
UNITED STATES OFFICE OF
GOVERNMENT ETHICS



Preventing Conflicts of Interest
in the Executive Branch

Performance and Accountability Report
Fiscal Year 2012



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

NOV 19 2012

The Honorable Jeffrey Zients
Deputy Director
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Mr. Zients:

I am pleased to transmit to you the Performance and Accountability Report (PAR) for the U.S. Office of Government Ethics (OGE) for fiscal year 2012. The PAR includes the following: (1) Fiscal Year 2012 Performance Highlights, (2) Management Discussion and Analysis of Results, (3) Management Assurances, and (4) Financial Statements and Independent Auditor's Report.

The Independent Auditor reports that OGE is in non-compliance with Office of Management and Budget (OMB) Circular A-136, citing to a delay in submission. It should be noted that the primary lead on this year's PAR submission was at the last moment detailed -- on short notice -- to the White House Counsel's Office. This required re-assignment of this complex task, resulting in a data submission delay to the auditor of one business day.

In accordance with guidance from OMB, I have determined, to the best of my knowledge and belief, that the performance and financial data included in this report is complete and reliable. OGE has received an unqualified opinion on its financial statements for fiscal year 2012; the auditors found no material weaknesses regarding OGE's compliance and internal controls over financial reporting.

If you need additional information with regard to OGE's submission, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Don W. Fox".

Don W. Fox
Acting Director

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Part I – Introduction

A. About OGE

The United States Office of Government Ethics (OGE) was established by the Ethics in Government Act of 1978 (EIGA) to provide direction and oversight of, and accountability for, policies designed to prevent and resolve conflicts of interest involving Executive Branch officers and employees. OGE is charged with promoting the highest ethical standards for Executive Branch employees. To carry out these responsibilities, OGE promulgates and maintains enforceable regulations governing ethical conduct for approximately four million civilian employees and uniformed service members serving in more than 130 Executive Branch agencies as well as the White House.

OGE oversees two financial disclosure systems. The first covers more than 28,000 public financial disclosure reports in a system that reaches, among others, the 1,200 most senior officials in the Executive Branch, appointed by the President with the advice and consent of the Senate, who must be certified by the OGE Director as being in compliance with all applicable ethics laws. The second, a confidential financial disclosure report system, reaches another 325,000 employees who serve in less senior positions but who nonetheless have responsibilities that create a higher risk for conflict of interest.

OGE exercises its oversight responsibilities by reviewing and evaluating agency ethics programs across the Executive Branch to ensure compliance with the conflict of interest laws and ethics regulations and to enhance agencies' abilities to meet ethics program requirements. The agency also provides education and training to nearly 6,000 ethics officials throughout the Executive Branch to help ensure that the services provided to employees are current and informed. OGE promotes good governance through mutually informative interactions with the private sector, non-profit groups, and the general public, as well as by sharing good practices with and providing technical assistance to state, local, and foreign governments, and international organizations.

B. Mission Statement

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 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.

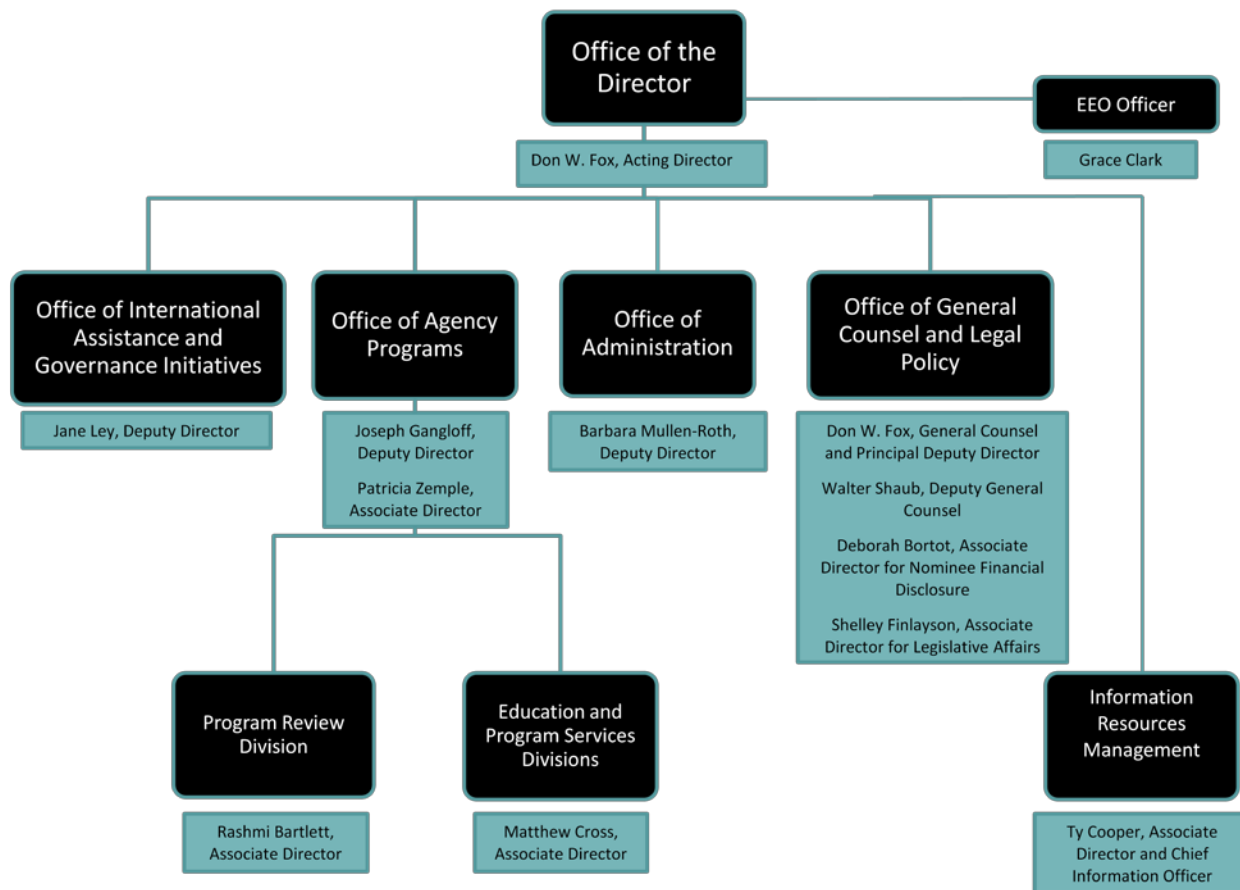
C. Organizational Structure of OGE

OGE is led by its Director who is appointed by the President to a five-year term with the advice and consent of the Senate. The Director reports to the President and interacts with the most senior officials of every agency of the Executive Branch. In addition to leading the Executive Branch ethics program, the Director is a member of the Council of Inspectors General

for Integrity and Efficiency (CIGIE) and the Integrity Committee of the CIGIE, which reviews allegations of misconduct against Inspectors General; he also serves as a member of the Administrative Conference of the United States.

In carrying out his responsibilities, the Director is supported by a team of career Senior Executives. These include the General Counsel, who also serves as the Principal Deputy Director, and Deputy Directors responsible for Executive Branch agency ethics programs, international assistance and governance initiatives, and OGE administration. (See Figure 1) At the present time, the General Counsel/Principal Deputy Director serves as the Acting Director pursuant to the Vacancies Reform Act.

Figure 1. U.S. Office of Government Ethics Organizational Chart



OGE carries out its broad responsibilities with fewer than 80 employees, who are the agency’s greatest resource. OGE’s multi-disciplinary staff consists of attorneys, ethics and finance experts, information technology professionals, and support staff. OGE leverages its human resources and accomplishes its mission through cross-functional teams that can respond to changing demands and circumstances. These teams accomplish such diverse tasks as clearing potential Executive Branch nominees for possible financial conflicts of interest; training Executive Branch ethics officials; issuing regulations and legal and policy guidance; exercising

oversight of Executive Branch ethics programs; engaging in outreach to domestic and foreign audiences; and, supporting U.S. foreign policy anti-corruption and good governance initiatives.

D. Long Term Strategic Goals

OGE's strategic plan has three major goals. Objectives within each of these strategic goals drive the daily work of OGE and form the basis for how the performance of the agency and its employees are measured. OGE's strategic goals and objectives consist of:

- Strengthening Ethical Culture Within the Executive Branch:
 - Improve the Effectiveness of Ethics Policy;
 - Enhance Assistance to and Oversight of Agency Ethics Programs;
 - Increase Employees' Awareness of Their Ethics Responsibilities; and,
 - Increase OGE's Focus on Senior Officials' Roles in Implementing Ethics Programs.
- Preventing Conflicts of Interest:
 - Enhance Assistance to the President and the Senate in the Presidential Appointment Process;
 - Monitor Continued Compliance with Conflict of Interest Laws; and,
 - Administer an Effective Confidential Financial Disclosure System.
- Promoting Good Governance:
 - Cooperate with Federal, State, and Local Agencies Implementing Programs that Help Support Good Governance;
 - Enhance Outreach to the Public and Private Sector, and to Civil Society; and,
 - Support U.S. Foreign Policy Anti-Corruption and Good Governance Initiatives.

OGE's key fiscal year 2012 accomplishments in furtherance of these objectives and goals are discussed in Section II of this report.

E. Fiscal Year 2012 Budget Priorities

During fiscal year 2012, OGE focused on achieving its long-term strategic goals and objectives with four budget priorities:

- Preparing for the influx of new Presidential appointees following the 2012 election;
- Working to modernize government ethics laws, regulations, and programs;
- Harnessing technology to promote transparency, training, and oversight; and,
- Promoting continuity and succession planning in the Executive Branch ethics program.

F. Performance Measures

OGE measures its progress toward achieving its strategic objectives through a variety of sources. These include ethics training surveys, annual ethics program questionnaires, employee ethics surveys, and surveys of ethics officials. Over the life of the strategic plan, OGE has established and adjusted specific performance targets against which progress is measured. In deciding whether to adjust targets upward when performance levels have been met or exceeded, OGE balances available resources to meet specific needs, many of which are cyclical in nature. Detailed performance objectives and measures are discussed in Part III of this report.

