

**UNITED STATES
OFFICE OF GOVERNMENT ETHICS**



Fiscal Year 2009
Performance Accountability Report
Management Discussion and Analysis
Annual Program Performance Report
Audited Financial Statements

November 2009



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

November 17, 2009

The Honorable Peter Orszag
Director
Office of Management and Budget
Washington, DC 20503

Dear Mr. Orszag:

I am pleased to transmit to you the Performance Accountability Report (PAR) for the Office of Government Ethics (OGE) for FY 2009. The PAR includes a Summary of OGE's Key Accomplishment for FY 2009 and OGE's Management Discussion and Analysis of its Results. I am also transmitting OGE's Management Assurances and the Audited Financial Statements.

In FY 2009, OGE focused on executing its responsibilities related to the Presidential transition and continuing to provide strong ethics policy leadership for the Executive Branch. In particular, OGE reviewed the highest volume on record of public financial disclosure filings by nominees for Senate-confirmed, Presidential appointments while increasing significantly its other programmatic services to Executive Branch agencies and its leadership in the greater ethics community. As compared to FY 2008, OGE more than doubled monitoring and compliance productivity, tripled training efforts for the approximately 5,600 ethics officials throughout the Government, and provided daily expert technical assistance to ethics officials. OGE also assumed significant new responsibilities and additional duties under the Presidents' Executive Order 13490 of January 21, 2009. OGE also initiated a much needed technology upgrade to its aging computer systems and ramped up efforts to ensure employee security.

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

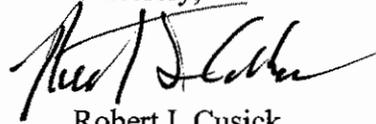
I am also pleased to report OGE has received an unqualified opinion on its financial statements, as of September 30, 2009. In addition, the auditors found no material weaknesses related to OGE's compliance and internal controls over financial reporting.

The Honorable Peter Orszag

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robert I. Cusick". The signature is fluid and cursive, with a prominent initial "R" and "C".

Robert I. Cusick

Director

UNITED STATES OFFICE OF GOVERNMENT ETHICS

About OGE

OGE, established by the Ethics in Government Act of 1978, is the agency within the Executive Branch which 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, OGE is responsible for promulgating and maintaining enforceable standards of ethical conduct for nearly 4 million civilian employees and military members in over 130 Executive Branch agencies and the White House; overseeing a financial disclosure system 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.

OGE's greatest resource is its multi-disciplinary staff of attorneys; ethics, finance, and training experts; and support staff. OGE leverages its human resources by organizing cross-functional teams to perform such diverse tasks as reviewing for financial conflicts of interest the financial disclosure filings of Senate-confirmed, Presidential appointees, 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.

Mission Statement

The United States Office of Government Ethics (OGE) exercises leadership in the Executive Branch to prevent conflicts of interest on the part of Government employees, and to resolve those conflicts of interest that do occur. In partnership with Executive Branch departments and agencies, OGE fosters high ethical standards for employees and strengthens the public's confidence that the Government's business is conducted with impartiality and integrity. OGE's mission directly supports the President's goal of responsibly governing the Nation.

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Section I – Purpose

A. Long Term Strategic Goals

OGE established a five-year strategic plan in 2007 with three goals. The daily work of OGE is driven by performance measures for the objectives within each of these goals.

- *Strengthening Ethical Culture Within the Executive Branch:*
 - Objective 1.1: Improve the Effectiveness of Ethics Policy
 - Objective 1.2: Enhance Assistance to and Oversight of Agency Ethics Programs
 - Objective 1.3: Increase Employees' Awareness of Their Ethics Responsibilities
 - Objective 1.4: Increase OGE's Focus on Senior Officials' Roles in Implementing Ethics Programs

- *Preventing Conflicts of Interest:*
 - Objective 2.1: Enhance Assistance to the President and the Senate in the Presidential Appointment Process
 - Objective 2.2: Monitor Continued Compliance with Conflict of Interest Laws
 - Objective 2.3: Administer an Effective Confidential Financial Disclosure System

- *Promoting Good Governance:*
 - Objective 3.1: Support and Cooperate with Federal, State, and Local Agencies Implementing Programs that Help Support Good Governance
 - Objective 3.2: Enhance Outreach to the Public and Private Sector and Civil Society
 - Objective 3.3: Support United States Foreign Policy Anti-Corruption and Good Governance Initiatives

B. Performance Measures

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

Section II – Fiscal Year 2009 Key Accomplishments

A. Summary Results

In working to meet its strategic goals and performance objectives in FY 2009, OGE focused on two key themes: Leadership and the Presidential Transition. Additionally, OGE began to make essential improvements to its administrative functions and began replacing an obsolete IT infrastructure.

