

UNITED STATES OFFICE OF
GOVERNMENT ETHICS



Preventing Conflicts of Interest
in the Executive Branch

Annual Financial Report
Fiscal Year 2014



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

November 17, 2014

The Honorable Shaun Donovan
Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Re: Annual Financial Report

Dear Director Donovan:

I am pleased to transmit to you the Annual Financial Report (AFR) for the U.S. Office of Government Ethics (OGE) for fiscal year 2014. The AFR includes OGE's Management Discussion and Analysis of Results and OGE's Management Assurances and Audited Financial Statements.

OGE management is responsible for establishing and maintaining effective internal controls over financial reporting, safeguarding of assets, and complying with applicable laws and regulations. In accordance with OMB guidance, I have determined to the best of my knowledge and belief that the performance and financial data included in this report are complete and reliable. OGE has received an unqualified opinion on its financial statements as of September 30, 2014, and the auditors found no material weaknesses related to OGE's compliance in internal controls over financial reporting.

If you need additional information with regard to this submission please contact Shelley Finlayson, OGE's Chief of Staff and Program Counsel, at 202-482-9314.

Sincerely,

A handwritten signature in blue ink, reading "Walter M. Shaub, Jr.", written in a cursive style.

Walter M. Shaub, Jr.
Director

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Part I – Management Discussion and Analysis

The U.S. Office of Government Ethics (OGE) has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) in lieu of a Performance and Accountability Report. OGE will provide more detailed information regarding its performance goals and results in its fiscal year 2014 Annual Performance Report (APR), which OGE will publish with its fiscal year 2014 Congressional Budget Justification and will post on its website at <http://www.oge.gov/About/Management-Reports-and-Policies/Performance-and-Strategic-Docs/Performance---Strategic-Documents/> by February 2015

This section provides a brief description of OGE’s mission and organizational structure, a high-level discussion of OGE’s key performance goals, and an analysis of OGE’s financial statements and stewardship.

Mission Statement and Background

The U.S. Office of Government Ethics, established by the Ethics in Government Act of 1978, provides overall leadership and oversight of the executive branch ethics program designed to prevent and resolve conflicts of interest. OGE’s mission is part of the very foundation of public service. The first principle in the Fourteen Principles of Public Service is, “[p]ublic service is a public trust, requiring employees to place loyalty to the Constitution, the laws and ethical principles above private gain.” Public servants are expected to make impartial decisions based on the interests of the public when performing their job duties. The executive branch ethics program ensures that employees fulfill this great trust. OGE works with a community of ethics practitioners in more than 130 agencies to implement that program.

To carry out its leadership and oversight responsibilities, OGE promulgates and maintains enforceable standards of ethical conduct for approximately 2.7 million civilian employees in over 130 executive branch agencies and the White House; oversees a financial disclosure system that reaches more than 27,000 public and more than 370,000 confidential financial disclosure report filers; ensures that executive branch ethics programs are in compliance with applicable ethics laws and regulations; provides education and training to the more than 5,500 ethics officials executive branch-wide; conducts outreach to the general public, the private sector, and civil society; and provides technical assistance to state, local, and foreign governments and international organizations.

OGE’s greatest resource is its multidisciplinary staff of attorneys, ethics and finance experts, and support personnel. OGE is a lean organization, operating with fewer than its 80

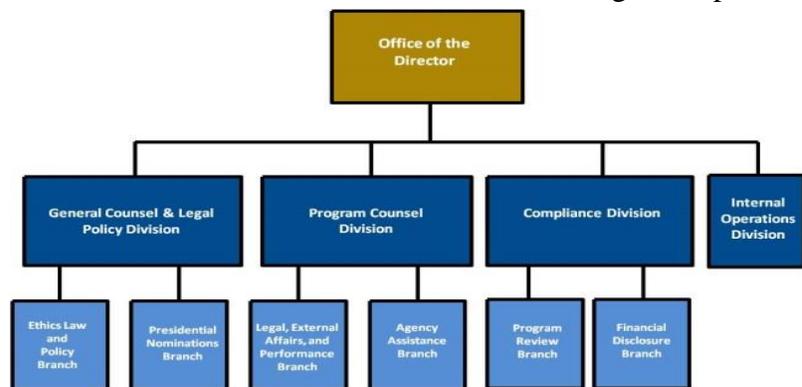


Figure 1: Organizational Chart

authorized full-time equivalents. OGE is led by a Director who is appointed to a 5-year term by

