112,608.59		112,608.59
Net Cost of Operations		96,311.82		96,311.82
Net Change		16,296.77		16,296.77
Cumulative Results of Operations		13,218,594.34		13,218,594.34
Budgetary Financing Sources:				
Net Position		\$ 13,218,594.34		\$ 13,218,594.34

The accompanying notes are an integral part of these statements.

The Council of the Inspectors General on Integrity and Efficiency

STATEMENT OF CHANGES IN NET POSITION As Of And For The Years Ended September 30, 2017 and 2016

FY 2016 (PY)

	<u>Funds From Dedicated Collections (Consolidated Totals)</u>	<u>All Other Funds (Consolidated Totals)</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Cumulative Results from Operations:				
Beginning Balances		\$ 11,794,849.65		\$ 11,794,849.65
Corrections of errors		(93,463.74)		(93,463.74)
Beginning balance, as adjusted		<u>11,701,385.91</u>		<u>11,701,385.91</u>
Budgetary Financing Sources:				
Nonexchange revenue		66,435.00		66,435.00
Transfers-in/out without reimbursement		1,440,907.61		1,440,907.61
Other Financing Sources (Non-Exchange):				
Imputed financing		63,839.39		63,839.39
Total Financing Sources		1,571,182.00		1,571,182.00
Net Cost of Operations		<u>70,270.34</u>		<u>70,270.34</u>
Net Change		<u>1,500,911.66</u>		<u>1,500,911.66</u>
Cumulative Results of Operations		13,202,297.57		13,202,297.57
Budgetary Financing Sources:				
Net Position		<u><u>\$ 13,202,297.57</u></u>		<u><u>\$ 13,202,297.57</u></u>

The accompanying notes are an integral part of these statements.

The Council of the Inspectors General on Integrity and Efficiency
STATEMENT OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2017 and 2016

	2017	2016
	Budgetary	Budgetary
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 12,652,860.31	\$ 11,170,732.97
Unobligated balance brought forward, October 1, adjusted	12,652,860.31	11,170,732.97
Recoveries of prior year unpaid obligations	253,099.24	440,686.57
Unobligated balance from prior year budget authority, net	12,905,959.55	11,611,419.54
Spending authority from offsetting collections (discretionary and mandatory)	8,100,598.86	8,169,956.32
Total budgetary resources	\$ 21,006,558.41	\$ 19,781,375.86
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	(Note 10) \$ 8,690,004.76	\$ 7,128,515.55
Unobligated balance, end of year:		
Apportioned, unexpired account	3,879,995.24	4,844,849.74
Unapportioned, unexpired accounts	8,436,558.41	7,808,010.57
Unexpired unobligated balance, end of year	12,316,553.65	12,652,860.31
Unobligated balance, end of year (total)	12,316,553.65	12,652,860.31
Total budgetary resources	\$ 21,006,558.41	\$ 19,781,375.86
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$ 1,774,283.04	\$ 1,798,801.31
New obligations and upward adjustments	8,690,004.76	7,128,515.55
Outlays (gross) (-)	(8,151,640.50)	(6,712,347.25)
Recoveries of prior year unpaid obligations (-)	(253,099.24)	(440,686.57)
Unpaid obligations, end of year	2,059,548.06	1,774,283.04
Uncollected payments:		
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(1,992,427.01)	(202,908.48)
Change in uncollected pymts, Fed sources	454,170.90	(1,789,518.53)
Uncollected pymts, Fed sources, end of year (-)	(1,538,256.11)	(1,992,427.01)
Obligated balance, start of year (+ or -)	(218,143.97)	1,595,892.83
Obligated balance, end of year (+ or -)	\$ 521,291.95	\$ (218,143.97)
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 8,100,598.86	\$ 8,169,956.32
Actual offsetting collections (discretionary and mandatory) (-)	(8,554,769.76)	(6,380,437.79)
Change in uncollected pymts from Federal Sources (discretionary and mandatory) (+ or -)	454,170.90	(1,789,518.53)
Outlays, gross (discretionary and mandatory)	8,151,640.50	6,712,347.25
Actual offsetting collections (discretionary and mandatory) (-)	(8,554,769.76)	(6,380,437.79)
Outlays, net (total) (discretionary and mandatory)	(403,129.26)	331,909.46
Agency outlays, net (discretionary and mandatory)	\$ (403,129.26)	\$ 331,909.46

The accompanying notes are an integral part of these statements.

COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

REVOLVING FUND

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Council of Inspectors General on Integrity and Efficiency (CIGIE) was statutorily established as an independent entity within the executive branch by the "The Inspector General Reform Act of 2008," P.L. 110-409 to 1) address integrity, economy, and effectiveness issues that transcend individual Government agencies, and 2) increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General.