In major Presidential transition years, such as FY 2009, OGE must be particularly flexible to address the unique, often unforeseeable, challenges posed by a transition period while simultaneously maintaining necessary services and functions for over 130 Executive Branch agencies. It is imperative for OGE's components to work in concert toward common goals. Following a right-sizing of OGE's budget for FY 2009, OGE prepared diligently for, and managed successfully, the highest volume on record of public financial disclosure filings by nominees for Senate-confirmed, Presidential appointments, while restoring its other programmatic leadership capabilities to normal levels. Specifically, OGE more than doubled monitoring and compliance productivity, tripled training efforts for the approximately 5,600 ethics officials throughout the Government, provided daily expert technical assistance to ethics officials from FY 2008 to FY 2009 and assumed unanticipated responsibility for additional duties under a new ethics-related Executive Order.

B. Leadership

Leading and shaping Executive Branch ethics policy and programs is OGE's primary mission. Highlights of OGE's ethics leadership efforts in FY 2009 include:

- Communicating regularly with the senior leadership of the departing Administration, representatives of the Presidential candidates, the Presidential Transition Team, and senior leadership of the new Administration.
- Providing expert assistance to Government organizations as they established new ethics programs and processes. Noteworthy examples include a new ethics program within the Office of the Special Inspector General for Afghanistan Reconstruction, new policies within the Department of the Treasury addressing the Troubled Asset Relief Program, a new standardized contract clause at the Department of State establishing standards for personal services contractors, the Panel on Contracting Integrity's recommendations to the Secretary of Defense regarding organizational conflicts of interest requirements for contractors involved in Major Weapons Systems Acquisitions, and the Secretary of the Interior's order entitled Enhancing and Promoting an Ethical Culture within the Department of the Interior.
- Partnering with other Government agencies in employee exchanges, which allowed ethics officials to receive intensive training at OGE and improved OGE's understanding of the practical needs of the ethics community.

- Assisting agencies that organize and host conferences to spot potential issues related to the Executive Branch ethics program.
- Encouraging agencies to adopt a strategic, proactive approach for their ethics programs in order to move beyond a passive, reactive approach of merely complying with statutory and regulatory requirements. This approach allows OGE to share model practices with the entire Government ethics community. For example, OGE held numerous workshops in which model practices were shared, systematically posted model practices on the OGE website, and personalized model practices for agencies under review.
- Updating ethics officials on legislative developments affecting the Federal ethics community and individual agencies.
- Leveraging training technologies that enable on-demand access to training, which dramatically increased training delivered at OGE's office and agency facilities.
- Representing the United States at anti-corruption and good governance meetings of international organizations of which the U.S. is a member, such as UNODC, the Council of Europe's GRECO, APEC, and the OECD.
- Using the OGE experience to assist with the development or enhancement of good governance programs throughout the world by meeting with, at the request of its foreign policy agencies, 41 delegations, totaling 332 people from 80 countries.
- Sharing good practices with state and local government agencies whose responsibilities include ethics and good governance programs, and with non-government organizations studying ethical culture in private and government sectors.

C. **Presidential Transition**

OGE's work during the ongoing Presidential transition underscores the importance of OGE's leadership across the Executive Branch. OGE's role in the Presidential transition enables OGE to impress upon the Government's most senior leaders the value of cultivating an ethical Government workforce. Highlights of OGE's facilitation of the Presidential transition in FY 2009 include:

- Hosting in-person meetings with representatives of both major Presidential candidates' campaign teams prior to the election, and providing those representatives with training on the legal requirements imposed by the Executive Branch ethics program and on the development of effective ethics programs.
- Producing and posting guidance on OGE's website directed at Senate-confirmed, Presidential appointees, including a video message from OGE's Director stressing the importance of ethics and financial disclosure and a Presidential Transition Guide.
- Producing posters that creatively and succinctly conveyed key ethics concepts, which the Transition Team displayed in its headquarters.