Every 18 months, OGE conducts a national ethics training conference. The most recent training conference was held in 2011; the next is planned for 2014. As preparation for a national ethics training conference increases, other training and new training products may decrease. In addition, in the first year following a Presidential election, the number of potential Executive Branch nominees peaks and causes OGE to shift more resources to that function. Finally, OGE must be ready to respond to emerging issues, such as those presented by 2012's STOCK Act.

Part II – Fiscal Year 2012 Performance Highlights

OGE achieved significant accomplishments in fiscal year 2012 that directly advanced its three, long-term strategic Goals. OGE's budget priorities for this fiscal year had substantial cross-Goal benefits. For example, technology allowed OGE to become more efficient within its own processes, providing more accurate and timely information to support the agencies' programs, increasing assistance to the President and the Senate with the Senate appointment process, and enhancing OGE's ability to provide more records to the public in an easily accessible fashion.

A. Strengthening Ethical Culture Within the Executive Branch

A number of the initiatives taken by OGE primarily fell within this Goal as they helped improve the effectiveness of ethics policies, provided assistance to and oversight of agency ethics programs, increased employees' awareness of their ethical responsibilities, and focused on senior officials' roles in implementing their agency's ethics programs. OGE's performance highlights include the following:

- In fiscal year 2012, OGE continued to leverage technology to improve transparency and increase efficiency in the Executive Branch ethics program and to enhance training and oversight of agency ethics programs. OGE implemented a replacement for its outdated and deteriorating Financial Disclosure Tracking System (FDTS), and began development of an Agency Information Management System (AIMS) to more effectively track interactions with other Executive Branch agencies. OGE enhanced transparency by making nominee financial disclosure reports and related documents more readily available online. In addition, OGE implemented an internal electronic audit tracking system to bring model practices and efficiencies to the review process and to share knowledge within OGE. More specifically:
- OGE completed the redesign of FDTS, ensuring that this system will be fully operational prior to the 2012 Presidential election. This redesigned web-based application, which will import legacy data from the old application, gathers comprehensive information about the collection, review, and certification of public financial disclosure reports and other covered documents as required by law. The redesigned application includes new reporting features that will improve OGE's processes for monitoring receipt, review, and retention of required public financial disclosure reports and related documents following the 2012 election.
- In fiscal year 2012, OGE began development of AIMS, a system being designed and implemented to better track and manage interactions such as incoming requests for guidance and interpretation from over 130 Executive Branch agencies and other organizations. The AIMS system will provide OGE officials at all levels instant access to ethics program-related information about all Executive Branch agencies. AIMS relies on off-the-shelf technology, is on schedule and on budget, and will be operational in fiscal year 2013.
- OGE identified and disseminated -- via webinar -- model practices throughout the Executive Branch and developed training to prepare the ethics community for an efficient and effective post-election period.
- OGE developed an internal electronic audit tracking system to manage the ethics program review process.
- OGE implemented a system to allow the public to electronically request, view, and download public financial disclosure reports (OGE Form 278 reports) and related

documents of PAS nominees and Presidential candidates through its website. This system has resulted in a substantial increase in the number of OGE Form 278 reports released, and has proven to be an invaluable aid in implementing the STOCK Act. See: <http://www.oge.gov/Open-Government/Presidential-Appointee---Nominee-Records/>.

- OGE began posting on its website the semiannual reports of non-Federal source travel payments accepted by agencies under the authority of 31 U.S.C. § 1353. The new process allows for immediate public access to the reports, thus increasing transparency and improving the efficiency with which OGE provides customer service. See: <http://www.oge.gov/Open-Government/Travel-Reports/Travel-Reports/>.
- OGE began posting Executive Branch ethics programs reviews. As a result, over 100 reports -- some going back as far as 1982 -- are publicly available on the OGE website. See: <http://www.oge.gov/Program-Management/Program-Review/Program-Review-Reports/Program-Review-Reports/>.
- OGE created a new Freedom of Information Act (FOIA) web page on its website, and continues to have a 100 percent on-time FOIA response rate. See: <http://www.oge.gov/DisplayTemplates/SectionIndex.aspx?id=47>.
- In collaboration with the Office of Management and Budget (OMB) and the entire Executive Branch ethics community, OGE developed a centralized system through which each agency can electronically upload and publish to a database the approximately 28,000 financial disclosure reports that are required to be publicly available on the internet pursuant to the STOCK Act.
- To meet the STOCK Act requirement of Executive Branch-wide electronic public financial disclosure by October 2013, OGE evaluated existing Executive Branch e-filing systems and prepared a detailed summary of the technological requirements necessary to develop, implement, and maintain electronic filing and a publicly searchable, sortable, and downloadable financial disclosure system.
- OGE developed and delivered on-demand and live instructor-led courses directed at ethics officials, IG staff, and Executive Branch employees, including a self-paced tutorial for filers of periodic financial transaction reports; these were viewed more than 700 times in the first month of availability. See: <http://www.oge.gov/Financial-Disclosure/Public-Financial-Disclosure-278/Nominee-and-New-Entrant-278-Guide/Nominee---New-Entrant-278-Guide/>, a new, live monthly series of webinars for advanced ethics practitioners highlighting topics of common concern and sharing agency experiences and information, and instructor-led courses -- 71 in total -- including a series of courses for senior ethics officials on election year preparedness and OGE's well-received New Ethics Official Certification Program.
- OGE continued in its leadership of the ethics community by prioritizing and promoting continuity and succession planning in the overall Executive Branch ethics program. This

priority includes activities to ensure key positions in the Administration are filled and the Executive Branch ethics program continues to develop capacity. For most PAS nominees, OGE's financial disclosure program represents their first introduction to the ethics requirements of the Executive Branch. OGE continues to work closely with nominees as well as with the ethics officials from their prospective agencies to ensure compliance with all financial disclosure and conflict of interest requirements. These early interactions helped to stress the importance of a conflict-free government workplace and ensure that new appointees understand the importance of the Executive Branch ethics program.

- In fiscal year 2012, due to the ongoing appointment of officials to vacant positions and routine turnover of senior leaders, OGE personnel reviewed and certified almost 200 public financial disclosure reports of PAS nominees. These reviews involved the resolution of financial disclosure issues and the negotiation of ethics agreements, and are in addition to its review and certification of approximately 1,100 annual and termination financial disclosure reports of PAS appointees.
- OGE worked with the Federal Election Commission regarding the review of public financial disclosure reports of Presidential and Vice Presidential candidates to ensure that candidates received OGE assistance regarding the requirements to prepare their financial disclosure reports. OGE also made these reports available to the public.
- OGE completed compliance reviews and follow-up monitoring for more than 50 Executive Branch agencies, focusing on three general areas: micro agencies (agencies with 11-100 full-time employees), cabinet agencies, and post-election readiness. These statutorily mandated oversight activities were enhanced through the use of questionnaires, on-site reviews, and follow-up activities. Ongoing monitoring by OGE ensured that agency programs complied with regulatory requirements, documented essential processes and procedures, and provided support to Federal employees.
- OGE assisted two new agencies in creating ethics programs, and detailed employees to train ethics officials and employees, establish financial disclosure policies and procedures, provide advice and counsel to employees, deploy an electronic financial disclosure filing and review system, and conduct reviews of public and confidential financial disclosure reports. OGE also assisted in establishing networks of support with established ethics programs at other agencies.
- In fiscal year 2012, OGE implemented a new model to provide day-to-day support to ethics programs in over 130 Executive Branch agencies. In addition to enhancing customer service, the new team model supports OGE's succession training objectives by having newer ethics specialists work directly with senior OGE experts and by creating "team lead" positions for more experienced personnel to develop their leadership skills.
- OGE expanded its new ethics official certificate program, a "boot camp" for those new to the practice of ethics. Participants learn to apply relevant ethics authorities to a series of critical tasks, assess and discuss the importance of effective processes in the management

of an ethics program, and use the tools and resources critical to practicing ethics officials. The program now includes two more certificate programs within the core curriculum of introductory classes.

B. Preventing Conflicts of Interest

OGE plays an important role in the process of filling positions that require Presidential appointment with Senate confirmation through its review of Presidential nominee financial disclosure reports for potential conflicts of interest. In the period following a Presidential election, substantial changes in senior leadership within agencies occurs regardless of the outcome of an election. To prepare for its role in assisting the White House and all Executive Branch agencies following the 2012 election, OGE undertook three key initiatives to prepare for the increased volume of financial disclosure reports: (1) creating a web-based, plain English guide for financial disclosure filers; (2) increasing financial disclosure training for OGE and Executive Branch agency ethics officials; and, (3) conducting focused ethics program reviews of agencies to ensure their readiness for the post-election period. Key fiscal year 2012 accomplishments include:

- OGE conceptualized, designed, and implemented a web-based, plain English guide to educate and assist senior officials required to complete public financial disclosure reports. This user-friendly tool will reduce or eliminate the most common errors found in financial disclosure reports while allowing for a more efficient and effective means for senior officials to complete the financial disclosure report, better assuring potential conflicts are discovered before they become problematic. By updating its manual and templates used by agency ethics officials to draft nominee ethics agreements, OGE has provided agency ethics officials with the means to expedite the completion and submission of the required agreement. Both of these efforts will result in a reduction of the time it takes filers and reviewers to complete the financial disclosure part of the nominee clearance process.
- To carry out its Executive Branch-wide mission with fewer than 80 FTEs, OGE employs a multi-functional professional workforce. In fiscal year 2012, many staff members were redirected from other non-election year duties to undertake extensive nominee financial disclosure training, directly enhancing the ability to identify and resolve potential conflict issues. This training was reinforced by hands-on experiential learning through assignment of pending nominee financial disclosure reports.
- To help agencies prepare for new nominees, OGE provided intensive election-year focused nominee financial disclosure training to nearly 300 ethics officials across the Executive Branch. OGE also provided increased training to help agency ethics officials deal effectively with legal and programmatic issues related to appointees leaving government, including rules governing seeking employment and limits on post-government employment activities. OGE provided training to selected agencies focusing on the unique role that leadership plays in establishing and maintaining an ethical organizational culture, and in promoting professional integrity among employees. The training facilitated a dialogue about the importance of promoting the obligations of public

service and of having those obligations inform the day-to-day processes and decision-making of the agency.

