



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

December 6, 2005

Gary D. Blank  
Chief of Staff and  
Designated Agency Ethics Official  
Council of Economic Advisers  
1800 G Street, NW.  
Washington, DC 20502

Dear Mr. Blank:

The Office of Government Ethics (OGE) has completed a review of the Council of Economic Advisers' (CEA) ethics program. The review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended (Ethics Act). Our objective was to determine the program's compliance with applicable laws and regulations. We also evaluated CEA's systems and procedures for ensuring that ethics violations do not occur. The review was conducted in June and July 2005. The following summarizes our findings.

#### HIGHLIGHTS

Our review revealed that CEA's ethics program continues to need improvement. After our last review in 1997, OGE issued a Notice of Deficiency to CEA. While the deficiencies were corrected, our current review found that improvement is needed in the financial disclosure systems and in ethics education and training. In particular, CEA needs to develop written procedures for the financial disclosure systems, ensure that confidential financial disclosure reports are kept on file for six years, and develop a written ethics training plan in order to bring the ethics program into full compliance with ethics laws and regulations.

#### PROGRAM STRUCTURE

CEA's current staff of three ethics officials, who work on ethics in addition to their other duties, appears appropriate considering the size of CEA.

In March 2005, you were appointed CEA's Designated Agency Ethics Official (DAEO). As the DAEO, you are responsible for the day-to-day administration of the ethics program. Assisting you are the Chief Administrative Officer and Executive Assistant. There currently is no Alternate DAEO. However, you informed us that the Chairman would designate the Chief Administrative Officer as the Alternate DAEO.

## FINANCIAL DISCLOSURE SYSTEMS

The public financial disclosure system appears to be in compliance with ethics laws and regulations, while improvement is needed to bring the confidential financial disclosure system into compliance. Moreover, CEA does not have comprehensive written procedures detailing the financial disclosure report filing, review, and retention requirements. You informed us that you input dates into your calendar regarding the ethics program. Although this process can be used in addition to written procedures, we are concerned that it is not sufficient alone. We recommend that you develop written procedures in accordance with section 402(d)(1) of the Ethics Act. We suggest that you refer to OGE's September 3, 1992 DAEOgram, which provides guidance on the development of written procedures covering the process for collecting, reviewing, and retaining financial disclosure reports.

### Public Financial Disclosure

To evaluate the effectiveness of the public system, we examined the five reports filed during 2004 through the end of our fieldwork, consisting of four incumbent reports and one new entrant report. We found that the four incumbent reports required to be filed in 2004 by the former DAEO and the three Presidentially-appointed Senate-confirmed (PAS) filers were filed, reviewed, certified, and submitted to OGE in a timely manner. We also found that the one new entrant report, from a non-PAS filer, was filed, reviewed, and certified in a timely manner and appeared to contain no conflicts. In addition, your new entrant report and the former DAEO's termination report required to be filed in 2005 were filed, reviewed, certified, and submitted to OGE in a timely manner. The other six reports required to be filed in 2005 consisted of one incumbent report, two new entrant reports, one termination report, and two combination incumbent/termination reports. Due to your granting these six filers extensions, their reports were not filed by the end of our fieldwork. Since then, all reports have been filed, reviewed, certified, and, where required, submitted to OGE in a timely manner. In addition, the two reports from non-PAS filers appeared to contain no conflicts.

However, it appears that you do not always receive notification when employees' salaries reach the threshold for filing a public report rather than a confidential report. This happened in 2004 for a Senior Economist (SE). We suggest that you establish a procedure to ensure that you receive adequate notification to collect new entrant reports within 30 days of employees meeting the filing threshold.

### Confidential Financial Disclosure

To evaluate the effectiveness of the confidential system, we attempted to review all 10 of the confidential reports required to be filed during 2005, all by SEs. At the time of our fieldwork, many of the positions for SEs were vacant because SEs, with few exceptions, begin employment in the summer and are employed by CEA for one year. Therefore, at the time of our fieldwork, only one new entrant report and one incumbent report had been filed in 2005. We examined both reports and found that they were not dated when they were received by the agency and they were not yet

reviewed and certified. Both reports did not appear to contain any conflicts. At the time of our exit interview, all 10 SEs, consisting of both new entrant filers and incumbent filers, had filed confidential reports. You had reviewed and certified one, and were currently reviewing the remaining nine. After our exit interview, the Executive Assistant informed us that you have since reviewed and certified all the confidential reports filed in 2005.

We found that many confidential financial disclosure reports from previous years were missing. Before the end of our fieldwork, you were unable to locate any certified confidential reports filed in prior years that should have been retained by CEA. You were able to obtain an uncertified copy of one report from the one filer who had not terminated since the 2004 filing cycle, who said he filed the report on time. We examined the report, which appeared to contain no conflicts. You also informed us that since the end of our fieldwork, you had located some confidential financial disclosure reports from the previous years; however, they did not date back beyond 2002 and were not certified. You informed us that the Executive Assistant will maintain the filed confidential reports in the future. We recommend that you ensure that confidential financial disclosure reports are retained for a period of six years after receipt in accordance with 5 C.F.R. § 2634.604(a).