- Certifying over 400 financial disclosure reports of nominees to Senate-confirmed, Presidential appointees and White House officials.
- Maintaining a 100% on-time Freedom of Information Act (FOIA) response rate, despite an exponential increase in FOIA requests.
- Issuing eight substantive policy memoranda since January 2009 that implement the new Ethics Pledge contained in Executive Order 13490; three additional memoranda are pending.
- Providing training to ethics officials on financial disclosure and providing individual agency guidance regarding new lobbyist rules.
- Using electronic survey technology to conduct an online assessment of agency implementation of the Ethics Pledge requirements and the issuance of Ethics Pledge waivers.
- Conducting focused reviews of select agencies' processes and procedures for collecting, reviewing, and certifying financial disclosure reports.
- Processing a significantly increased volume of termination public financial disclosure reports from departing officials from the outgoing Administration.
- Providing guidance to departing Administration personnel on issues such as seeking employment and post-Government employment.

D. Administrative Improvements

During the challenging period of the Presidential transition, OGE undertook some significant internal changes in order to improve agency efficiency, as well as employee satisfaction and well-being. In order to measure the success of these efforts, OGE conducted an employee satisfaction survey in August 2009. The survey results indicated a significant improvement in employee satisfaction from OGE's 2008 survey with an increase in the number of positive responses for 37 of the 40 survey items. Highlights of OGE's administrative improvements in FY 2009 include:

- Appointing and developing new leadership within the organization.
- Designing a total replacement of OGE's aged computer network and a migration plan from an eDirectory environment to an Active Directory environment in order to meet the security standards established by the Federal Desktop Core Configuration.
- Successfully competing and awarding a contract for the technology replacement.
- Fully implementing Personal Identity Verification (PIV) for all employees in accordance with HSPD-12.
- Completing all requirements of Eagle Horizon, the 2009 Continuity of Operations Exercise.

- Completing the initial requirements of the President's 2009 Hiring Reform Initiative, including establishing an agency SWAT team to map and streamline OGE's hiring process and re-writing Job Opportunity Announcements in plain language.

Section III – Management Discussion & Analysis of Results

This section of OGE’s PAR provides data on OGE’s success in achieving its strategic goals and performance objectives.

Strategic Goal 1 – Strengthening Ethical Culture Within the Executive Branch

- o Objective 1.1: Improve the Effectiveness of Ethics Policy

OGE continues to earn high marks for its efforts in providing timely and useful guidance to ethics officials. Indeed, the positive results related to Objective 1.1 performance measures again surpassed previous fiscal year percentages.

Objective 1.1 Improve the Effectiveness of Ethics Policy						
Performance Measures	<u>Performance Targets – Projected</u>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of ethics officials who rate OGE as responsive to emerging ethics program issues	78%	80%	80%	80%	80%	80%
		81%	84%	88%		
Percent of ethics officials who rate guidance as useful	94%	95%	95%	95%	95%	95%
		93%	93%	95%		
Percent of ethics officials who say they receive the guidance they need to do their jobs effectively	85%	85%	85%	85%	85%	85%
		82%	88%	93%		

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

OGE has devoted considerable resources to training ethics officials. In FY 2009, OGE trained approximately 2,500 ethics officials. The positive trend assures OGE that this focus on training has been successful. In addition, positive indicators in OGE’s program review area endorse OGE’s movement toward a more consultative monitoring approach.

Objective 1.2 Enhance Assistance and Oversight						
Performance Measures	<u>Performance Targets – Projected</u>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of ethics officials who are satisfied with education and training provided by OGE to support ethics officials	64%	70%	75%	80%	80%	80%
		72%	73%	86%		
Percent of ethics officials who view OGE’s program review process as adding value to their own programs	65%	75%	85%	90%	90%	90%
		57%	93%	94%		
Percent of agencies that conduct internal reviews or audits to evaluate their program’s compliance with applicable ethics laws and regulations	59%	60%	65%	65%	65%	65%
		60%	61%	57%		
Percent of ethics officials who are satisfied with information shared on ethics program model practices	55%	65%	70%	75%	75%	75%
		63%	67%	69%		

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

To strengthen the ethical culture within the Executive Branch, OGE continued efforts to raise employee awareness of their ethics responsibilities. OGE provided education and training products that agencies could incorporate into their ethics training programs and distributed the products throughout the Executive Branch. The following tables show that a high percentage of agencies incorporated these products into their programs to increase employee awareness of their ethics responsibilities. Additionally, a high percentage of ethics officials are satisfied with the products provided by OGE.