- OGE completed a targeted assessment of post-election readiness of the Departments of Justice, Treasury and State. These three agencies account for nearly 40 percent of all Senate-confirmed Executive Branch positions. Specifically, OGE determined current capabilities and future planning related to their financial disclosure report processes and identified potential vulnerabilities that could impair the ability of agency ethics officials to conduct timely, accurate, and consistent conflict of interest reviews. This assessment provided guidance to agency leadership and ethics officials about better ways to structure and execute ethics programs to provide even more effective service to PAS nominees. It also reinforced the essential elements of a successful ethics program -- namely, succession planning, specific and continuous training, and a program structure ensuring accountability.
- OGE continued its ongoing work to modernize government ethics laws, regulations, and programs. OGE dealt effectively with changes it initiated as well as unexpected challenges such as the STOCK Act.
 - On April 4, 2012, the President signed the STOCK Act into law, establishing, through amendments to EIGA, significant new requirements for the Executive Branch ethics program, ethics officials, and the thousands of Federal officials who file publicly available financial disclosure reports. During the course of legislative debate on the STOCK Act, OGE responded to more than 65 requests for technical assistance from congressional committee staffs and members, and has continued to provide significant assistance since enactment of the law.
 - Immediately following enactment, OGE began its preparations to implement the STOCK Act's extensive and unprecedented requirements -- a process that affected and drew upon all OGE's programs and most of its staff. Within a week of its enactment, OGE provided policy guidance to the ethics community regarding reporting requirements for periodic financial transactions, mortgages on personal residences, post-employment negotiations and arrangements for future employment, and posting of financial disclosure reports. OGE also engaged Designated Agency Ethics Officials (DAEOs) in numerous face-to-face meetings and teleconferences to assess and address issues raised by the new law. With technical support from OMB, OGE also lead weekly conference calls with more than 100 agencies to address the Act's requirements for web posting of public financial disclosure reports. Additionally, OGE created training tools for ethics professionals and filers regarding the STOCK Act requirements and established procedures to facilitate technical review of the periodic financial transaction reports required of public filers. Finally, OGE developed a framework and cost estimate to accomplish the Act's mandate of Executive Branch electronic financial disclosure report filing in fiscal year 2014.
 - OGE continued implementation of the President's Executive Order on Ethics (E.O. 13490) by publishing a proposed rule amending the Standards of Conduct to extend

the lobbyist gift ban to all Executive Branch employees and by publishing the third annual report to the President on compliance with and implementation of the Executive Order.

- OGE published final rules to make qualified trusts more accessible. Such trusts may be established by Executive Branch employees to avoid financial conflicts of interest. OGE also published a proposed final rule to streamline the process for authorizing official participation of Executive Branch employees on the boards of scientific, technical, and other nonprofit organizations that are relevant to an agency's interests.
- In fiscal year 2012, OGE implemented a new service delivery model to provide day-to-day support to ethics programs in over 130 Executive Branch agencies. By relying upon teams of ethics specialists rather than individual points of contact, OGE is able to more effectively provide advice, training, oversight, and consultative monitoring.
- OGE continued the benchmarking program reviews it began in fiscal year 2009, focusing on regulatory agencies in 2012. These reviews are provided as a service to senior leaders and DAEOs to help them compare their ethics programs with similarly situated agencies, assess potential vulnerabilities, chart and measure improvements, and share model practices used in other agencies.

C. Promoting Good Governance

OGE continues to engage and cooperate with Federal, state, and local agencies whose programs support good governance (integrity, accountability, predictability, transparency and rule of law); to enhance its communications with the public, particularly through the use of its enhanced website and the opportunities it provides to achieve greater transparency; to take advantage of mutually beneficial opportunities to interact with the private sector and good governance groups; and, to support significant U.S. foreign policy anti-corruption and good governance initiatives. Key fiscal year 2012 accomplishments include:

- OGE developed and tested ethics-related questions for use in the Office of Personnel Management's Federal Employee Viewpoint Survey. These questions will promote employee awareness of ethics-related requirements, benchmark perceptions of ethical culture within agencies, and underscore senior leaders' responsibilities for agency ethics programs.
- OGE continued to support programs and activities of Inspectors General (IGs). The Acting Director actively participated as a member of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) as well as the CIGIE Integrity Committee, which examines allegations of misconduct against IGs and their direct reports.
- OGE instructors provided multiple training sessions at the Inspector General Criminal Investigator Academy (IG Academy). This training on investigating ethics-related matters and working with ethics officials has become a standard part of the IG

Academy's curriculum, and complements a web-based training module that OGE developed for IG investigators.

- OGE experts provided direct support to IG investigators and Federal prosecutors in numerous cases on the interpretation and application of the conflict of interest laws and ethics rules, and also worked with agency IGs and DAEOs in two agencies on organizational changes to better balance IG independence with strong DAEO support.
- In addition to its numerous responses to congressional inquiries on the STOCK Act, OGE responded to over 60 additional requests for technical assistance to the Congress on issues ranging from financial disclosure and the nomination process to post employment, gifts, and outside positions. Thus, OGE provided over 125 instances of assistance to Congress in fiscal year 2012, successfully fulfilling its responsibility to promptly reply to congressional requests within OMB guidelines.
- OGE collaborated with the most senior ethics practitioners from all three branches of Government to meet on issues of common interest, build professional networks, and improve ethics across the Federal Government. Participants of this OGE-initiated consortium exchanged information and discussed their experiences on key topics of common interest. The relationships and understandings that these meetings produced benefitted OGE during recent legislative and implementation efforts.
- OGE exchanged good governance practices and learning experiences with state and local government entities, international organizations, domestic agencies and organizations, and non-profit and business communities. OGE benefitted from support and exchange of effective ethics and integrity programs; for example, OGE drew on the research of the Organization for Economic Co-operation and Development (OECD) in the area of integrity modules to improve its evaluation metrics.
- The Department of State specifically requested senior OGE officials to represent the U.S. in fulfilling U.S. obligations under the three most robust, multi-disciplinary mutual evaluation mechanisms of three international agreements. OGE provided evaluators for the 1st round U.S. review of Australia as part of the obligations under the United Nations Convention Against Corruption (UNCAC); took the lead in representing the U.S. in its 3rd round review by the Group of States Against Corruption (GRECO); and served as one of the first evaluators for the first site visit evaluations for the Inter-American Convention Against Corruption's Mechanism for Follow-Up on Implementation of the Inter-American Convention Against Corruption (MESICIC). Outside the individual country reviews, an OGE official served as the head delegate to the GRECO and a delegate to the Implementation Review Group of the UNCAC. As evidence of OGE's valued expertise in this area, a senior OGE official was asked to help train the evaluators for the GRECO 4th round.
- Again, at the specific request of the State Department and with financial assistance for travel, OGE represented the U.S. at anti-corruption and good governance meetings of international organizations of which the U.S. is a member. These organizations included

the United Nations Office on Drugs and Crime, the Council of Europe's Group of States Against Corruption, the Organization of Economic Co-operation and Development, the U.S.-China Joint Liaison Group, and the Asia-Pacific Economic Cooperation (APEC). The State Department's satisfaction with OGE's performance in this area is evidenced by its continued reliance on OGE experts and its funding through OGE's reimbursable account for OGE's travel and program materials used for this purpose.

- In helping to add to practical, internationally useful tools for corruption prevention and good governance, OGE produced or took the lead in developing a number of well-received projects this fiscal year. Significantly, OGE took the lead in helping APEC develop Principles for Financial/Asset Disclosure by Public Officials. Subsequently, those same Principles were endorsed by the G-20 -- the leaders, finance ministers, and central bank governors from 20 major economies. It designed and compiled the U.S. submission to the UNCAC prevention working group on effective methods for raising awareness of programs that address a variety of topics the UNCAC Chapter on Prevention addresses, with links to the websites of a number of U.S. agencies where those programs could be found. And in conjunction with a presentation on using financial disclosure to help prevent conflicts of interest, OGE produced a short informative paper and provided it to the working group in the six UN languages. Finally, it provided a case study on evidence-based evaluation to the OECD Public Sector Integrity Network. All of these products were also posted on the international section of OGE's website.
- OGE also continued to respond to requests from the State Department and from individual embassies to provide more tailored assistance on incorporating corruption prevention and integrity measures into anticorruption and good governance initiatives. For example, OGE personnel participated in multi-day programs in Hungary and Serbia, and in at the conference of the Anti-Corruption Network for Eastern Europe and Central Asia held in Kazakhstan.
- At the request of U.S. foreign policy agencies, OGE engaged in consistently well-received, mutually beneficial discussions with representatives of good governance programs throughout the world. OGE met in Washington with 51 foreign delegations totaling 517 persons from 75 countries. OGE also addressed foreign audiences outside the U.S. which significantly increased the number of foreign countries represented.

D. Focusing on OGE's People and Internal Operations

To meet the long-term goals in its strategic plan, OGE strives to be a model agency in all respects. During fiscal year 2012, OGE continued to focus on key internal management challenges, refining the agency's internal processes to cut costs, better manage agency resources, and provide the highest quality administrative and IT support to OGE's people and mission. A few of OGE's major internal achievements this fiscal year include:

- In fiscal year 2008, OGE instituted a student intern program that now operates throughout the year; 12 students interned at OGE during fiscal year 2012. This program exposes

students to service in the Executive Branch and increases OGE's and other agencies' abilities to recruit highly qualified talent, contributing to succession planning in the ethics field. The success of this program can be measured by the fact that three former interns were hired as junior attorneys at OGE by the end of fiscal year 2012. By selecting from a pool of former interns who have experienced OGE's existing programs and culture, OGE decreased dramatically the time required to fill critical vacancies and select from the most highly qualified persons available.

