

ANNUAL

FINANCIAL REPORT

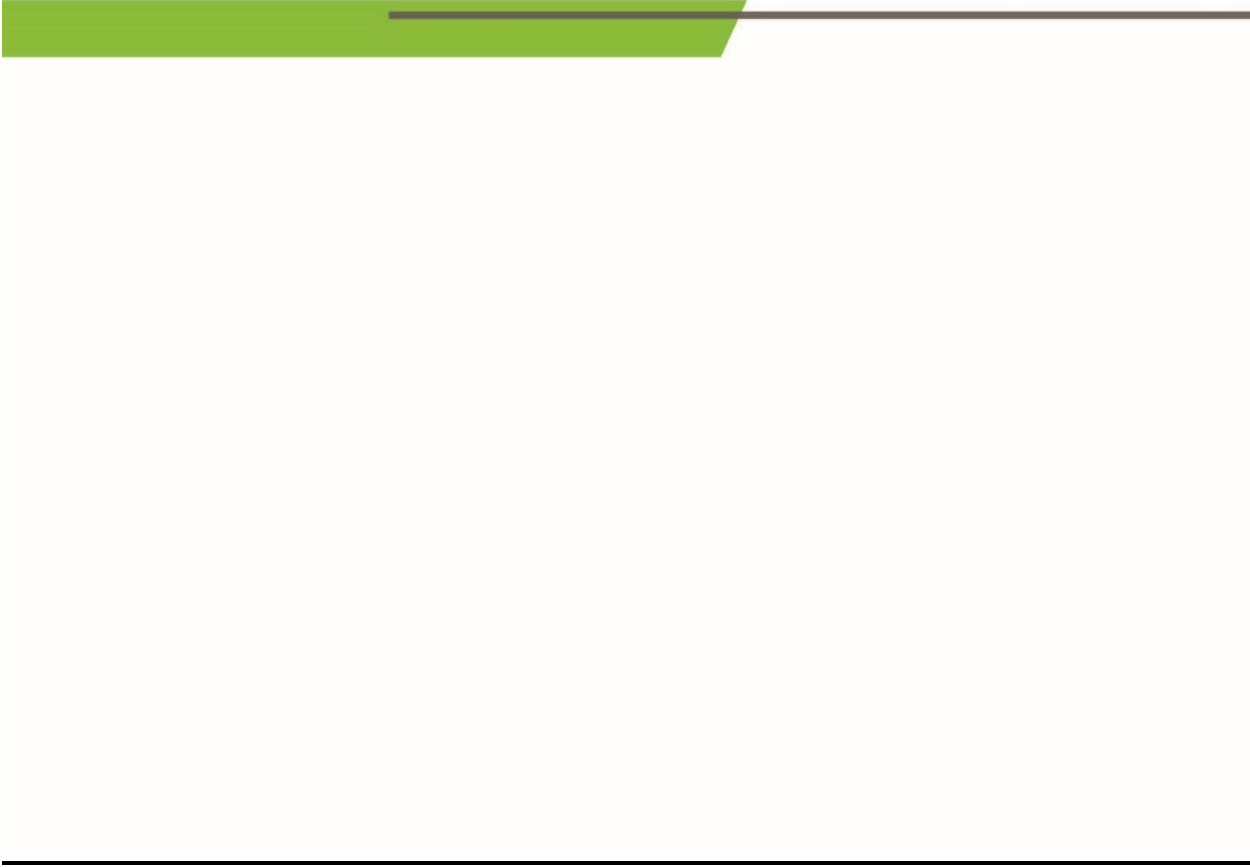


OGE | 20
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MISSION

PROVIDE OVERALL LEADERSHIP AND
OVERSIGHT OF THE EXECUTIVE BRANCH
ETHICS PROGRAM DESIGNED TO PREVENT
AND RESOLVE CONFLICTS OF INTEREST



UNITED STATES OFFICE OF
GOVERNMENT ETHICS



November 15, 2018

The Honorable John M. Mulvaney
Director
Office of Management and Budget
725 17th Street, NW
Washington, D.C. 20503

Dear Director Mulvaney:

I am pleased to transmit to you the Annual Financial Report (AFR) for the U.S. Office of Government Ethics (OGE) for fiscal year 2018. The AFR includes OGE's Management Discussion and Analysis of Results and OGE's Management Assurances and Audited Financial Statements.