the President and confirmed by the Senate. As shown in the organizational chart in Figure 1, in addition to the Office of the Director, OGE is divided into 4 divisions that work in concert to carry out OGE’s mission.

Performance Highlights

When government decisions are made free from conflicts of interest, the public can have greater confidence in the integrity of executive branch programs and operations. The 3 strategic goals of OGE’s strategic plan for fiscal years 2014 through 2018 – uniformity, continuity, and transparency – reflect the long-term outcomes that OGE strives to achieve in order to prevent and resolve conflicts of interest. See Figure 2.

The daily work of OGE is driven by the strategic objectives and performance goals established under each of the overall strategic goals set forth below.

In fiscal year 2014, OGE met or exceeded 19 out of 20 performance goals¹. Below are performance highlights from each of OGE’s major programs that support OGE’s strategic goals.



Figure 2: OGE’s Fiscal Year 2014 – 2018 Strategic Plan

Strategic Goal 1: Advance a strong uniform executive branch ethics program.

To achieve its strategic goal of advancing a strong uniform executive branch ethics program, OGE interprets and advises on ethics laws, policies, and program management issues; holds executive branch agencies accountable for carrying out effective ethics programs; contributes to the professional development of ethics officials; and modernizes and implements the ethics rules and regulations.

OGE is the supervising ethics office for a decentralized ethics community comprised of thousands of ethics officials in over 130 agencies across the executive branch. OGE’s Desk Officer program serves as a vital communications link to this ethics community. OGE’s Desk Officers provide agencies with assistance in resolving difficult ethics issues requiring expertise

¹ OGE’s performance goals are based on statistical data from a variety of existing sources, including post-training evaluations, an annual ethics program questionnaire, surveys following program reviews, and the Annual Survey of Ethics Officials. OGE did not reach its target goal for the percentage of ethics officials who believe OGE timely addresses new ethics issues. This may be a result of OGE broadening its focus to the question of whether ethics officials believe OGE is timely communicating on all issues, not just new or emerging issues. OGE found that 94 percent of respondents to the Annual Survey of Ethics Officials believe OGE timely communicates ethics-related information.

that only the supervising ethics office can offer. In fiscal year 2014, OGE Desk Officers responded to over 1,843 requests for assistance. OGE surveyed ethics officials who had requested assistance from OGE's Desk Officers during the fiscal year. Approximately, 93 percent of survey respondents indicated that Desk Officers helped them to perform their job duties.

OGE also issues advisories to disseminate critical information to the executive branch ethics community and to promote uniform, consistent interpretation of ethics laws, regulations, and policies. In fiscal year 2014, OGE issued 8 advisories covering a variety of ethics related topics, including participation in initial public offerings by certain federal employees, waivers of financial conflicts of interest, procedures for financial disclosure, and OGE's annual survey of criminal conflict of interest prosecutions. An OGE survey of the ethics community, found that 87 percent of respondents felt that advisories help them perform their job duties.

In addition to providing day-to-day assistance through the Desk Officer program and issuing advisories, OGE holds executive branch agencies accountable for carrying out an effective ethics program by conducting agency ethics program reviews and reviewing the financial disclosure reports of senior executive branch officials.

Through ethics program reviews — plenary reviews and inspections — OGE evaluates agency ethics programs. Where necessary, OGE provides recommendations for program improvement and suggests remedial actions to correct deficiencies. In fiscal year 2014, OGE issued 58 recommendations through program reviews, both plenary reviews and inspections. OGE exceeded its target for the percent of agencies subject to program review that implemented recommendations for improvements and acknowledged the identification of broader systemic weaknesses.