Basis of Presentation

These financial statements have been prepared from the accounting records of the CIGIE in accordance with U.S. Generally Accepted Accounting Principles (GAAP), and the form and content for entity financial statements specified by the office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants (AICPA).

OMB Circular A-136, revised, requires agencies to prepare financial statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The Balance Sheet presents, as of September 30, amounts of future economic benefits owned or managed by CIGIE (assets), amounts owed by CIGIE (liabilities), and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within CIGIE and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

Basis of Accounting

Transactions are recorded on the accrual basis of accounting in accordance U.S. GAAP and reported in accordance with OMB Circular A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenues and Other Financing Sources

Majority of CIGIE's funding is derived from multiple expenditure transfers in from assessment made against other Federal agencies. However, CIGIE also has exchange revenue, which is generated when CIGIE provides goods or services to another Government entity or the Public for a price. In an exchange transaction, each party to the transaction sacrifices value and receives value in return. An example of exchange revenue is the funds received by CIGIE to provide training. Another term for "exchange revenue" is "earned revenue."

As for other financing sources, certain operating costs of CIGIE are paid out of funds appropriated to other Federal agencies. Specifically, CIGIE records imputed expenses and financing sources for employee retirement plan contributions, group term life insurance, and health benefit costs, which are paid by the Office of Personnel Management (OPM).

Personnel Compensation and Benefits

Salaries and wage of employees are recognized as payroll expenses and related liabilities as earned. These expenses are recognized as a funded liability when accrued.

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when employees use the leave. The amount accrued is based upon current pay rates for employees. Sick leave and other types of leave that are not vested are expensed when used and no future liability is recognized for these amounts.

CIGIE's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. CIGIE and its employees both contribute to these systems. Public Law 112-96, Section 5001, the "Middle Class Tax Relief and Job Creation Act of 2012" divided FERS participants into two categories, FERS employees and FERS-Revised Annuity Employees (FERS-RAE). Employees hired on or after January 1, 2013, with some exceptions, are required to contribute 2.3% more to FERS than FERS employees hired prior to January 1, 2013. Although CIGIE funds a portion of the benefits under CSRS and FERS and makes the necessary payroll withholdings, it does not report assets associated with these benefit plans in accordance with SFFAS 5.

For CSRS employees, CIGIE contributes an amount equal to 7% of the employees' basic pay to the plan. For FERS employees, CIGIE contributes an amount equal to 13.7% of the employees' basic pay to the plan. For FERS-RAE and FRAE employees, CIGIE contributes an amount equal to 11.9% of the employees' basic pay to the plan.

Both CSRS employees and FERS employees are eligible to participate in the Thrift Savings Plan (TSP). The TSP is a defined contribution retirement plan intended to supplement the benefits provided under CSRS and FERS. For FERS employees, CIGIE contributes an amount equal to 1% of the employee's basic pay to the TSP and matches employee contributions up to an additional 4%. The first 3% of pay that the employee contributes will be matched dollar-for-dollar; the next 2% will be matched at 50 cents on the dollar. Contributions above 5% of the employees pay will not be matched. CSRS employees receive no matching contribution from CIGIE.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including CIGIE's employees. CIGIE has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by CIGIE and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM.

Employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and CIGIE paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers the FEGLI program and is responsible for the reporting of related liabilities. Each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of basic life coverage. Because CIGIE's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, CIGIE has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

NOTE 2 – FUND BALANCE WITH TREASURY

CIGIE's Fund Balance with Treasury is derived from transfers in from other Federal entities during the fiscal year. CIGIE is a revolving no year fund and no trust or other fund types are used to fund CIGIE's activities. Accordingly, as a no-year fund, the fund balance at the end of the previous year is carried forward and made available for the next fiscal year.

A. Fund Balance with Treasury	<u>2017</u>	<u>2016</u>
Revolving Fund	\$ 12,837,845.60	\$ 12,434,716.34
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	3,879,995.24	4,844,849.74
b) Unavailable	8,436,558.41	7,808,010.57
c) Unavailable - Accounts Receivable	(1,455,049.52)	(1,891,574.30)
d) Unavailable - Unfilled Customer Order Without Advance	(83,206.59)	(100,852.71)
2) Obligated Balance not yet Disbursed	<u>2,059,548.06</u>	<u>1,774,283.04</u>
Total	<u>\$ 12,837,845.60</u>	<u>\$ 12,434,716.34</u>

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the amounts owed to CIGIE as the result of collecting tuition for government employees representing Federal Inspectors General, non-Federal Inspectors General and other state/local government employees and collecting CIGIE-member assessments for the funding of CIGIE operations from Federal Inspectors General and non-Federal Inspectors General. Amounts due from Federal Inspectors General are considered fully collectible. An allowance for uncollectible accounts receivable from non-Federal Inspectors General and other state/local government employees is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay. It was determined that the establishment of an Allowance for Uncollectible Accounts was not necessary as of September 30, 2017 and September 30, 2016.