Objective 1.3 Increase Employee Awareness and Understanding						
Performance Measures	<u>Performance Targets – Projected</u>					
	Baseline	FY2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of agencies that incorporate OGE education and training products into their program	66%	70%	75%	80%	80%	80%
		72%	76%	80%		
Percent of ethics officials reporting that they are better able to do their jobs as a result of OGE training					85%	85%
				94%		
Percent of ethics officials who are satisfied with employee education and training products provided by OGE	44%	55%	60%	70%	75%	80%
		57%	65%	77%		

Objective 1.3
Increase Employee Awareness and Understanding

Performance Measures	<u>Performance Targets – Projected</u>					
	FY Actual Results in bold					
	Baseline	FY2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of agencies that incorporate OGE-provided education and training products to promote employees' awareness of their ethics responsibilities			82%	82%	80%	80%
Percent of agencies that are satisfied with OGE-provided education and training products designed to promote employees' awareness of their ethics responsibilities			79%	71%	80%	80%

- Objective 1.4: Increase OGE’s Focus on Senior Officials’ Roles in Implementing Ethics Programs

OGE recognizes that commitment and action by agency leadership is the keystone for ensuring an agency’s ethical culture and for fostering public confidence in the decision-making processes of Government. In FY 2009, OGE continued its emphasis on ensuring agency leadership involvement in implementing and supporting the ethics program. Among other things, OGE continued to assess, encourage, and applaud leadership efforts related to the ethics program during the course of OGE’s plenary and focused reviews of the ethics program. OGE also facilitated meetings between agency leadership and OGE’s Director in connection with these reviews to underscore the importance of agency ethics programs.

Objective 1.4 Promote Agency Leadership						
Performance Measures	<u>Performance Targets – Projected</u>					
	FY Actual Results in bold					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of ethics officials who indicate that their agency's leaders pay attention to ethics			92%	93%	90%	90%
Percent of ethics officials who indicate that their agency's leadership demonstrates support for the ethics program			92%	90%	90%	90%

Strategic Goal 2 – Preventing conflicts of interest

- Objective 2.1: Enhance Assistance to the President and the Senate in the Presidential Appointment Process

The financial disclosure process can be made more efficient through electronic filing systems. OGE continued to work with agencies to ensure that systems they implemented met standards established by agencies’ CIOs and embedded information is accurate.

In coordination with agency ethics officials, OGE monitors the timeliness of employee compliance with ethics agreements. In general, agencies are to ensure that employees comply within 90 days of entering into the agreement. In FY 2009, largely due to the change in Presidential administration, almost three times as many ethics agreements were entered into by employees than were in FY 2008. Despite the dramatic increase in the number of ethics agreements and the overall increase in agency ethics official workload related to the change in administration, agencies still ensured that over 90% of ethics agreements were complied with within the required time frames.

Objective 2.1 Enhance Assistance to the President and the Congress						
Performance Measures	<u>Performance Targets – Projected</u>					
	FY Actual Results in bold					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of agencies using an electronic filing system	2	6	*	*	*	*
		4	9	11		
Percent of officials who comply with ethics agreements within required time frames	95%	95%	95%	95%	95%	95%
		98%	97%	91%		
Resolves all conflicts and technical reporting issues for nominee financial disclosure reports no later than five days after a nomination is made	90%	90%	90%	95%	95%	95%
		95%	95%	95%		

○ Objective 2.2: Monitor Continued Compliance with Conflict of Interest Laws

Financial disclosure serves an important public function. Through monitoring and oversight, OGE ensures that agencies have implemented effective financial disclosure processes. In addition, OGE works with agencies to implement alternative disclosure systems when such a system may more effectively provide public confidence in the government’s integrity. The following two charts, for Objectives 2.2 and 2.3, show continued positive results.

Objective 2.2 Monitoring Compliance with Conflict of Interest Laws						
Performance Measures	<u>Performance Targets – Projected</u>					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of audited entities that provide public financial disclosure report filers with feedback after their reports have been reviewed	84%	85%	90%	90%	95%	95%
		100%	100%	100%		
Percent of audited entities that have written procedures for following up with delinquent filers	49%	60%	75%	90%	90%	90%
		91%	85%	99%		

- Objective 2.3: Administer an Effective Confidential Financial Disclosure System

Objective 2.3						
Improved Administration of Confidential System						
Performance Measures	<u>Performance Targets – Projected</u>					
	FY Actual Results in bold					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Percent of alternative systems judged by program review to have been effectively implemented	60%	65%	70%	80%	90%	90%
		100%	100%	100%		
Percent of required confidential filers who filed by end of reporting year	70%	70%	75%	75%	80%	80%
		99%	99%	TBD*		

* The results for FY 2009 are not yet available.