OGE also reviews the annual, termination, and transactions reports of executive branch leaders appointed by the President and confirmed by the Senate (PAS), as well as other reports filed by Designated Agency Ethics Officials (DAEOs) and certain White House officials. The timely review of these reports helps ensure that these senior officials remain free from conflicts of interest. In fiscal year 2014, OGE reviewed over 900 public financial disclosure reports. Additionally, OGE reviewed over 700 periodic transaction reports. Notably, for the second year in a row, OGE continued to complete its reviews more efficiently than in previous years. OGE exceeded its target of completing reviews of public financial disclosure reports, including new entrant, annual, termination, and transaction reports required to be submitted to OGE, within 60 days of receipt. OGE has created new procedures and has devoted significant resources toward this performance goal since 2012. In fiscal year 2012, OGE completed 54 percent of its reviews within the 60 days of receipt compared to 90 percent in fiscal year 2013 and 97 percent in fiscal year 2014.

Lastly, ethics training is essential to ensuring uniformity in the application of ethics laws and policy. Training gives federal ethics officials the tools to manage their agencies' ethics programs skillfully. In fiscal year 2013, OGE increased registrations for its educational offerings by 238 percent over the previous year. In fiscal year 2014, OGE increased registrations beyond even the 2013, result by an additional 27 percent. When the offerings at the 2014 National

Government Ethics Summit are also included, the percentage increase over fiscal year 2013 becomes a 37 percent increase. OGE held the first National Government Ethics Summit for hundreds of ethics practitioners and created a Google+ page that allowed OGE to broadcast distance learning events free of charge.

The Summit consisted of 7 days of live instruction and over 120 training sessions throughout the month of September. OGE designed the Summit to strengthen the executive branch ethics program by providing attendees with opportunities to deepen their knowledge of the ethics rules, share lessons learned through extensive practical experience, listen to viewpoints from outside government, and build connections with ethics officials who can assist in resolving even the most complex ethics issues. A total of 520 participants attended in person on the 3 primary dates of the Summit that featured topics of broad interest. More than 360 additional participants registered for invitational days that focused on specialized topics. OGE also broadcast many of the sessions and a number of virtual-only events by live streaming video on the internet and posted recordings of these events on its YouTube and Google+ pages. Web analytics indicate that this material has received 4,377 unique views to date.

OGE training is noteworthy not only for its quantity but also for its quality. As a result of attending courses offered by OGE, ethics officials overwhelmingly reported that they better understand the subject matter presented and believe they can more effectively perform their jobs.

Strategic Goal 2: Contribute to the continuity of senior leadership in the executive branch.

OGE contributes to the continuity of senior leadership in the executive branch by assisting in the President's constitutional duty to nominate and appoint officers to the executive branch, supporting succession planning in executive branch ethics programs, and promoting leadership support of the executive branch ethics program overall.

OGE works closely with ethics officials at the nominees' prospective agencies to ensure compliance with all financial disclosure and conflict of interest requirements. These early interactions stress the importance of a conflict-free government and ensure that nominees are aware of the conflict of interest laws and ethics regulations. In fiscal year 2014, OGE reviewed the reports of nominees for approximately 25 percent of the 1,100 to 1,200 Senate-confirmed, Presidentially appointed positions. OGE measures its performance on the successful and timely resolution of conflicts and technical reporting issues for nominee financial disclosure reports. OGE's standard is to resolve conflict of interest and technical reporting issues no later than 5 days after a nomination is made. OGE continues to exceed its targets in this area.

Also in fiscal year 2014, OGE worked to develop *Integrity*, OGE's system for electronically filing and reviewing public financial disclosures (OGE Forms 278 and 278-T) submitted by certain high-level executive branch officials. *Integrity* will enhance the filing, review, and program management aspects of the executive branch public financial disclosure program. It will also meaningfully increase OGE's oversight capability by allowing OGE to monitor agencies' progress in administering their individual financial disclosure programs.