OGE management is responsible for establishing and maintaining effective internal controls over financial reporting, safeguarding of assets, and complying with applicable laws and regulations. In accordance with OMB guidance, I have determined to the best of my knowledge and belief that the performance and financial data included in this report are complete and reliable. OGE has received an unqualified opinion on its financial statements as of September 30, 2018, and the auditors found no material weaknesses related to OGE's compliance in internal controls over financial reporting.

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

Sincerely,

A handwritten signature in blue ink that reads "Emory Rounds".

Emory A. Rounds, III
Director



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Part I – Management Discussion and Analysis

This section provides a brief description of the U.S. Office of Government Ethics' (OGE) mission and organizational structure, a high-level discussion of OGE's key performance goals, and an analysis of OGE's financial statements and stewardship.¹

Mission Statement and Background

The U.S. Office of Government Ethics (OGE), established by the Ethics in Government Act of 1978, provides overall leadership and oversight of the executive branch ethics program, which is designed to prevent and resolve conflicts of interest. OGE's mission is part of the very foundation of public service. The first principle in the Fourteen General Principles of Ethical Conduct for Government Officers and Employees is "Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws and ethical principles above private gain."

As the statutorily established supervising ethics office for the executive branch, OGE ensures that the ethics program remains an effective prevention mechanism to guard against conflicts of interest and violations of ethical standards. OGE works to prevent corruption in the federal executive branch in partnership with officials across government and civil society. Each day, some part of the ethics program is at work in every agency in the executive branch. The program ensures that Presidential appointees are aware of their ethical obligations and role in creating an ethical culture in their organizations as they begin government service. It ensures that public servants at all levels remain free from conflicts of interest and even the appearance of conflicts of interest, as they carry out the responsibilities the American people have entrusted to them. It ensures that employees who are seeking to leave the government avoid conflicts of interest and, after they leave, it ensures that they do not exercise undue influence over their former agencies on behalf of others. Above all, the Program works to protect the public's trust in government.

To carry out its vital leadership and oversight responsibilities for the executive branch ethics program, OGE:

- promulgates, maintains, and advises on enforceable standards of ethical conduct for the nearly 3 million employees in over 130 executive branch agencies, including the White House;
- oversees a financial disclosure system that reaches more than 26,000 public and more than 380,000 confidential financial disclosure report filers;
- ensures that executive branch agency ethics programs are in compliance with applicable ethics laws and regulations;

¹ OGE has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) in lieu of a Performance and Accountability Report. OGE will provide more detailed information regarding its performance goals and results in its fiscal year 2018 APR, which OGE will post on its [website](#) by the spring of 2019.

- offers education and training to the more than 5,000 ethics officials executive branchwide;
- conducts outreach to the general public, the private sector, and non-governmental organizations; and
- provides technical assistance to Congress; state, local, and foreign governments; associations; and international organizations.

OGE's greatest resource is its multidisciplinary staff of attorneys, ethics and financial experts, and other key personnel. OGE is a lean organization, operating at



*The Program Counsel also serves as the Chief of Staff and is the designated First Assistant

Figure 3: OGE Organizational Chart

fewer than its 80 authorized full-time equivalents (FTE). OGE is led by a Director who is appointed to a 5-year term by the President and confirmed by the Senate. As shown in the organizational chart in Figure 1, in addition to the Office of the Director, OGE is divided into

Figure 1: OGE Organizational Chart

four divisions that work together to carry out OGE's mission.