Strategic Goal 3 – Promoting good governance

- Objective 3.1: Support and Cooperate with Federal, State, and Local Agencies Implementing Programs that Help Support Good Governance

In keeping with the broader good governance aspects of supporting a successful transition of Administrations, OGE focused a part of its outreach within the Executive Branch on opportunities to discuss the implications of a substantial change of senior personnel with federal organizations, offices, and officials whose duties would be affected by those changes; these groups included the Chief Human Capital Officers, Council of Counsels to the Inspectors General, and new members of the SES. In addition, with the issuance of the new Executive Order, OGE established a cooperative working relationship with the Office of the Secretary of the Senate which is responsible for implementing the Lobbying Disclosure Act so that each office would have a clear understanding of the other's requirements and activities and that neither's activities would inadvertently conflict with the other's. In addition, within Executive Branch agencies OGE continued to support the information needs of federal advisory committee managers. OGE's presentations to and work with these various entities on subjects outside of the traditional ethics program was consistently well-received and provided OGE with a better understanding of complementary federal programs.

OGE continued to serve as a good practice resource to state and local government agencies which administer ethics programs as well as to gain insights into their good practices through its active participation in the Council on Governmental Ethics (COGEL) on-line discussion board and through its participation in the annual COGEL and Heartland Conferences. Topics of mutual interest have included lobbying disclosure systems, blind trusts, appearance of impropriety issues, training materials, solicitation of charitable contributions by public officials, de minimis conflicts, and post employment. OGE also helped facilitate the participation of the Executive Director of a State Ethics Commission in a OECD-directed Joint Learning Study with Jordan. The experiences of U.S. states, given their size and the range of the types of public officials, can be an extremely valuable resource to a country with a similarly-sized population and a strong central government system. In turn, the Executive Director has, since his return, shared his experiences and lessons learned widely within the COGEL community through its newsletter as well as through his individual discussions.

Objective 3.1						
Increase OGE's Support of and Cooperation with Federal, State, and Local Agencies Implementing Programs That Help Support Good Governance						
Performance Measures	<u>Performance Targets</u>					
	FY Actual Results in bold					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of programs/projects involving federal agencies/ organizations	6	8 14	8 9	10 14	10	10
Percent of feedback from federal program/project attendees indicating OGE participation was useful	30%	30% 95%	40% 100%	50% 70%	50%	60%
Number of programs/projects involving state/local/ government agencies/ organizations	2	2 5	2 3	3 6	3	3
Percent of feedback from state and local program/project attendees indicating OGE participation was useful	30%	30% 100%	40% 100%	50% 67%	50%	60%

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

Given the focus on the Presidential transition, OGE directed those resources available for domestic outreach primarily to audiences within the Government; nevertheless, the agency met its specific target for outreach events to the public. The agency also redid its website, which is its primary communication vehicle to the public, and began listing there, for the first time, those individuals whose financial disclosure reports were publicly available from the agency. This resulted in a substantial increase of requests for the forms which by some measure may be a far better indicator of the success of OGE's efforts in reaching the public than a specific event with an audience necessarily limited by the physical space for the audience.

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

- Objective 3.3: Support United States Foreign Policy Anti-Corruption and Good Governance Initiatives

This was an extraordinarily busy year for OGE in supporting U.S. anti-corruption foreign policy initiatives. OGE staff served as one of the principle U.S. representatives to the working group on developing the terms of reference for the review of implementation mechanism for the UN Convention Against Corruption; served as a representative to the APEC Anti-Corruption and Transparency Task Force and developed the agenda and secured or helped identify 14 APEC economy speakers and moderators for a U.S.-China sponsored workshop on the APEC Conduct Principles for Public Officials held in early October (all APEC economies attending); served as combined second and third round evaluators of two major new GRECO member states; assisted the State Department with the MESICIC review process; represented the U.S. at OECD Public Governance Directorate's Global Forum on Public Governance and as a member of its expert group; fielded individual country and international organization inquiries on such topics as financial disclosure systems, blind trusts, conflicts of interest and gifts; and spoke to 41 international visitor groups totaling 332 individuals from 80 countries. Consistently OGE received genuine thanks and positive feedback from its federal agency partners and from those to whom it provided direct technical assistance. OGE is one of the oldest national agencies established to help prevent corruption and promote integrity and its willingness to share thoughtfully and in context its experiences of both what has and what has not worked is well regarded internationally.