	<u>2017</u>	<u>2016</u>
Accounts Receivable - Non-Federal	\$ 16,378.34	\$ 75,793.30
Accounts Receivable - Federal	<u>1,455,049.52</u>	<u>1,891,574.30</u>
	\$ 1,471,427.86	\$ 1,967,367.60

NOTE 4 – OTHER ASSETS

As of September 30, 2017, the CIGIE has obligations that involve the advancement of funds for services to be provided in the future with the Department of the Interior and the Department of Transportation.

	<u>2017</u>	<u>2016</u>
Intragovernmental - Other Assets	<u>\$ 168,998.65</u>	<u>\$ 399,683.04</u>
Total Assets - Other	<u><u>\$ 168,998.65</u></u>	<u><u>\$ 399,683.04</u></u>

NOTE 5 – GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30, 2017, CIGIE shows leasehold improvements with a total cost of \$214,153.64 and a net book value of \$1,893.53. The accumulated depreciation to date shows a balance of \$212,260.11.

The depreciation calculation method used is Straight Line with a useful life matching the remaining time on the lease contract or seven-years, whichever is less. A \$5,000 threshold is used to determine whether leasehold improvements are capitalized.

<u>2017</u>	<u>Leasehold</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 214,153.64	\$ -	\$ 214,153.64
Accum. Depr.	(212,260.11)	-	(212,260.11)
Net Book Value	<u>\$ 1,893.53</u>	<u>\$ -</u>	<u>\$ 1,893.53</u>

<u>2016</u>	<u>Leasehold</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 214,153.64	\$ -	\$ 214,153.64
Accum. Depr.	(181,343.80)	-	(181,343.80)
Net Book Value	<u>\$ 32,809.84</u>	<u>\$ -</u>	<u>\$ 32,809.84</u>

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the CIGIE are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2017, the CIGIE had liabilities covered by budgetary resources of \$1,070,632.57 and liabilities not covered by budgetary resources of \$190,938.73. As of September 30, 2016, the CIGIE had liabilities covered by budgetary resources of \$1,451,484.26 and liabilities not covered by budgetary resources of \$180,794.99.

	<u>2017</u>	<u>2016</u>
Intragovernmental		
Accounts Payable	\$ 942,390.56	\$ 1,283,624.14
Employer Contributions and Payroll Taxes Payable	15,040.09	12,918.98
Liability for Advances and Prepayments	75.00	
Total Intragovernmental	<u>957,505.65</u>	<u>1,296,543.12</u>
With the Public		
Accounts Payable	61,934.84	111,057.76
Accrued Funded Payroll and Leave	49,044.80	42,116.80
Employer Contributions and Payroll Taxes Payable	2,147.28	1,766.58
Unfunded Leave	190,938.73	180,794.99
Total With the Public	<u>304,065.65</u>	<u>335,736.13</u>
Total Liabilities	<u>\$ 1,261,571.30</u>	<u>\$ 1,632,279.25</u>
Total liabilities not covered by budgetary resources	\$ 190,938.73	\$ 180,794.99
Total liabilities covered by budgetary resources	<u>1,070,632.57</u>	<u>1,451,484.26</u>
Total Liabilities	<u>\$ 1,261,571.30</u>	<u>\$ 1,632,279.25</u>

NOTE 7 – OTHER LIABILITIES

Other liabilities with the public for the year ended September 30, 2017 and 2016 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable, and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable and Liability for Advances and Prepayments.

	FY 2017		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 15,040.09	\$ 15,040.09
Liability for Advances and Prepayments		75.00	75.00
Total Intragovernmental	-	15,115.09	15,115.09
Liabilities with the Public			
Accrued Funded Payroll & Leave		49,044.80	49,044.80
Employer Contributions and Payroll Taxes Payable	-	2,147.28	2,147.28
Unfunded Leave	190,938.73		190,938.73
Total Liabilities with the Public	190,938.73	51,192.08	242,130.81
Total Other Liabilities	\$ 190,938.73	\$ 66,307.17	\$ 257,245.90