- OGE dedicated significant resources to internal cross-training in order to promote continuity and succession planning within OGE. For instance, an intra-office detail of staff from OGE's international assistance program to the agency program section not only enhanced OGE's ability to provide international technical assistance, it also provided personnel to the agency program section during a time of staff turnover. This cross-training of staff gives OGE the flexibility to shift personnel resources in the future, as may be needed.
- OGE management supported employees' professional development goals during fiscal year 2012. OGE used a variety of methods to accomplish this, including details to other agencies and the White House; entering into a partnership with the Treasury Executive Institute for access to GS-14, GS-15, and SES professional development programs; manager specific training; personality/managerial assessment; diversity and inclusion programs; and coaching. OGE also hosted several OGE staff-developed Issue Forums to keep its employees abreast of developments in ethics laws and emerging issues.

Part III – Management Discussion & Analysis of Results

This section provides data on OGE's success in achieving its strategic goals and performance objectives. The following measurements are based on statistical data from a variety of existing sources, including ethics training surveys, annual ethics program questionnaires, employee ethics surveys, and surveys of ethics officials.

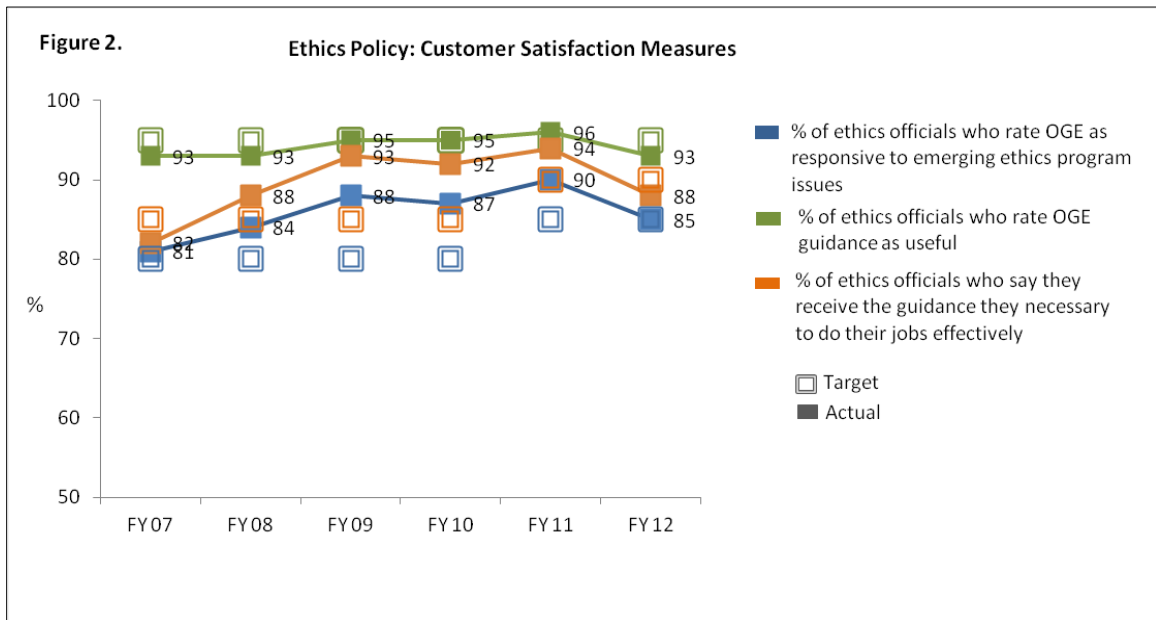
A. Strategic Goal 1 – Strengthening Ethical Culture within the Executive Branch

- Objective 1.1: Improve the Effectiveness of Ethics Policy

OGE continues to earn high marks from ethics officials for providing guidance to improve the effectiveness of ethics policy. OGE's assessment of agency ethics officials' customer satisfaction focused on three areas:

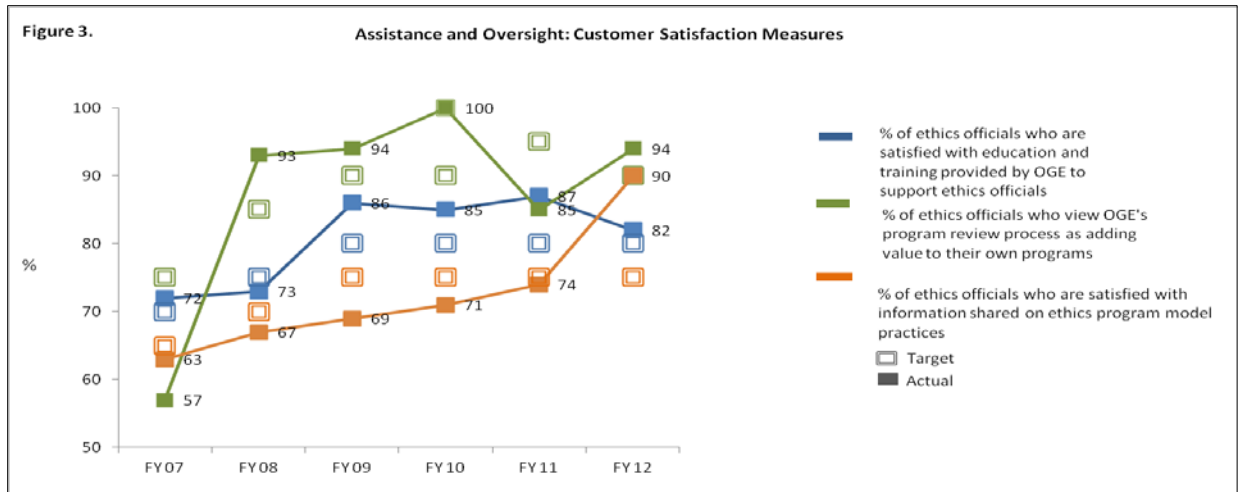
- Usefulness of ethics policy guidance;
- Effectiveness of ethics policy guidance; and,
- Responsiveness to emerging ethics program issues.

The results related to Objective 1.1 performance measures again met OGE targets. (See Figure 2)



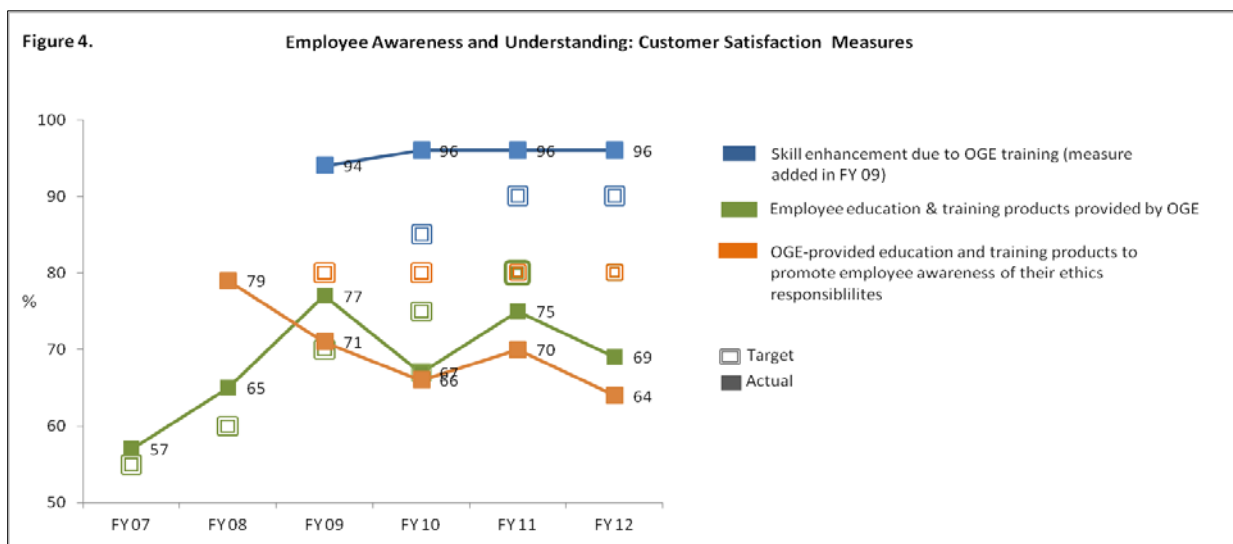
Objective 1.2: Enhance Assistance to and Oversight of Agency Ethics Programs

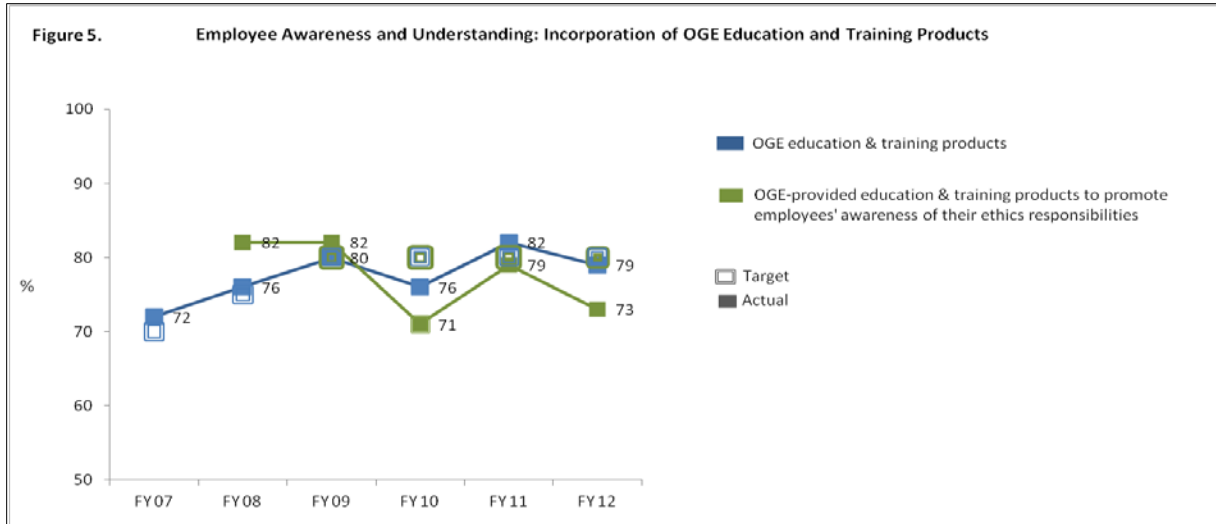
OGE reviews agency ethics programs to identify and report on strengths and weaknesses and to share model practices. In fiscal year 2012, OGE completed compliance reviews and follow-up monitoring for more than 50 Executive Branch agencies, focusing on three general areas: micro agencies (agencies with 11-100 full-time employees), cabinet agencies, and post-election readiness. In addition, OGE continues to devote considerable resources to training ethics officials. In fiscal year 2012, OGE provided training to over 1,200 ethics officials and other employees (e.g., Inspectors General). Of these many participants, survey respondents overwhelmingly indicated that OGE’s training was well organized, that respondents were better equipped to do their job because of the training, and that they were inspired to continue working in the field of ethics as a result of the training. The results of these efforts to advance Objective 1.2 are illustrated below. (See Figure 3)