Strategic Goal 3: Promote transparency of the executive branch ethics program.

Transparency increases accountability and builds public confidence in the impartiality of government decision making. To promote transparency, OGE directs resources toward raising the visibility of the systems in place to identify and resolve conflicts of interest and making ethics documents publicly available. In fiscal year 2014, OGE worked to increase the number of external stakeholders that are aware of OGE and the executive branch ethics program.

OGE's website is its primary tool for communicating with its external stakeholders. In fiscal year 2013, OGE began the process of reviewing and updating content on its website to ensure that the public can understand the work of OGE. In fiscal year 2014, OGE implemented a new strategy for communicating with the public through Director's Notes posted on the homepage of OGE's website, www.oge.gov. The Director's Notes provide a public-friendly explanation of OGE's role in the executive branch ethics program, ethics rules and regulations, OGE's programs and initiatives, and current ethics issues. In fiscal year 2014, 421,739 people visited OGE's website

In fiscal year 2014, OGE also used social media to broaden its reach to key external stakeholders. Specifically, OGE uses its Twitter account to drive traffic to substantive ethics content on its website and to provide information about the executive branch ethics program to the public. OGE's followers on Twitter increased 180 percent to 421 followers in fiscal year 2014. OGE also expanded its use of social media by creating new Google+ and YouTube pages. OGE used these accounts to live stream Summit sessions.

In addition, OGE responded to 632 requests for information and assistance from its non-executive branch external stakeholders on topics such as public financial disclosure, gifts from outside sources, and post-employment. This assistance promotes understanding of the executive branch ethics program and related ethics rules and regulations. Of special note, in fiscal year 2014, OGE responded to over 200 requests for assistance from the press. These interactions result in more accurate reporting about the ethics rules and the executive branch ethics program in general and multiply OGE's ability to reach the general public to further promote a better understanding its role in ensuring government integrity. OGE and the executive branch ethics program were mentioned in 42 media articles during fiscal year 2014.

The above performance highlights demonstrate that OGE has been successful in achieving its strategic goals and accomplishing its mission. As noted at the beginning of the Management Analysis and Discussion section on page 1, OGE will provide more detailed information regarding its performance goals and results in its fiscal year 2014 Annual Performance Report (APR).

Analysis of Financial Statements and Stewardship

In fiscal year 2014, OGE maintained an unmodified opinion on its financial statements and no material internal control weaknesses were found. OGE is committed to effectively and efficiently managing funds appropriated by Congress to incur obligations for goods and services necessary to execute OGE mission goals. There were no significant changes to OGE's financial

position as it remained stable with efforts to increase efficiency and effectiveness in several areas.

For example, in September 2014, OGE successfully completed an exciting new venture to deliver the highest quality training in an entirely different way. As mentioned in the performance highlights above, the National Government Ethics Summit consisted of 7 days of live instruction with over 120 training sessions. By holding these events exclusively at federal facilities in Washington, D.C., OGE saved costs associated with renting a venue and traveling to a remote location. Whereas registration fees for conferences typically range from \$500 to upwards of \$1,000, the registration fee for the Summit was exactly \$23. Also, by leveraging technology by live-streaming video of select Summit sessions, OGE increased taxpayer savings by opening many of the presentations free of charge to ethics officials outside the Washington, D.C. area.

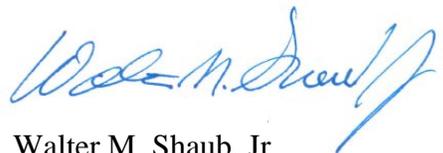
As mentioned in the performance highlights, in fiscal year 2014 OGE substantially completed development of *Integrity*, an electronic financial disclosure system available executive branch wide at no cost to participating agencies. Currently many agencies use systems that charge a per user cost. The development of such a large and complex system was an immense undertaking for an agency with OGE's limited human resources and technological expertise. Throughout the development process in fiscal year 2014, OGE devoted significant resources to developing *Integrity*, conducting rigorous verification and validation testing of the system, and evaluating the system to ensure compliance with government security, privacy, and various technical requirements. It is anticipated that *Integrity* will greatly enhance the executive branch public financial disclosure program and also meaningfully increase OGE's oversight capability. With the new system, OGE will be able to more efficiently and effectively achieve its mission.