Objective 3.3						
Support U.S. Foreign Policy Anti-Corruption and Good Governance Initiatives						
Performance Measures	Performance Targets					
	Baseline	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of programs/projects OGE participates in at the request of U.S. foreign policy agencies/ organizations	7	7	7	8	8	8
		21	21	24		
Percent of feedback from program/project participants indicating that interaction with OGE was useful	30%	30%	40%	50%	50%	60%
		90%	100%	90%		

Section IV – Management Assurances

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

OGE's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). OGE conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, OGE can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, OGE conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, OGE can provide reasonable assurance that its internal control over financial reporting as of June 30, 2009, was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Robert I. Cusick
Director
Office of Government Ethics
November 16, 2009

Section V – Financial Statements and Independent Auditor’s Report

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Office of Government Ethics, pursuant to the requirements of 31 U.S.C.3515(b). The statements have been prepared from the books and records of the Office of Government Ethics in accordance with generally accepted accounting principles (GAAP) for Federal entities and formats prescribed by the Office of Management and Budget (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.



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying balance sheet of the U.S. Office of Government Ethics (OGE) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of OGE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OGE as of September 30, 2009 and 2008 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04, we have also issued a report dated November 16, 2009 on our consideration of the OGE internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The OGE's Management's Discussion & Analysis contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with OGE officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

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

Largo, Maryland
November 16, 2009



**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

We have audited the financial statements of the U.S. Office of Government Ethics (OGE) as of and for the year ended September 30, 2009 and have issued our report thereon dated November 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the OGE's internal control over financial reporting by obtaining an understanding of the OGE's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses as defined above.

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

Largo, Maryland
November 16, 2009



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

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

We have audited the financial statements of the U.S. Office of Government Ethics (OGE) as of and for the year ended September 30, 2009, and have issued our report thereon dated November 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

The management of the OGE is responsible for complying with laws and regulations applicable to the OGE. As part of obtaining reasonable assurance about whether the OGE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the OGE.

The results of our tests of compliance disclosed no reportable instances of noncompliance with other laws and regulations discussed in the preceding paragraph that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04.

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

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

Largo, Maryland
November 16, 2009

UNITED STATES OFFICE OF GOVERNMENT ETHICS
BALANCE SHEET
AS OF SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 1,701,883	\$ 2,454,523
Accounts Receivable (Note 3)	-	37,636
Total Intragovernmental	1,701,883	2,492,159
Accounts Receivable (Note 3)	985	259
Total Assets	\$ 1,702,868	\$ 2,492,418
Liabilities:		
Intragovernmental:		
Accounts Payable	\$ 119,857	\$ 25,000
Other	163,760	149,117
Total Intragovernmental	283,617	174,117
Accounts Payable	253,188	697,053
Federal Employee and Veterans' Benefits (Note 4)	347,745	335,745
Other (Note 5)	1,218,663	1,230,347
Total Liabilities	\$ 2,103,213	\$ 2,437,262
Net Position:		
Unexpended Appropriations	\$ 737,404	\$ 1,228,435
Cumulative Results of Operations	(1,137,749)	(1,173,279)
Total Net Position	\$ (400,345)	\$ 55,156
Total Liabilities and Net Position	\$ 1,702,868	\$ 2,492,418

The accompanying notes are an integral part of these statements.

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Program Costs:		
Salaries and Expenses:		
Gross Costs (Note 7)	\$ 13,614,907	\$ 13,063,488
Less: Earned Revenue	68,149	506,414
Net Program Costs	\$ 13,546,758	\$ 12,557,074

The accompanying notes are an integral part of these statements.

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Cumulative Results of Operations:		
Beginning Balances	\$ (1,173,279)	\$ (788,376)
Budgetary Financing Sources:		
Appropriations Used	13,027,389	11,628,496
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	554,899	543,675
Total Financing Sources	13,582,288	12,172,171
Net Cost of Operations	13,546,758	12,557,074
Net Change	35,530	(384,903)
Cumulative Results of Operations	\$ (1,137,749)	\$ (1,173,279)
Unexpended Appropriations:		
Beginning Balances	\$ 1,228,435	\$ 1,495,340
Budgetary Financing Sources:		
Appropriations Received	13,000,000	11,750,000
Other Adjustments	(463,642)	(388,409)
Appropriations Used	(13,027,389)	(11,628,496)
Total Budgetary Financing Sources	(491,031)	(266,905)
Total Unexpended Appropriations	\$ 737,404	\$ 1,228,435
Net Position	\$ (400,345)	\$ 55,156

The accompanying notes are an integral part of these statements.