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

In view of significant new responsibilities undertaken as a result of drafting and implementation of the Stock Act, in fiscal year 2012 OGE substantially shifted resources. In particular, OGE de-emphasized the priority of providing education and training products for employees, which explains the decrease in agencies responding satisfaction with products and the extent to which agencies incorporated these products into their programs. OGE did continue to provide training to agency ethics officials to assist them in carrying out their responsibilities. As shown in Figure 4, ethics officials were overwhelmingly satisfied with the OGE-provided training and continued to incorporate OGE products into their training programs. (See Figures 4 and 5)

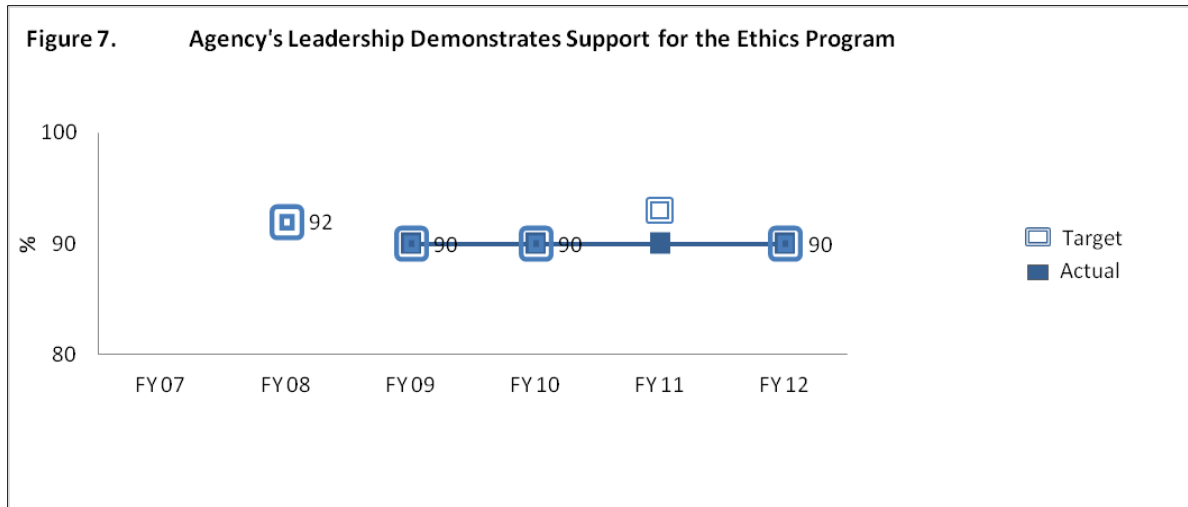




- Objective 1.4: Increase OGE’s Focus on Senior Officials’ Roles in Implementing Ethics Programs

OGE recognizes that commitment and action by agency leadership is the keystone for establishing an agency’s ethical culture and for fostering public confidence in the decision-making processes of government. OGE reinforces the critical role of agency leadership through its program reviews and, when appropriate, makes recommendations to improve the overall ethics program. (See Figures 6 and 7)

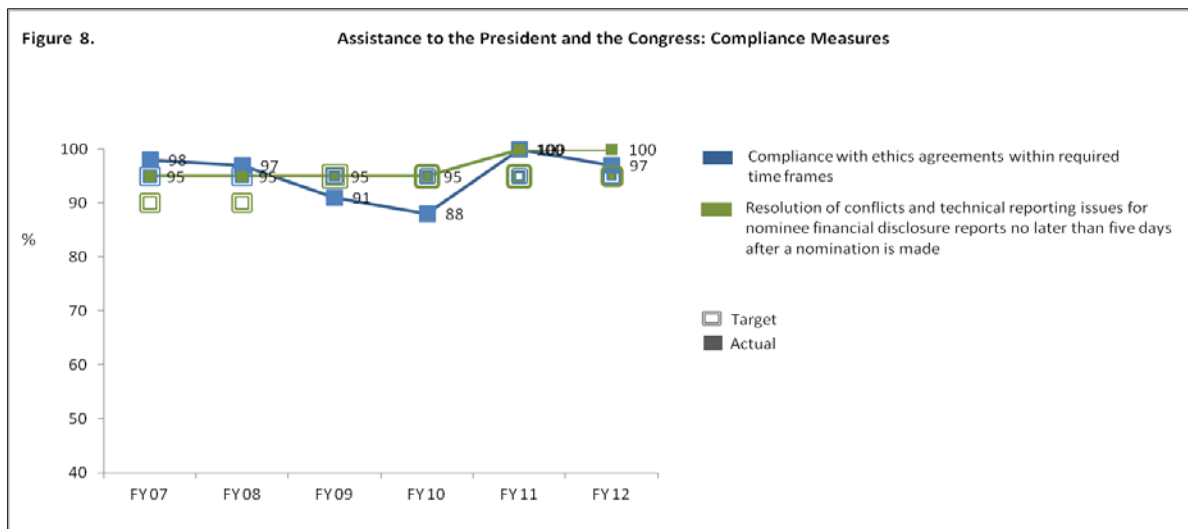




B. Strategic Goal 2 – Preventing Conflicts of Interest

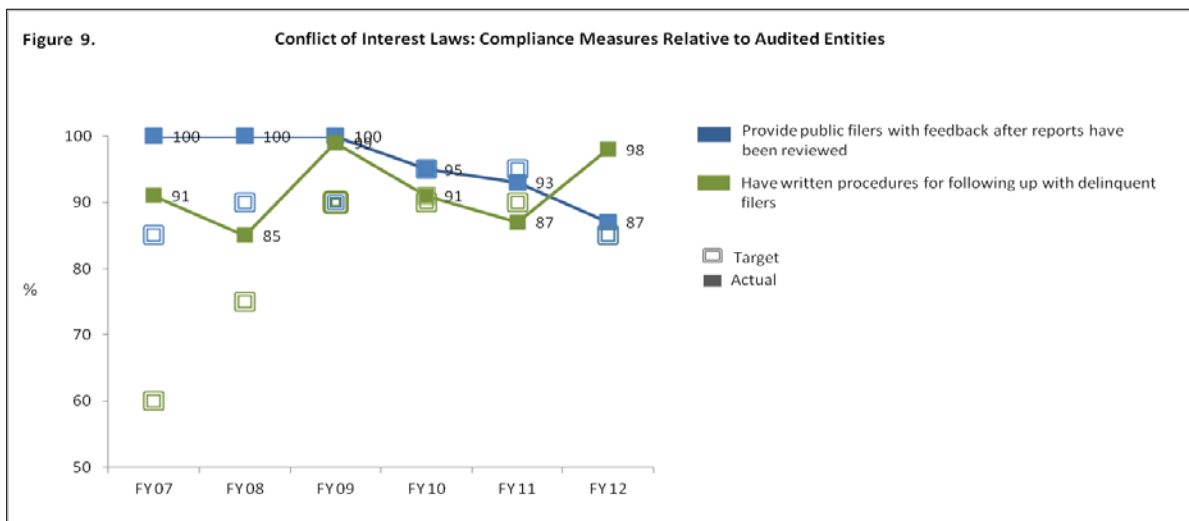
- Objective 2.1: Enhance Assistance to the President and the Senate in the Presidential Appointment Process

In coordination with agency ethics officials, OGE monitors the timeliness of employee compliance with ethics agreements through documentation received by agency ethics officials. In fiscal year 2012, 96 PAS officials entered into ethics agreements that required compliance documentation. As reported by DAEOs, 97 percent of ethics agreements were satisfied within statutory deadlines. Additionally, OGE measures the resolution of conflicts and technical reporting issues for nominee financial disclosure reports. OGE's established standard is to finalize conflict resolution and technical issues no later than five days after a nomination is made. The figure below illustrates the results of OGE's efforts to further Objective 2.1. (*See Figure 8*)