Part II - Management Assurances

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

OGE's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). OGE conducted its assessment in compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. After a thorough review of the results, and to the best of my knowledge and belief, OGE can provide reasonable assurance that its internal controls over the effectiveness and efficiency of operations were in compliance with applicable laws and regulations as of September 30, 2014, and with no material weaknesses found in the design or operations of the internal controls.

OGE relies on the U.S. Department of Treasury, Bureau of Fiscal Service (BFS), a shared service provider, for its accounting and financial systems and reporting requirements. OGE has no in-house financial systems. OGE uses Oracle Financials, hosted by BFS. OGE considers this financial system to be reliable and effective. OGE obtains the Statement on Standards for Attestation Engagements No. 16 reports from BFS, and reviews it to assist in assessing internal controls over OGE's financial reporting. After a thorough review of the results, OGE has not discovered any significant issues or deviations in its financial reporting during fiscal year 2014, and therefore concludes that OGE's internal controls over financial reporting are sufficiently strong.



Walter M. Shaub, Jr.
Director
U.S. Office of Government Ethics

Part III – Financial Statements and Independent Auditor’s Report

Limitations of the Financial Statements

OGE’s principal financial statements have been prepared to report its financial position and results of operations, pursuant to the requirements of 31 U.S.C. § 3515 (b). While the statements have been prepared from the books and records of OGE, in accordance with generally accepted accounting principles 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. These statements should be read with the realization that they are for a component of the United States government, a sovereign entity.



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Office of Government Ethics (USOGE) as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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.

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management's Responsibility for Internal Control and Compliance

USOGE's management is responsible for (1) evaluating effectiveness of internal control based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control, (3) ensuring USOGE's financial management systems are in substantial compliance with FFMA requirements, and (4) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

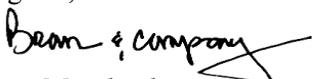
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to USOGE. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 14-02 that we deemed applicable to USOGE's financial statements for the fiscal year ended September 30, 2014. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report 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 USOGE's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USOGE's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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



Largo, Maryland
November 13, 2014

Fiscal Year 2014 Financial Statements

**UNITED STATES OFFICE OF GOVERNMENT ETHICS
BALANCE SHEET
AS OF SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	2013
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 4,761,098	\$ 4,996,548
Accounts Receivable (Note 3)	16,611	108,244
Total Intragovernmental	4,777,709	5,104,792
Accounts Receivable, Net (Note 3)	298	141
Property, Equipment, and Software, Net (Note 4)	5,035,483	719,411
Total Assets	\$ 9,813,490	\$ 5,824,344
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 174,317	\$ 194,162
Other (Note 7)	123,012	116,894
Total Intragovernmental	297,329	311,056
Accounts Payable	130,777	27,662
Federal Employee and Veterans' Benefits (Note 6)	399,713	412,377
Other (Note 7)	910,200	902,642
Total Liabilities (Note 5)	\$ 1,738,019	\$ 1,653,737
Net Position:		
Unexpended Appropriations - Other Funds	\$ 4,225,451	\$ 4,656,283
Cumulative Results of Operations - Other Funds	3,850,020	(485,676)
Total Net Position	\$ 8,075,471	\$ 4,170,607
Total Liabilities and Net Position	\$ 9,813,490	\$ 5,824,344

**UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	2013
Program Costs: (Note 9)		
Salaries and Expenses		
Gross Costs	\$ 11,957,308	\$ 14,905,188
Less: Earned Revenue	(45,293)	(143,443)
Net Cost of Operations	\$ 11,912,015	\$ 14,761,745