	FY 2016		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 12,918.98	\$ 12,918.98
Total Intragovernmental	-	12,918.98	12,918.98
Liabilities with the Public			
Accrued Funded Payroll & Leave		42,116.80	42,116.80
Employer Contributions and Payroll Taxes Payable		1,766.58	1,766.58
Unfunded Leave	180,794.99		180,794.99
Total Liabilities with the Public	180,794.99	43,883.38	224,678.37
Total Other Liabilities	\$ 180,794.99	\$ 56,802.36	\$ 237,597.35

NOTE 8 – OPERATING LEASE

CIGIE’s lease for its office commenced on November 28, 2010 and extends through December 31, 2020. The lease was amended on April 1, 2017 increasing CIGIE’s office space from 3,889 rental square feet (RSF) to 5,094 RSF. The future minimum lease payments required under this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 227,800.81
2019	230,330.39
2020	232,920.87
Total	\$ 691,052.07

Rent expense for the years ended September 30, 2017 and 2016 was \$196,567.14 and \$169,248.99 respectively.

NOTE 9 – COSTS AND EXCHANGE REVENUE

Intragovernmental costs are goods/services purchased from a federal entity. All other costs are associated with non-federal sources.

	Total 2017	Total 2016
Intragovernmental - Costs	\$ 5,063,844.30	\$ 3,829,786.67
Public - Costs	3,033,865.72	2,872,200.05
Total Costs	<u>8,097,710.02</u>	<u>6,701,986.72</u>
Intragovernmental earned revenue	(7,936,461.08)	(6,590,251.58)
Public earned revenue	(64,937.12)	(41,464.80)
Total earned revenue	<u>(8,001,398.20)</u>	<u>(6,631,716.38)</u>
Total Net Costs	<u>\$ 96,311.82</u>	<u>\$ 70,270.34</u>

NOTE 10 – APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS REIMBURSABLE OBLIGATIONS

All obligations for CIGIE in fiscal year 2017 and fiscal year 2016 are category B on the SF 132, *Apportionment and Reapportionment Schedule*. Apportioned amounts appear on different groups of lines in the application of budgetary resources of an apportionment. Amounts are identified as Category B in an apportionment by a specific program, project, or activity. The amount of reimbursable new obligations and upward adjustments incurred against amounts apportioned under category B are as follows:

	<u>2017</u>	<u>2016</u>
Reimbursable		
Category B - Administrative (Council Operations)	\$ 3,003,202.98	\$ 2,172,638.38
Category B - Audit/Inspections and Evaluations Training	1,114,488.71	1,046,310.75
Category B - Investigative Training	2,854,321.88	2,576,165.36
Category B - Leadership/Mission Support Training	816,049.18	855,285.12
Category B - Training HQ and Administrative	901,942.01	478,115.94
Total	<u>\$ 8,690,004.76</u>	<u>\$ 7,128,515.55</u>

NOTE 11 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of CIGIE’s budgetary resources obligated for undelivered orders was \$1,157,989.14 and \$722,481.82 as of September 30, 2017 and 2016, respectively.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
2017	\$ 988,990.49	168,998.65	\$ 1,157,989.14
2016	\$ 322,798.78	399,683.04	\$ 722,481.82

NOTE 12 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources, obligations, distributed offsetting receipts, and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the Budget of the United States Government (Budget). The Budget that will include FY 2017 actual budgetary execution information is scheduled for publication in February 2018, which will be available through OMB’s website at <https://www.whitehouse.gov/omb/budget>. The below reconciliation is based on the FY 2016 SBR to the 2018 President’s Budget.

FY 2016	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 19,781,375.86	\$ 7,128,515.55	\$ -	\$ (331,909.46)
Budget of the U.S. Government	19,000,000.00	7,000,000.00	-	(1,000,000.00)
Difference*	\$ 781,375.86	\$ 128,515.55	\$ -	\$ 668,090.54

* Differences are due to the rounding to the nearest millionth in MAX for the President's Budget.

NOTE 13 – RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Budgetary resources obligated are obligations for personnel, goods, services, etc. made by the CIGIE in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the CIGIE in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefit costs incurred for the CIGIE employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered but not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e., good and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets are budgetary resources used to finance assets and not cost of operations (e.g., increases

in accounts receivable or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between budgetary resources obligated and net cost of operations (i.e., providing and explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2017	FY 2016
Budgetary Resources Obligated	\$8,690,004.76	\$7,128,515.55
Spending Authority from Recoveries and Offsetting Collections	(8,353,698.10)	(8,610,642.89)
Imputed Financing from Costs Absorbed by Others	55,251.77	63,839.39
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(453,078.44)	132,803.85
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations - Other	0.00	66,435.00
Resources that Finance the Acquisition of Assets	59,414.96	(64,555.38)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	57,356.82	1,347,443.87
Financing Sources Yet to be Provided	10,143.74	(24,569.97)
Components Not Requiring or Generating Resources	30,916.31	31,000.92
Net Cost of Operations	\$96,311.82	\$70,270.34

NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 2, 2017, which is the date the financial statements were available to be issued.