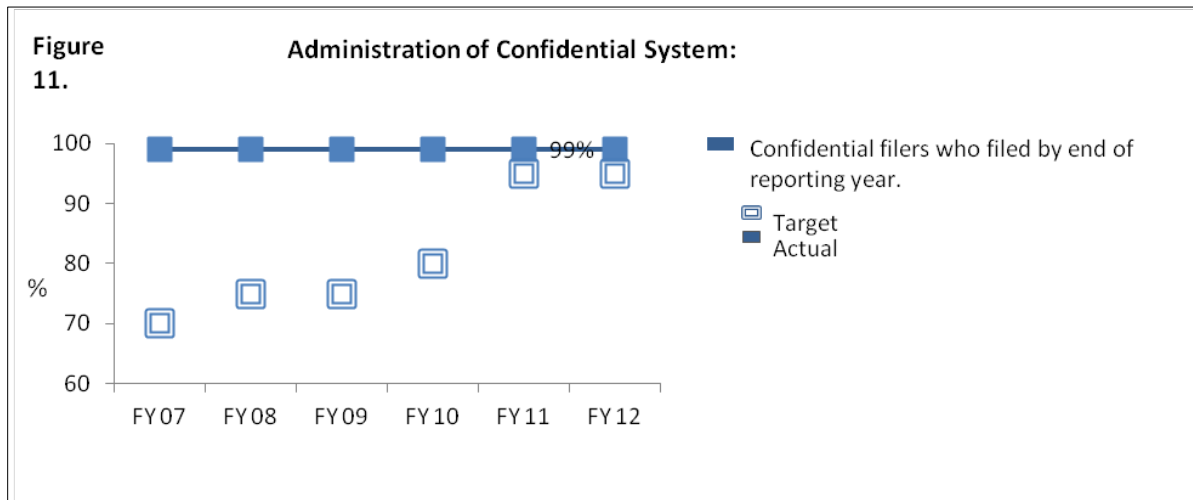
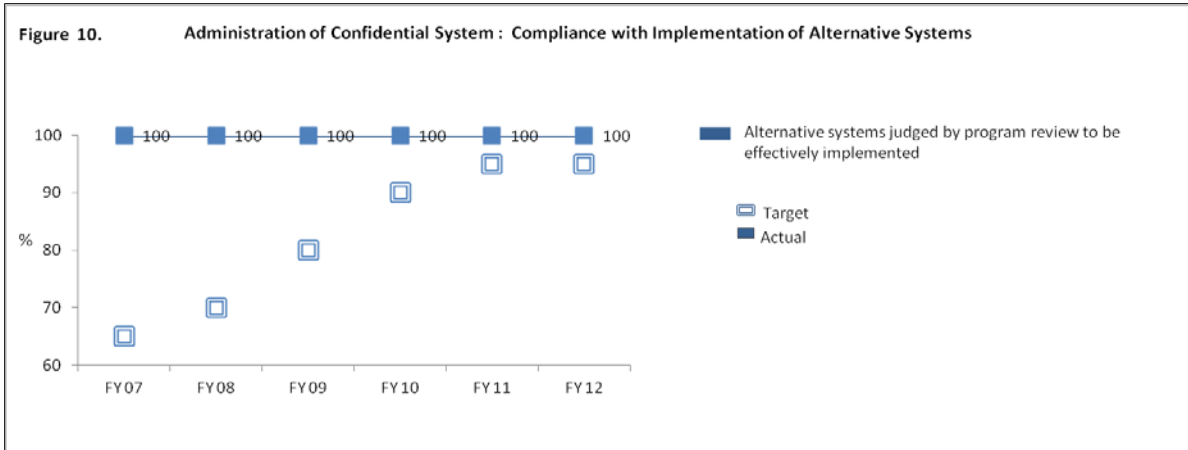


- Objective 2.2: Monitor Continued Compliance with Conflict of Interest Laws; and
- Objective 2.3: Administer an Effective Confidential Financial Disclosure System

Financial disclosure promotes public confidence. Through monitoring and oversight, OGE ensures that agencies have implemented effective financial disclosure processes. Specifically, as part of the OGE review process, it ensures that agencies provide public filers with feedback after reports have been reviewed and that agencies have written procedures for following up with delinquent filers. In fiscal year 2012, OGE met its targets. (See Figure 9)



In furtherance of Objectives 2.2 and 2.3, OGE continued to encourage agencies to use alternative procedures for handling confidential financial disclosure. Appropriate implementation of alternative procedures promotes efficient allocation of ethics program resources and allows agencies to focus resources on other important program objectives, including leadership support, succession planning, training, awareness building, and self-assessment. OGE also assessed whether confidential filers have filed their reports by the end of the reporting period to ensure that potential conflicts identified on the reports are resolved in a timely manner. The following two charts show continued positive results. (See Figures 10 and 11)



C. Strategic Goal 3 – Promoting Good Governance

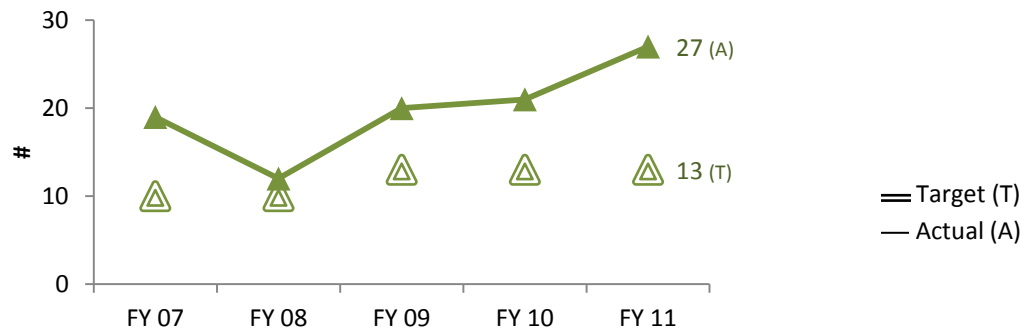
- Objective 3.1: Increase OGE’s Support of and Cooperation with Federal, State, and Local Agencies Implementing Programs that Help Support Good Governance

As part of its strategic goals, OGE actively coordinates and cooperates with other Federal, state, and local government agencies that have complementary missions and programs in promoting integrity, accountability, predictability, and transparency of government. To the extent that it can quantify the usefulness of individual interactions depends to a certain degree on the nature of the interaction. OGE, in judging the usefulness of its actions to others, evaluates usefulness by actual surveys or through written notes from those with whom OGE interacts. For some types of interactions, such as presentations to FACA committee managers or the IG Academy, recurrent requests for OGE’s participation is an indication of the usefulness of the program to those audiences. More importantly, OGE’s interaction with other Federal and state and local agencies quite often provides OGE with useful ideas and good practices.

During this fiscal year, OGE exceeded its target goals for programs and projects with other Federal, state, and local agencies both in terms of numbers and in terms of usefulness. Highlights of those programs and projects are set forth in part II, subsection C of this report.

OGE also continued to engage the state and local ethics community, primarily through the Council on Governmental Ethics Laws (COGEL), an organization of Federal, state, and local government agencies whose responsibilities include ethics, campaign finance, freedom of information, and lobbying disclosure. As in the past, OGE used COGEL’s annual conference to share and learn good practices -- from both domestic and international sources.

Figure 12. Outreach Activities with Federal, State, and Local Entities

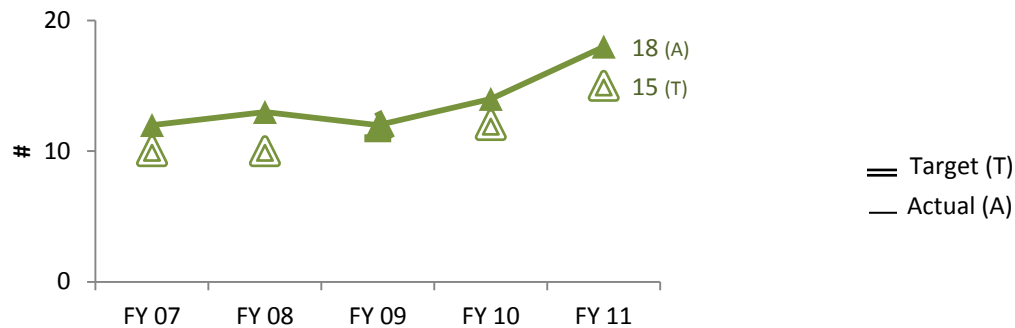


- Objective 3.2: Enhance Outreach to the Public, Private Sector, and Good Governance Groups

As is the case for any entity, a public-facing website is one of the most significant methods of outreach to the general public. Leveraging OGE’s new website, and in support of a budget priority to harness technology to promote transparency, a number of newly-created and existing agency documents as well as financial disclosure reports of Presidential appointees -- documents of high public interest -- were posted on or made more readily available through the website.

OGE also continued its engagement with the private sector, primarily through its continued relationships with the Ethics Resource Center and the Ethics and Compliance Officer Association, as well as with non-governmental organizations that focus on good government issues, academic institutions, and bar associations. Because of increased activities associated with post-election readiness training and the STOCK Act, OGE’s interactions decreased slightly from the prior fiscal year; however, OGE still met performance targets. OGE’s engagements continued to receive positive responses from those with whom it interacted.

Figure 13. Outreach Activities with Public, Private Sector, and Good Governance Groups



- Objective 3.3 Support U.S. Foreign Policy Anti-corruption and Good Governance Initiatives

This past fiscal year, OGE continued to receive and fulfill increasing requests to participate in substantial programs and projects that help support U.S. foreign policy anti-corruption and good governance initiatives. OGE has met those requests both to the articulated appreciation of U.S. foreign policy agencies as well as with continued financial resources to cover the expenses of international travel and engagement. At the same time, these projects often broaden the appreciation of OGE’s own staff to the value of being able to articulate the basic principles behind effective integrity programs.

Examples of the types of international programs in which OGE has been asked to participate are found in Part IIC. However, many of the projects and programs in which OGE participates arise because OGE has consistently been requested to represent the U.S. Government at the following international fora and working groups and has become well-known not only within the U.S. Government, but also outside for the quality of its services:

- **United Nations (UN):** the UN Convention Against Corruption (UNCAC) Implementation Review Group and the UNCAC Working Group on Prevention;
- **Council of Europe:** the Group of States Against Corruption (GRECO);
- **Asia-Pacific Economic Corporation (APEC):** the Anti-Corruption and Transparency Working Group;
- **Organization for Economic Co-operation and Development (OECD):** the Public Governance Directorate Network on Public Sector Integrity; the Anti-Corruption Network for Eastern Europe;

- **Organization of American States (OAS):** the follow-up mechanism of the Inter-American Convention Against Corruption (MESICIC); and,
- **U.S.-China Joint Liaison Group:** the Anti-Corruption Working Group.