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Cumulative Results of Operations:		
Beginning Balances	\$ (485,676)	\$ (631,961)
Budgetary Financing Sources:		
Appropriations Used	15,665,962	14,327,643
Imputed Financing Sources (Note 10)	581,749	580,387
Total Financing Sources	16,247,711	14,908,030
Net Cost of Operations	(11,912,015)	(14,761,745)
Net Change	4,335,696	146,285
Cumulative Results of Operations	\$ 3,850,020	\$ (485,676)
Unexpended Appropriations:		
Beginning Balances	\$ 4,656,283	\$ 1,293,834
Budgetary Financing Sources:		
Appropriations Received	15,325,000	18,664,000
Other Adjustments	(89,870)	(973,908)
Appropriations Used	(15,665,962)	(14,327,643)
Total Budgetary Financing Sources	(430,832)	3,362,449
Total Unexpended Appropriations	\$ 4,225,451	\$ 4,656,283
Net Position	\$ 8,075,471	\$ 4,170,607

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Budgetary Resources:		
	\$	\$
Unobligated Balance Brought Forward, October 1	423,884	452,333
Recoveries of Prior Year Unpaid Obligations	387,803	109,354
Other changes in unobligated balance	(89,871)	(3,380)
Unobligated balance from prior year budget authority, net	721,816	558,307
Appropriations	15,325,000	17,693,472
Spending authority from offsetting collections	21,832	172,857
Total Budgetary Resources	\$ 16,068,648	\$ 18,424,636

Status of Budgetary Resources:		
	\$	\$
Obligations Incurred (Note 12)	15,305,566	18,000,752
Unobligated balance, end of year:		
Apportioned (Note 2)	187,360	81,357
Unapportioned (Note 2)	575,722	342,527
Total unobligated balance, end of year	763,082	423,884
Total Budgetary Resources	\$ 16,068,648	\$ 18,424,636

Change in Obligated Balance

Unpaid Obligations:

	\$	\$
Unpaid Obligations, Brought Forward, October 1	4,722,353	2,110,447
Obligations Incurred (Note 12)	15,305,566	18,000,752
Outlays (gross)	(15,603,045)	(15,279,492)
Recoveries of Prior Year Unpaid Obligations	(387,803)	(109,354)
Unpaid Obligations, End of Year (Gross)	4,037,071	4,722,353
Uncollected payments:		
Uncollected Customer Payments, Federal Sources, Brought Forward, October 1	(149,689)	(101,697)
Change in Uncollected Payments, Federal Sources	110,634	(47,992)

Uncollected Customer Payments, Federal Sources, End of Year	(39,055)	(149,689)
	\$	\$
Obligated Balance, End of Year	3,998,016	4,572,664
Budget Authority and Outlays, Net:		
	\$	\$
Budget authority, gross	15,346,832	17,866,329
Actual offsetting collections	(132,465)	(124,865)
Change in Uncollected Payments, Federal Sources	110,633	(47,992)
	\$	\$
Budget Authority, net, (total)	15,325,000	17,693,472
	\$	\$
Outlays, gross	15,603,045	15,279,492
Actual offsetting collections	(132,465)	(124,865)
	\$	\$
Agency outlays, net	15,470,580	15,154,627

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Office of Government Ethics (OGE), established by the Ethics in government Act of 1978, is the agency within the Executive Branch that provides overall direction of Executive Branch policies designed to prevent and resolve conflicts of interest and to promote high ethical standards for Executive Branch employees. Specifically, the OGE is responsible for promulgating and maintaining enforceable standards of ethical conduct for nearly 4 million civilian employees and uniformed service members in over 130 Executive Branch agencies and the White House; overseeing a financial disclosure systems that reaches 25,000 public and nearly 300,000 confidential filers; providing direct education and training products to 5,600 ethics officials; conducting outreach to the general public, the private sector and civil society; and sharing good practices with and providing technical assistance to state, local and foreign governments and international organizations.