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY
AUDIT REPORT
SEPTEMBER 30, 2016**



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

**ALLMOND & COMPANY, LLC
Certified Public Accountants
8181 Professional Place, Suite 250
Landover, Maryland 20785
(301) 918-8200**

Council of the Inspectors General on Integrity and Efficiency (CIGIE)
Fiscal Year 2017 Financial Statement Audit

Final Independent Auditors' Report

Submitted for review and acceptance to:

Brett Wilson
Contracting Officer's Representative (COR)
Council of the Inspectors General on Integrity and Efficiency
1717 H Street, NW
Washington, DC 20006

Submitted by:

Jason L. Allmond CPA, CGFM, CISA, CISM
Member
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Landover, MD 20785
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Final Independent Auditors' Report

Prepared under contract to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to provide financial auditing services

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY
AUDIT REPORT
SEPTEMBER 30, 2017**



**ALLMOND & COMPANY, LLC
Certified Public Accountants
8181 Professional Place, Suite 250
Landover, Maryland 20785
(301) 918-8200**



Independent Auditors' Report

Council Chairman, Audit Committee and Executive Director
Council of the Inspectors General on Integrity and Efficiency:

Report on the Financial Statements

We have audited the accompanying financial statements of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which comprise the balance sheet as of September 30, 2017 and 2016 the related statement of net cost, statement of changes in net position, and combined statement of budgetary resources for the year ended, and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal year 2017 and 2016 financial statements of CIGIE based on our audit. 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 OMB Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council of the Inspectors General on Integrity and Efficiency as of September 30, 2017 and 2016, and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Other Information

The information in the *Chairperson's Message, Management and Discussion Analysis* section and *Other Information* section of this report is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However we did not audit this information and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered CIGIE's internal control over financial reporting by obtaining an understanding of CIGIE's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of control to determine auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide an opinion on the effectiveness of CIGIE's internal control over financial reporting. Accordingly, we do not express an opinion on CIGIE's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 17-03. We did not test all internal control relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control over financial reporting was for the limited purpose as described in the paragraph above and was not designed to identify all deficiencies in internal control over financial reporting that might be a control deficiency, significant deficiency, or material weakness.

A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects CIGIE's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CIGIE's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

In our fiscal year 2017 audit, we did not identify any deficiencies in internal control over financial

reporting that we considered to be a material weakness or significant deficiency, as defined above.

However, we noted additional matters that we will report to CIGIE management in a separate letter. Exhibit I presents the status of prior year findings and recommendations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CIGIE's fiscal year 2017 financial statements are free of material misstatements, we performed tests of CIGIE's compliance with certain provisions of laws and regulations, with which noncompliance could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws specified in OMB Bulletin No. 17-03. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph, disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 17-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CIGIE's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal controls and compliance with laws and regulations which could have a material effect on CIGIE's financial statements. Accordingly, this communication is not suitable for any other purpose.

Allmond & Company, LLC

November 8, 2017
Landover, MD

Other Information

Summary of the Financial Statement Audit and Management's Assurances

Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	4	0	4	0	0

Summary of Management Assurances:

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	4	0	4	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management Systems Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Improper Payments Information Act Reporting Details

The *Improper Payments Information Act (IPIA) of 2002*, as amended by the *Improper Payments Elimination and Recovery Act (IPERA) of 2010*, and further amended by the *Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012*, requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant erroneous payments. In FY 2016, CIGIE performed a systematic review of its program and related activities to identify processes which may be susceptible to significant erroneous payments. Significant erroneous payments are defined as annual erroneous payments

in the program exceeding both \$10 million and 2.5 percent or \$100 million of total annual program payments.

CIGIE considered risk factors as outlined in OMB Memorandum M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, which may significantly increase the risk of improper payments and determined that none are applicable to CIGIE's operations. Based on the systematic review performed, CIGIE concluded that none of its program activities are susceptible to significant improper payments at or above the threshold levels set by OMB. Accordingly, CIGIE has determined that the risk of improper payments is low. Although CIGIE concluded its programs are not susceptible to improper payments as defined under IPERIA, payments are reviewed as part of its internal control assessment discussed above. The agency reviews its controls and systems under the FMFIA to ensure that the agency remains compliant.