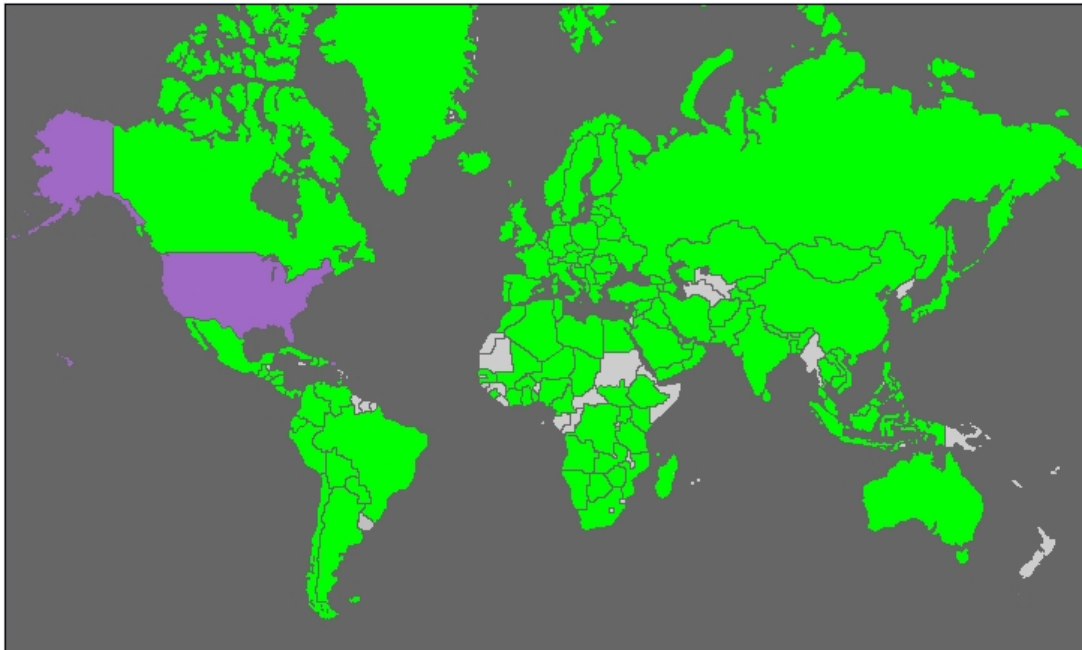


Several of the inter-governmental organizations noted above administer peer review mechanisms designed to evaluate the progress of members in meeting anti-corruption obligations. Based on the quality of their previous services as evaluators, OGE officials were again requested to participate as evaluators in every instance when the topics were generally related to good governance, not just the implementation of programs such as those carried out by OGE. In fiscal year 2012, this included evaluations carried out by the three most robust mechanisms. Significantly as well, the State and Justice Departments asked an OGE Deputy Director to lead the U.S. review by GRECO which culminated in this fiscal year. That same individual was asked by GRECO to help train evaluators from member countries for its 4th round on corruption prevention for members of parliament, judges, and prosecutors.

OGE continued to provide international technical assistance briefings to foreign officials from the public and private sector traveling under the auspices of the State Department International Visitor Leadership Program or other similar programs, a mainstay of OGE's international program. This past fiscal year, 52 delegations comprised of 571 individuals representing 73 countries came to OGE to learn about the ethics program in the Executive Branch and how that program fits into the broader rubric of good governance principles. Results of written participant surveys demonstrate that: (1) 100 percent of the participants thought the presentation helped them understand the role of OGE and how the Executive Branch ethics program works, and (2) 97 percent believed that the presentation helped them understand the larger role of transparency and accountability in the Executive Branch.

Adding to the number of countries represented by participants from briefings in Washington are those individuals who have been in audiences where OGE has made presentations outside of the U.S. The map below shows the total of both countries in green.

In fiscal year 2012, OGE provided some form of technical assistance in support of U.S. foreign policy interests to the countries highlighted in green.



Part IV – Management Assurances

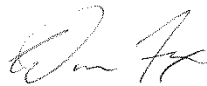
Annual Assurance Statement on Internal Controls and Internal Control over Financial Reporting

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 measures over the efficiency of operations and 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 control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2012, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

OGE relies upon the U.S. Department of Treasury, Bureau of Public Debt (BPD), a shared service provider, for its accounting and financial reporting requirements. OGE obtains the SSAE 16 report from BPD, and reviews it to assist in assessing the internal control 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 2012 and therefore concludes that OGE's internal controls over financial reporting are sufficiently strong.

The Independent Auditor reports that OGE is in non-compliance with Office of Management and Budget (OMB) Circular A-136, citing to a delay in submission. It should be noted that the primary lead on this year's PAR submission was at the last moment detailed -- on short notice -- to the White House Counsel's Office. This required re-assignment of this complex task, resulting in a data submission delay to the auditor of one business day.

OGE has no in-house financial system. OGE has chosen to use Oracle Federal Financials, hosted by BPD. Because of the rigorous testing that BPD undergoes, OGE considers this financial system to be reliable and effective.



Don W. Fox
Acting Director
November 19, 2012

Part V – Financial Statements & 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.



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying balance sheet of the U.S. Office of Government Ethics (USOGE) as of September 30, 2012 and 2011, 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 USOGE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 as amended, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 as amended, 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USOGE as of September 30, 2012 and 2011 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 as amended, we have also issued our reports dated November 19, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, as revised, that considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

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

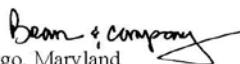
U.S. Office of Government Ethics
Washington, D.C.

We have audited the financial statements of the U.S. Office of Government Ethics (USOGE) as of and for the year ended September 30, 2012 and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 as amended, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the USOGE's internal control over financial reporting by obtaining an understanding of the USOGE'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 as amended. 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 a significant deficiency or material weakness. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04 as amended, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 a material weakness as defined above.

This report is intended solely for the information and use of the management of the 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 19, 2012

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

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

We have audited the financial statements of the U.S. Office of Government Ethics (USOGE) as of and for the year ended September 30, 2012, and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 as amended, *Audit Requirements for Federal Financial Statements*.

The management of the USOGE is responsible for complying with laws and regulations applicable to the USOGE. As part of obtaining reasonable assurance about whether the USOGE'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 as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the USOGE. 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.

Except as discussed below, the results of our tests of compliance with laws and regulations described in the preceding paragraph disclosed no instances of reportable noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin 07-04, as amended.

1. Non-Compliance with OMB Circular A-136, *Financial Reporting Requirements, as revised*

Condition:

The Performance and Accountability Report (PAR) was not submitted by deadline of November 15, 2012. However for the fiscal year ended September 30, 2012, the deadline was extended to November 16, 2012.

Criteria:

OMB Circular A-136, *Financial Reporting Requirements*, as revised

Cause:

Submission of the final PAR with MD&A by the USOGE was not complete by the due date.

Effect:

The PAR was not submitted by the extended due date of November 16, 2012.

Recommendation:

We recommend that USOGE implement policies and procedures to ensure that the all phases of the PAR are completed and ready for submission by the November 15th deadline, or extension period.

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

Brown & Company

Largo, Maryland
November 19, 2012

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UNITED STATES OFFICE OF GOVERNMENT ETHICS

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2012 AND 2011**

UNITED STATES OFFICE OF
GOVERNMENT ETHICS



Preventing Conflicts of Interest
in the Executive Branch



**UNITED STATES OFFICE OF GOVERNMENT ETHICS
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

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UNITED STATES OFFICE OF GOVERNMENT ETHICS
BALANCE SHEET
AS OF SEPTEMBER 30, 2012 AND 2011
(In Dollars)

	2012	2011
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 2,461,083	\$ 2,999,955
Accounts Receivable (Note 3)	53,371	17,361
Total Intragovernmental	2,514,454	3,017,316
Accounts Receivable, Net (Note 3)	352	-
Property, Equipment, and Software, Net (Note 4)	575,734	361,091
Total Assets	\$ 3,090,540	\$ 3,378,407
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 458,465	\$ 160,944
Other (Note 7)	194,110	195,497
Total Intragovernmental	652,575	356,441
Accounts Payable	119,689	550,673
Federal Employee and Veterans' Benefits (Note 5)	401,523	375,237
Other (Note 7)	1,254,880	1,436,999
Total Liabilities	\$ 2,428,667	\$ 2,719,350
Net Position:		
Unexpended Appropriations - Other Funds	\$ 1,293,834	\$ 1,567,097
Cumulative Results of Operations - Other Funds	(631,961)	(908,040)
Total Net Position	\$ 661,873	\$ 659,057
Total Liabilities and Net Position	\$ 3,090,540	\$ 3,378,407

The accompanying notes are an integral part of these financial statements.

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)

	2012	2011
Program Costs: (Note 9)		
Salaries and Expenses		
Gross Costs	\$ 14,540,418	\$ 14,560,305
Less: Earned Revenue	(505,711)	(483,858)
Net Cost of Operations	\$ 14,034,707	\$ 14,076,447

The accompanying notes are an integral part of these financial statements.

**UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)**

	2012	2011
Cumulative Results of Operations:		
Beginning Balances	\$ (908,040)	\$ (1,183,606)
Budgetary Financing Sources:		
Appropriations Used	13,701,202	13,711,083
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 10)	609,584	640,930
Total Financing Sources	14,310,786	14,352,013
Net Cost of Operations	(14,034,707)	(14,076,447)
Net Change	276,079	275,566
Cumulative Results of Operations	\$ (631,961)	\$ (908,040)
Unexpended Appropriations:		
Beginning Balances	\$ 1,567,097	\$ 1,418,281
Budgetary Financing Sources:		
Appropriations Received	13,664,000	14,000,000
Other Adjustments	(236,061)	(140,101)
Appropriations Used	(13,701,202)	(13,711,083)
Total Budgetary Financing Sources	(273,263)	148,816
Total Unexpended Appropriations	\$ 1,293,834	\$ 1,567,097
Net Position	\$ 661,873	\$ 659,057

The accompanying notes are an integral part of these financial statements.