The OGE's greatest resource is its multi-disciplinary staff of attorney, ethics and finance experts, and support staff. OGE leverages its human resources by organizing cross-functional teams to perform such diverse tasks as reviewing the financial disclosure reports of Senate-confirmed, Presidential appointees for financial conflicts of interest, training Executive Branch ethics officials, and enhancing oversight of Executive Branch ethics programs. By necessity, OGE's multi-disciplinary staff must be flexible in order to identify and respond to emerging needs within the ethics community and the Government as a whole.

The OGE's General Funds are accounts used to record financial transactions arising under congressional appropriations or other

authorizations to spend general revenues. General Fund Miscellaneous Receipts are

accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

The OGE has rights and ownership of all assets reported in these financial statements. The OGE does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the OGE. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the OGE in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the 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 financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. 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.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the OGE's funds with Treasury in expenditure, receipt, and revolving fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The OGE does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the OGE by other Federal agencies and the general 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, 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.

F. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are

capitalized, while maintenance and repair costs are expensed as incurred. The OGE's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. 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
Software	5

G. 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.

H. Liabilities

Liabilities represent the amount of funds likely to be paid by the OGE as a result of transactions or events that have already occurred.

The OGE reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are

covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, deferred rent and actuarial Federal Employees' Compensation Act (FECA) liability.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY 2012 and 100% in 2014.

J. Accrued and Actuarial Workers' Compensation

FECA is administered by the U.S. Department of Labor (DOL) addresses all claims brought by the OGE employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the OGE terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. 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.

K. Retirement Plans

The OGE employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the OGE matches any employee contribution up to an additional four percent of pay. For FERS participants, the 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, the OGE remits the employer's share of the required contribution.

The 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 communicate these factors to the OGE for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The OGE recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The 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, as the administrator.

L. Other Post-Employment Benefits

The OGE employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGSIP) may continue to participate in these programs after their retirement. The OPM has provided the OGE with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The OGE recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the OGE through the recognition of an imputed financing source.

M. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally

accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

N. 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. The OGE recognized imputed costs and financing sources in fiscal years 2014 and 2013 to the extent directed by accounting standards.

O. Reclassification

Certain fiscal year 2013 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2014 and 2013 were as follows:

	2014	2013
Fund Balances:		
Appropriated Funds	\$ 4,761,098	\$ 4,996,548
Total	\$ 4,761,098	\$ 4,996,548

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 187,360	\$ 81,357
Unavailable	575,722	342,527
Obligated Balance Not Yet Disbursed	3,998,016	4,572,664
Total	\$ 4,761,098	\$ 4,996,548

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The 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.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 13).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2014 and 2013, were as follows:

	2014	2013
Intragovernmental		
Accounts Receivable	\$ 16,611	\$ 108,244
Total Intragovernmental Accounts Receivable	\$ 16,611	\$ 108,244
With the Public		
Accounts Receivable	\$ 298	\$ 141
Total Accounts Receivable	\$ 16,909	\$ 108,385

The accounts receivable is made up of receivables related to reimbursable activities, and employee receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2014 and 2013.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September, 30, 2014

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 57,406	\$ 6,379	\$ 51,027
Furniture & Equipment	184,388	-	184,388
Software	719,411	95,921	623,490
Software-in-Development	4,176,578	-	4,176,578
Total	\$ 5,137,783	\$ 102,300	\$ 5,035,483

Schedule of Property, Equipment, and Software as of September 30, 2013

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Software-in-Development	\$ 719,411	\$ -	\$ 719,411
Total	\$ 719,411	\$ -	\$ 719,411

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for OGE as of September 30, 2014 and 2013, include liabilities not covered by budgetary resources. 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.

	2014	2013
Intragovernmental – FECA	\$ 76,089	\$ 76,818
Unfunded Leave	691,549	717,166
Federal Employee and Veterans' Benefits	399,713	412,377
Total Liabilities Not Covered by Budgetary Resources	\$ 1,167,351	\$ 1,206,361
Total Liabilities Covered by Budgetary Resources	570,668	447,376
Total Liabilities	\$ 1,738,019	\$ 1,653,737

FECA liabilities represent the unfunded liability for actual workers compensation claims paid on the OGE's behalf and payable to the DOL. The OGE also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. ACTUARIAL FECA LIABILITY

FECA provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under FECA for the OGE's employees are administered by the DOL and ultimately paid by the OGE when funding becomes available.