Performance Highlights

The public can have greater confidence in the integrity of executive branch programs and operations when government decisions are made free from conflicts of interest. OGE's four strategic goals for fiscal years 2018 through 2022 – uniformity, accountability, continuity, and engagement – reflect the long-term outcomes that OGE strives to achieve in order to prevent and resolve conflicts of interest. See Figure 2.

The daily work of OGE is driven by the strategic objectives and performance goals established under each of the overall strategic goals set forth below. In fiscal year 2018, OGE met or exceeded each of its performance goals.

Below are performance highlights from each of OGE's major programs that support OGE's strategic goals.



Figure 2: Strategic Goals and Objectives Framework

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

Advancing a strong, uniform ethics program is important because of the way that the executive branch ethics program is structured. Note above, OGE supervises a program that spans over 130 agencies and 2 million employees. Thus, it is essential that the ethics program have uniform standards that OGE can administer across all agencies. To achieve this significant goal, OGE provides expert guidance and support to stakeholders both within and outside government; strengthens the expertise of officials who are integral to the executive branch ethics programs through education and on-demand support; and continuously refines ethics policy and issues interpretive guidance.

OGE provides necessary support to agency ethics officials so they can provide uniform and effective ethics guidance to more than 2 million federal employees in the executive branch who serve the American people. OGE provides timely, expert advice on applying ethics laws and regulations, and disseminates up-to-date ethics information ethics practitioners need to do their jobs effectively. OGE's Desk Officers assist agencies in resolving difficult ethics issues requiring expertise that only the supervising ethics office can provide. In fiscal year 2018, OGE Desk Officers and attorneys responded to approximately 1600 requests for assistance from agencies. Desk Officers also proactively engaged with agency ethics offices through in-person meetings to provide expertise and support, and to raise awareness of the range and availability of OGE's services. On several occasions, OGE Desk Officers met with new ethics officials to provide an overview of the requirements of the ethics program and to introduce them to the services provided by OGE. Ninety-five percent of survey respondents indicated that Desk Officers helped them to perform their job duties.

In addition to assisting executive branch ethics officials, OGE responded to requests for assistance from other key stakeholders, including Congress. OGE serves as the legislative liaison on behalf of the entire executive branch ethics program. OGE works to build congressional understanding of the executive branch ethics program and to inform congressional oversight and revisions to ethics laws. Notably, OGE responded to 12 complex inquiries from Members of Congress and provided 86 telephone consultations in response to requests for technical assistance on draft legislation and on a wide variety of executive branch ethics issues. OGE also provided briefings, upon request, to staffers from 10 Senate committees.

OGE continued to support agencies' use of *Integrity*, OGE's executive branchwide electronic public financial disclosure filing system. Use of the system expanded to more than 15,000 filers currently using the system and continued to be fully adopted for filing by the highest-level executive branch officials. OGE continued to provide necessary help desk services and user resources, including written online tools, and live orientations and training.

In addition, OGE provides ethics training to ethics officials across the executive branch, which is essential to ensuring uniformity in the application of ethics laws and

policy. In fiscal year 2018, OGE offered a wide array of educational offerings to ensure that ethics officials had access to the expertise and tools needed to do their jobs. OGE maintained a high number of training registrations and created training products that were viewed on-demand more than 11,000 times during fiscal year 2018. OGE's training was rated as highly effective: ninety-four percent of ethics officials reported that they better understand the subject matter presented and ninety-one percent believe they can more effectively perform their jobs as a result of attending courses offered by OGE.