UNITED STATES OFFICE OF GOVERNMENT ETHICS
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)

	2012	2011
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 533,611	\$ 607,368
Recoveries of Prior Year Unpaid Obligations	63,310	735,467
Other changes in unobligated balance	(236,060)	(112,101)
Unobligated balance from prior year budget authority, net	360,861	1,230,734
Appropriations	13,664,000	13,972,000
Spending authority from offsetting collections	484,581	553,316
Total Budgetary Resources	\$ 14,509,442	\$ 15,756,050
Status of Budgetary Resources:		
Obligations Incurred	\$ 14,057,109	\$ 15,222,439
Unobligated balance, end of year:		
Apportioned (Note 2)	200,306	114,166
Unapportioned (Note 2)	252,027	419,445
Total unobligated balance, end of year	452,333	533,611
Total Budgetary Resources	\$ 14,509,442	\$ 15,756,050
Change in Obligated Balance:		
Unpaid Obligations, Brought Forward, October 1	\$ 2,553,021	\$ 1,867,947
Uncollected customer payments from Federal sources, brought forward, October 1	(86,677)	(14,278)
Obligated balance, start of year	2,466,344	1,853,669
Obligations Incurred (Note 12)	14,057,109	15,222,439
Outlays (gross)	(14,436,372)	(13,801,898)
Change in uncollected customer payments from Federal Sources	(15,021)	(72,399)
Recoveries of Prior Year Unpaid	(63,310)	(735,467)
Obligated balance, end of year		
Unpaid obligations, end of year	2,110,447	2,553,021
Uncollected customer payments from Federal sources, end of year	(101,697)	(86,677)
Obligated balance, end of year	\$ 2,008,750	\$ 2,466,344
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 14,148,581	\$ 14,525,316
Actual offsetting collections	(469,560)	(480,916)
Change in uncollected customer payments from Federal sources	(15,021)	(72,400)
Budget Authority, net	\$ 13,664,000	\$ 13,972,000
Outlays, gross	\$ 14,436,372	\$ 13,801,898
Actual offsetting collections	(469,560)	(480,916)
Outlays, net	13,966,812	13,320,982
Agency outlays, net	\$ 13,966,812	\$ 13,320,982

The accompanying notes are an integral part of these financial statements



UNITED STATES OFFICE OF GOVERNMENT ETHICS NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The United States Office of Government Ethics (USOGE), established by the Ethics in Government Act of 1978, provides overall direction, oversight, and accountability of Executive Branch policies designed to prevent and resolve conflicts of interest. Specifically, USOGE promulgates and maintains enforceable standards of ethical conduct for nearly four million civilian employees and uniformed service members in over 130 Executive Branch agencies and the White House; overseeing a financial disclosure system that reaches 28,000 public and nearly 325,000 confidential financial disclosure filers; providing direct education and training products to 5,700 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.

USOGE's greatest resource is its multi-disciplinary staff of attorneys, ethics and finance experts, and support staff. USOGE 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, USOGE'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.

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.

USOGE has rights and ownership of all assets reported in these financial statements. USOGE 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 USOGE. The Balance Sheet present the financial position of the agency. The Statement of Net Cost present 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 present the sources, status, and uses of the agency's resources and follow 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 USOGE in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and USOGE 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 USOGE'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 USOGE'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.

USOGE 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 USOGE 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 charged to expense as incurred. USOGE'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
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 USOGE as a result of transactions or events that have already occurred.

USOGE reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public represents 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 and actuarial FECA.

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. Non-vested 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 OPM upon the retirement of that individual. Credit is given for sick leave balances upon the retirement of Federal Employee's Retirement System (FERS) covered employees effective at 50% beginning FY 2010 and 100% in FY 2014.

J. 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 USOGE 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 USOGE 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

USOGE employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of USOGE's 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. FERS offers a savings plan to which USOGE automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, USOGE also contributes to 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, USOGE remits the employer's share of the required contribution.

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

USOGE 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.

L. Other Post-Employment Benefits

USOGE employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGGLIP) may continue to participate in these programs after their retirement. The OPM has provided USOGE with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. USOGE 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 USOGE 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. USOGE recognized imputed costs and financing sources in fiscal years 2012 and 2011 to the extent directed by OMB.

O. Reclassification

Certain fiscal year 2011 balances may 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, 2012 and 2011 were as follows:

	2012	2011
Fund Balances:		
Appropriated Funds	\$ 2,461,083	\$ 2,999,955
Total	\$ 2,461,083	\$ 2,999,955

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 200,306	\$ 114,166
Unavailable	252,027	419,445
Obligated Balance Not Yet Disbursed	2,008,750	2,466,344
Total	\$ 2,461,083	\$ 2,999,955

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 cash balance on hand. (See also: Note. 13)

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2012 and 2011 were as follows:

	2012	2011
Intragovernmental		
Accounts Receivable	\$ 53,371	\$ 17,361
Total Intragovernmental Accounts Receivable	\$ 53,371	\$ 17,361
With the Public		
Accounts Receivable	\$ 352	\$ -
Total Public Account Receivable	\$ 352	\$ -
Total Accounts Receivable	\$ 53,723	\$ 17,361

The accounts receivable is primarily made up of receivables related to reimbursable activities.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2012 and 2011.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2012.

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Software-in-Development	\$ 575,734	\$ -	\$ 575,734
Total	\$ 575,734	\$ -	\$ 575,734

Schedule of Property, Equipment, and Software as of September 30, 2011.

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Software-in-Development	\$ 361,091	\$ -	\$ 361,091
Total	\$ 361,091	\$ -	\$ 361,091

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on USOGE's Balance Sheet as of September 30, 2012 and 2011, 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.

	2012	2011
Intragovernmental – FECA	\$ 78,289	\$ 80,504
Intragovernmental – Unemployment Insurance	12,341	3,009
Unfunded Leave	729,341	814,636
Actuarial FECA	401,523	375,237
Total Liabilities Not Covered by Budgetary Resources	\$ 1,221,494	\$ 1,273,386
Total Liabilities Covered by Budgetary Resources	1,207,173	1,445,964
Total Liabilities	\$ 2,428,667	\$ 2,719,350

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on USOGE's behalf and payable to the DOL. USOGE 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 dependents of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under FECA for USOGE's employees are administered by the DOL and ultimately paid by USOGE when funding becomes available.

USOGE bases its estimate for FECA actuarial liability on the DOL's FECA model. The model considers the average amount of benefit payments incurred by USOGE for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid (LBP) ratio for the whole FECA program. For the years ending September 30, 2012 and

2011, USOGE used the overall average percentages of the LBP ratio to calculate the \$401,523 and \$375,237 FECA actuarial liabilities, respectively.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2012 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 42,775	\$ 35,514	\$ 78,289
Unemployment Insurance Liability	12,340	-	12,340
Payroll Taxes Payable	103,481	-	103,481
Total Intragovernmental Other Liabilities	\$ 158,596	\$ 35,514	\$ 194,110
With the Public			
Payroll Taxes Payable	\$ 16,150	\$ -	\$ 16,150
Accrued Funded Payroll and Leave	509,387	-	509,387
Unfunded Leave	729,343	-	729,343
Total Public Other Liabilities	\$ 1,254,880	\$ -	\$ 1,254,880

Other liabilities account balances as of September 30, 2011 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 30,458	\$ 50,046	\$ 80,504
Unemployment Insurance Liability	3,009	-	3,009
Payroll Taxes Payable	111,984	-	111,984
Total Intragovernmental Other Liabilities	\$ 145,451	\$ 50,046	\$ 195,497
With the Public			
Payroll Taxes Payable	\$ 16,637	\$ -	\$ 16,637
Accrued Funded Payroll and Leave	605,726	-	605,726
Unfunded Leave	814,636	-	814,636
Total Public Other Liabilities	\$ 1,436,999	\$ -	\$ 1,436,999

NOTE 8. LEASES

Operating Leases

USOGE occupies office space under a lease agreement that is accounted for as an operating lease. The lease term is for a period of ten (10) years commencing on February 2, 2004 and ends February 1, 2014:

Fiscal Year	Totals
2013	1,431,042
2014	478,711
Total Future Payments	\$ 1,909,753

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 USOGE 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:

	2012	2011
Program Costs		
Intragovernmental Costs	\$ 5,168,336	\$ 4,515,155
Public Costs	9,372,082	10,045,150
Total Program Costs	14,540,418	14,560,305
Intragovernmental Earned Revenue	(491,925)	(17,353)
Public Earned Revenue	(13,786)	(466,505)
Net Program Costs	\$ 14,034,707	\$ 14,076,447

NOTE 10. IMPUTED FINANCING SOURCES

USOGE 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 year ended September 30, 2012 and 2011, imputed financing was as follows:

	2012	2011
Office of Personnel Management	\$ 609,584	\$ 640,930
Total Imputed Financing Sources	\$ 609,584	\$ 640,930

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

The President's Budget that will include fiscal year 2012 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2013 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2013 Budget of the United States Government, with the "Actual" column completed for 2011, 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 2012 and 2011 consisted of the following:

	2012	2011
Direct Obligations, Category A	\$ 13,563,869	\$ 14,645,869
Reimbursable Obligations, Category A	493,240	576,570
Total Obligations Incurred	\$ 14,057,109	\$ 15,222,439

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2012 and 2011, budgetary resources obligated for undelivered orders amounted to \$890,934 and \$1,104,049, respectively.

NOTE 14. CUSTODIAL ACTIVITY

USOGE's custodial collection primarily consists of excess fees related to its national conference. While these collections are considered custodial, they are neither primary to the mission of USOGE nor material to the overall financial statements. USOGE's total custodial collections are \$(663) and \$57,306 for the years ended September 30, 2012, and 2011, respectively.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2012	2011
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 14,057,109	\$ 15,222,439
Spending Authority From Offsetting Collections and Recoveries	(547,891)	(1,288,783)
Net Obligations	13,509,218	13,933,656
Other Resources		
Imputed Financing From Costs Absorbed By Others	609,584	640,930
Net Other Resources Used to Finance Activities	609,584	640,930
Total Resources Used to Finance Activities	14,118,802	14,574,586
Resources Used to Finance Items Not Part of the Net Cost of Operations	(110,168)	(584,770)
Total Resources Used to Finance the Net Cost of Operations	14,008,634	13,989,816
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	26,073	86,631
Net Cost of Operations	\$ 14,034,707	\$ 14,076,447