#### EDUCATION AND TRAINING

New employees appear to be receiving initial ethics orientation (IEO), while annual ethics training (AET) had not been conducted previously due to CEA's unique staffing composition of regular employees and interns. The required IEO materials are provided to new employees as part of their new employee package from the Executive Office of the President's (EOP) Office of Administration. In addition, there are several interns that work at CEA for one year or less and receive IEO materials from CEA. Both regular employees and interns sign a form certifying that they have received and read the required IEO materials. Employees' signed forms are retained by the EOP's Office of Administration, while interns' signed forms are retained by the Chief Administrative Officer.

CEA does not have a written ethics training plan for calendar year 2005. In prior years, there was no AET provided since only a few covered employees remain longer than one year. About two-thirds of all employees work at CEA for only one year, usually on leave from universities or other employers. However, this year and in subsequent years, you plan to implement a combined IEO and AET program in August. Most of the new employees and interns start by August, and choosing this time frame will allow you to provide ethics training to all new employees and interns in one program. We agree with your plan; however we recommend that you develop a written ethics training plan for the current year and ensure that one is developed by the beginning of each calendar year as required by 5 C.F.R. § 2638.706.

## COUNSELING AND ADVICE

The advice we examined appeared to be generally compliant and accurate. You informed us that you are responsible for providing ethics advice to employees. Most advice is provided through e-mail. However, at the time of our review, copies of the e-mails were not being retained, so we were only able to look at two pieces of advice. You informed us that, in the future, you plan to send a copy of e-mails to the Executive Assistant who will maintain a file of advice. Enforcing this plan will provide you with a record of advice rendered, thus enabling you to refer to previous advice provided and OGE to conduct a more thorough review of advice in the future.

## ETHICS AGREEMENTS

There is one current written ethics agreement for the Chairman, disqualifying him from matters that could pose a potential conflict. The ethics agreement appears to be consistent with relevant laws and regulations. In addition, you serve as the screener for the Chairman to ensure that no matters posing potential conflicts are brought to his attention.

## ACCEPTANCE OF TRAVEL PAYMENTS

The process for accepting travel payments under 31 U.S.C. § 1353 appears to be adequate and in compliance with the law. CEA has written procedures to accept travel payments from non-Federal sources under 31 U.S.C. § 1353. The Chief Administrative Officer informed us that the process consists of the DAEO receiving the requests electronically on "Travel Expense From Outside Source" forms, approving them electronically, and signing paper copies of the forms prior to travel occurring. To evaluate the effectiveness of this process, we examined the 13 payments on CEA's most recent semiannual report to OGE of payments in excess of \$250, covering the period from October 1, 2004 through March 31, 2005. The types of travel involved meetings, conferences, presentations, panels, and a forum. Our examination included reviewing the 13 "Travel Expense From Outside Source" forms, and we found the DAEO's approval signature in 9 cases. However, the Chief Administrative Officer assured us that the former DAEO performed a conflicts analysis for all travel and approved all the requests electronically, including the four requests without the DAEO's signature. Despite the four forms lacking the DAEO's signature, the process seems effective in ensuring proper acceptance of travel since we found that the payments appeared to be accepted in compliance with 31 U.S.C. § 1353 and indicated no apparent conflicts of interest.

## ENFORCEMENT

CEA appears to address potential violations of ethics laws and regulations immediately. This is evidenced through conversations with the ethics staff and one example of an administrative action taken in response to the one recent incident of a potential violation of ethics regulations. This incident involved an intern using his Government e-mail account to solicit support for a personal, political Web site. You investigated and notified the intern of his error and counseled him. CEA

Mr. Gary D. Blank  
Page 5

does not have an Office of Inspector General because none of the EOP agencies, including CEA, are covered by the term "federal entity" in the Inspector General Act of 1978, as amended.

No referrals of alleged violations of the criminal conflict of interest laws were made to the Department of Justice during 2004 through the end of our fieldwork. In addition, you advised us that OGE would be notified concurrently of any such referral and its disposition.

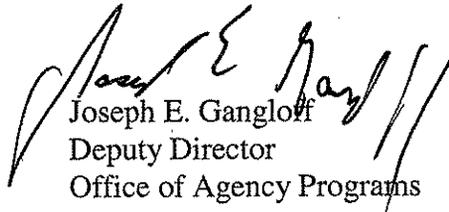
## RECOMMENDATIONS

To bring CEA's ethics program into full compliance with the ethics laws and regulations, we recommend that the agency:

1. Develop written procedures detailing the public and confidential financial disclosure filing, review, and retention requirements in accordance with section 402(d)(1) of the Ethics Act.
2. Ensure that confidential financial disclosure reports are retained for a period of six years after receipt in accordance with 5 C.F.R. § 2634.604(a).
3. Develop a written ethics training plan for the current year and ensure that one is developed by the beginning of each calendar year as required by 5 C.F.R. § 2638.706.

In closing, we wish to thank you and your staff for your efforts on behalf of the ethics program. Please advise me within 60 days of the specific actions planned or taken concerning the recommendations in our report. A follow-up review will be scheduled within six months from the date of this report. In view of the corrective action authority vested with the Director of OGE under subsection 402(b)(9) of the Ethics Act, as implemented in subpart D of 5 C.F.R. part 2638, it is important that you take actions to implement our recommendations in a timely manner. Please contact Gina Noe Todorovich at 202-482-9316, if we may be of further assistance.

Sincerely,

  
Joseph E. Gangloff  
Deputy Director  
Office of Agency Programs