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 885,266	\$ 1,159,369
Recoveries of Prior Year Unpaid Obligations	697,716	351,876
Budget Authority		
Appropriation	13,000,000	11,750,000
Spending Authority From Offsetting Collections		
Collected	105,897	468,666
Change In Receivables From Federal Sources	(37,748)	37,748
Change In Unfilled Customer Orders		
Without Advance From Federal Sources	(34,403)	34,403
Less: Permanently Not Available	463,642	388,409
Total Budgetary Resources	\$ 14,153,086	\$ 13,413,653
Status of Budgetary Resources:		
Obligations Incurred		
Direct	\$ 13,442,308	\$ 11,987,569
Reimbursable	143,591	540,817
Subtotal	13,585,899	12,528,386
Unobligated Balance		
Apportioned	35,400	71,861
Unobligated Balance Not Available	531,787	813,406
Total Status of Budgetary Resources	\$ 14,153,086	\$ 13,413,653
Change In Obligated Balance		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 1,641,407	\$ 1,285,202
Less: Uncollected Customer Payments From		
Federal Sources, Brought Forward, October 1	(72,151)	-
Total Unpaid Obligated Balance, Net	1,569,256	1,285,202
Obligations Incurred Net	13,585,899	12,528,386
Less: Gross Outlays	13,394,895	11,820,306
Less: Recoveries of Prior Year Unpaid		
Obligations, Actual	697,716	351,876
Change In Uncollected Customer Payments		
From Federal Sources	72,151	(72,151)
Obligated Balance, Net, End of Period		
Unpaid obligations	1,134,695	1,641,407
Less: Uncollected Customer Payments From		
Federal Sources	-	72,151
Total, Unpaid Obligated Balance, Net, End of Period	\$ 1,134,695	\$ 1,713,558
Net Outlays		
Gross Outlays	\$ 13,394,895	\$ 11,820,306
Less: Offsetting Collections	105,897	468,666
Net Outlays	\$ 13,288,998	\$ 11,351,640

The accompanying notes are an integral part of these statements.



UNITED STATES OFFICE OF GOVERNMENT ETHICS NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Office of Government Ethics (OGE), a small agency within the executive branch, was established by the Ethics in Government Act of 1978. In partnership with executive branch agencies and departments, OGE fosters high ethical standards for employees and strengthens the public's confidence that the Government's business is conducted with impartiality and integrity.

OGE has three divisions under the Office of Agency Programs that monitors and provides services to federal agency ethic programs. They work closely with agencies to identify and resolve problem areas, provide educational material and stay abreast of budgetary concerns and identify issues to be addressed by OGE.

OGE hosts an annual Government Ethics Conference to update executive branch ethic officials on the most recent developments in the ethics area and to provide opportunities to enhance their understanding of the ethics statutes, regulations and policies.

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of OGE. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of OGE in accordance with the hierarchy of

accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and OGE accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control OGE's use of budgetary resources. Unless specified otherwise, all amounts are presented in dollars.

C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit OGE to incur obligations for specified purposes. In fiscal years 2009 and 2008, we were accountable for General Fund appropriations. OGE recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants.

D. Basis of Accounting

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

E. Revenues & Other Financing Sources

Congress enacts annual and multi-year appropriations to be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from service

fees and reimbursements from other government entities and the public.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

OGE recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

F. Taxes

OGE, as a Federal entity, is not subject to Federal, State, or local income taxes, and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

G. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. OGE does not maintain cash in commercial bank accounts or foreign currency balances.

H. Accounts Receivable

Accounts receivable consists of amounts owed to OGE by other Federal agencies and the public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, 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.

I. 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 charged to expense as incurred. OGE's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, 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

J. Advances and Prepaid Charges

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

K Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the OGE as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted.

Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

L. Accounts Payable

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

M. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

N. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) 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.

O. Retirement Plans

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

FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 elected to join either FERS and Social Security, or remain in CSRS. FERS offers a savings plan to which OGE automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, OGE also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, OGE remits the employer's share of the required contribution.

OGE recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to OGE for current

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

OGE does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

P. Use of Estimates

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.

Q. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also

incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. OGE recognized imputed costs and financing sources in fiscal years 2009 and 2008 to the extent directed by OMB.