The OGE bases its estimate for FECA actuarial liability on the DOL's FECA model. The DOL method of determining the liability uses historical benefits payment patterns for a specific incurred period to predict the ultimate payments for the period. Based on the information provided by the DOL, The OGE's liability as of September 30, 2014 and 2013, was \$399,713 and \$412,377 respectively.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 9,160	\$ 66,929	\$ 76,089
Payroll Taxes Payable	46,923	-	46,923
Total Intragovernmental Other Liabilities	\$ 56,083	\$ 66,929	\$ 123,012
With the Public			
Payroll Taxes Payable	\$ 18,435	\$ -	\$ 18,435
Accrued Funded Payroll and Leave	200,216	-	200,216
Unfunded Leave	691,549	-	691,549
Total Public Other Liabilities	\$ 910,200	\$ -	\$ 910,200

Other liabilities account balances as of September 30, 2013 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 34,538	\$ 42,280	\$ 76,818
Payroll Taxes Payable	40,076	-	40,076
Total Intragovernmental Other Liabilities	\$ 74,614	\$ 42,280	\$ 116,894
With the Public			
Payroll Taxes Payable	\$ 6,852	\$ -	\$ 6,852
Accrued Funded Payroll and Leave	178,623	-	178,623
Unfunded Leave	717,167	-	717,167
Total Public Other Liabilities	\$ 902,642	\$ -	\$ 902,642

NOTE 8. LEASES

Operating Leases

The 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, 2014 and ends February 1, 2024:

Fiscal Year	Office Space
2015	\$ 966,576
2016	1,299,310
2017	1,314,174
2018	1,329,484
2019	1,345,253
Thereafter	5,997,315
Total Future Payments	\$ 12,252,112

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

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between the OGE and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2014	2013
Program Costs		
Intragovernmental Costs	\$ 6,420,063	\$ 5,515,944
Public Costs	5,537,244	9,389,244
Total Program Costs	\$ 11,957,308	\$ 14,905,188
Intragovernmental Earned Revenue	(45,293)	(107,027)
Public Earned Revenue	-	(36,416)
Net Program Costs	\$ 11,912,015	\$ 14,761,745

NOTE 10. IMPUTED FINANCING SOURCES

OGE recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the year ended September 30, 2014 and 2013, imputed financing was \$581,749 and \$580,387 respectively.

NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President’s Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2015 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/budget>. The 2015 Budget of the United States Government, with the "Actual" column completed for 2013, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2014 and 2013 consisted of the following:

	2014	2013
Direct Obligations, Category A	\$ 15,257,743	\$ 13,075,764
Direct Obligations, Category B	-	4,740,000
Reimbursable Obligations, Category A	47,823	184,987
Total Obligations Incurred	\$ 15,305,566	\$ 18,000,752

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the years ended September 30, 2014 and 2013, budgetary resources obligated for undelivered orders amounted to \$3,466,726 and \$4,278,067 respectively.

NOTE 14. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The OGE has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2014	2013
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 15,305,566	\$ 18,000,752
Spending Authority From Offsetting Collections and Recoveries	(409,635)	(282,211)
Net Obligations	14,895,931	17,718,541
Other Resources		
Imputed Financing From Costs Absorbed By Others	581,749	580,387
Net Other Resources Used to Finance Activities	581,749	580,387
Total Resources Used to Finance Activities	15,477,680	18,298,928
Resources Used to Finance Items Not Part of the Net Cost of Operations	(3,668,122)	(3,548,250)
Total Resources Used to Finance the Net Cost of Operations	11,809,558	14,750,678
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	102,457	11,067
Net Cost of Operations	\$ 11,912,015	\$ 14,761,745