R. Expired Accounts and Cancelled Authority

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

S. Reclassification

Certain fiscal year 2008 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2009 and 2008 were as follows:

Fund Balances:

	2009	2008
Appropriated Funds	\$ 1,701,883	\$ 2,454,523
Total	\$ 1,701,883	\$ 2,454,523

Status of Fund Balance with Treasury:

	2009	2008
Unobligated Balance		
Available	\$ 35,400	\$ 71,860
Unavailable	531,787	813,406
Obligated Balance Not Yet Disbursed	1,134,696	1,569,257
Total	\$ 1,701,883	\$ 2,454,523

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2009 and 2008 were as follows:

	2009	2008
Intragovernmental		
Accounts Receivable	\$ -	\$ 37,636
With the Public		
Receivables from Employees	985	259
Total Accounts Receivable	\$ 985	\$ 37,895

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2009 and 2008.

NOTE 4. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on OGE's Balance Sheet as of September 30, 2009 and 2008, 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.

	2009	2008
Intragovernmental – FECA	\$ 75,132	\$ 71,795
Annual Leave	715,856	766,467
Actuarial FECA	347,745	335,745
Total Liabilities	\$ 1,138,733	\$ 1,174,007

NOTE 5. OTHER LIABILITIES

All Other Liabilities are considered current liabilities.

	2009	2008
Intragovernmental Liabilities		
FECA Liability	\$ 75,132	\$ 71,796
Payroll Taxes Payable	88,628	77,321
Total Intragovernmental Liabilities	\$ 163,760	\$ 149,117

	2009	2008
With the Public		
Payroll Taxes Payable	\$ 13,140	\$ 10,937
Accrued Funded Payroll and Leave	489,667	452,943
Unfunded Annual Leave	715,856	766,467
Total Public Liabilities	\$ 1,218,663	\$ 1,230,347

NOTE 6. LEASES**Operating Leases**

OGE occupies office space under a lease agreement that is accounted for as an operating lease. The lease term begins on February 2, 2004 and expires on February 1, 2014.

Asset Category

Fiscal Year	Totals
2010	\$ 1,386,826
2011	1,401,175
2012	1,415,909
2013	1,431,042
2014	478,711
Total Future Payments	\$ 6,113,663

NOTE 7. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	2009	2008
Total Intragovernmental costs	4,347,387	3,708,566
Total Public costs	9,267,520	9,354,922
Total Costs	13,614,907	13,063,488
Less: Total Intragovernmental Earned Revenue	65,661	133,280
Less: Total Public Earned Revenue	2,488	373,134
Total Net Cost	\$ 13,546,758	\$ 12,557,074

NOTE 8. IMPUTED FINANCING SOURCES

OGE recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, the Office of Personnel Management (OPM). For the fiscal years ended September 30, 2009 and 2008, respectively, imputed financing was as follows.

	2009	2008
Office of Personnel Management	\$ 554,899	\$ 543,675
Total Imputed Financing Sources	\$ 554,899	\$ 543,675

NOTE 9. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY09 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2010 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2010 Budget of the United States Government, with the Actual column completed for 2008, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 10. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2009 and 2008 consisted of the following:

	2009	2008
Direct Obligations, Category A	\$ 13,442,308	\$ 11,987,569
Reimbursable Obligations, Category A	143,591	540,817
Total Obligations Incurred	\$ 13,585,899	\$ 12,528,386

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2009 and 2008, undelivered orders amounted to \$170,217 and \$378,153 respectively.

NOTE 12. CUSTODIAL ACTIVITY

OGE's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of OGE nor material to the overall financial statements. OGE's total custodial collections are \$108 and \$622 for the years ended September 30, 2009, and 2008, respectively.

NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	<u>2009</u>	<u>2008</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	\$ 13,585,899	\$ 12,528,386
Less: Spending Authority From Offsetting Collections and Recoveries	731,462	892,692
Obligations Net of Offsetting Collections and Recoveries	12,854,437	11,635,694
Other Resources		
Imputed Financing From Costs Absorbed By Others	554,899	543,675
Total Resources Used to Finance Activities	13,409,336	12,179,369
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided	(173,534)	7,779
Resources That Fund Expenses Recognized In Prior Periods	50,611	-
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(122,923)	7,779
Total Resources Used to Finance the Net Cost of Operations	13,532,259	12,171,590
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Increase In Annual Leave Liability	-	47,095
Other	15,337	338,536
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods	15,337	385,631
Components Not Requiring or Generating Resources:		
Other	(838)	(147)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	14,499	385,484
Net Cost of Operations	\$ 13,546,758	\$ 12,557,074