In fiscal year 2018, OGE provided four one-day orientation sessions to new Designated Agency Ethics Officials (DAEO) and Alternate Designated Agency Ethics Officials (ADAEO) to introduce them to their roles and responsibilities as ethics program leaders and advocates. Approximately forty-one newly appointed DAEOs and ADAEOs participated in the program. As a follow-on to the orientations, OGE conducted nine critical in-person trainings for new DAEOs and ADAEOs, with an intensive curriculum in ethics. The trainings consisted of nine half-day sessions covering conflicts of interest, impartiality, PAS nominee processing, gifts from outside sources, travel and related benefits, and outside activities. Approximately twenty-one officials participated in these training sessions.

OGE's Institute for Ethics in Government (IEG) learning portal was successfully launched in fiscal year 2018 and made publicly available on OGE's website. Through its portal, the IEG announces courses and facilitated course registration for ethics officials, makes available on-demand learning tools, and shares research findings to help ethics officials perform their duties more effectively. The IEG learning portal is an efficient way for agency ethics officials to obtain the educational materials that are most pertinent to their particular needs. OGE makes available all of the video and audio recordings of its distance-learning events as well as the informational slide decks, job aids, and reference materials created to support those events. OGE frequently encourages ethics officials to use these on-demand courses and materials to train their own staffs and agency employees.

Ethical culture begins with ethical leadership throughout an organization. In fiscal year 2018, OGE sought more opportunities to engage agency leaders on the importance of ethics and to sensitize federal managers to ethics issues. OGE engaged with senior leadership directly and indirectly through its external communications, its involvement in nominee financial disclosure reports and ethics agreements, its publications, and its education program. For example, OGE sent a memorandum to agency heads about the importance of ethical leadership and highlighted examples of "Leadership in Action" on its Twitter account. OGE also published a director's note titled "Keeping Our Oath," calling on executive branch employees to uphold their oaths of office and earn the public's trust. Through ongoing research and partnerships with others, OGE discovered and shared tools and tactics for leaders to use to effectively communicate the ethical expectations for their organizations.

In fiscal year 2018, OGE published a final rule amending its regulations that govern executive branch financial disclosure, qualified trusts, and certificates of

divestiture, found at 5 C.F.R. part 2634. The final rule incorporated the reporting requirements imposed by the Stop Trading on Congressional Knowledge (STOCK) Act and updated the definition of “widely diversified” for excepted investment fund purposes. The rule also made changes to the confidential financial disclosure filing requirements, added and updated examples, and ensured that the language of the regulation conformed more closely to the Ethics in Government Act.

In addition to providing day-to-day assistance through the Desk Officer program, OGE issued 16 legal and program advisories to disseminate critical information to the executive branch ethics community and to promote uniform interpretation of ethics laws, regulations, and policies. Advisories are an integral component of the body of interpretive and programmatic guidance that executive branch ethics officials rely on daily. OGE issued advice on emerging ethics issues and in response to agency ethics officials on specific questions from employees. A survey of executive branch ethics officials found that ninety-six percent of respondents reported that OGE’s advisories help them perform their job duties.

Strategic Goal 2: Hold the executive branch accountable for carrying out an effective ethics program

OGE not only supports the ethics officials who carry out the program executive branchwide, it also ensures that agencies have effective ethics programs. OGE accomplishes this by monitoring agency compliance with executive branch ethics program requirements and monitoring senior leaders’ compliance with individual ethics commitments. In performing its oversight function, OGE ensures that executive branch agencies are held accountable for carrying out effective ethics programs. Through its program review, data collection, and financial disclosure review activities, OGE evaluates the processes and systems in place at the agency level to ensure consistent and successful ethics program management.

Through agency ethics program reviews — plenary, inspection, and follow-up reviews — OGE ensures consistent and sustainable agency ethics program compliance with established executive branch ethics laws, regulations and policies, and provides recommendations for meaningful program improvement. Program reviews include an examination of agency ethics program materials such as financial disclosure reports, documentation of ethics advice provided to employees, training records, and ethics agreement compliance tracking. In fiscal year 2018, OGE conducted 28 program reviews and published a total of 38 program review reports. OGE also conducted 37 follow-up reviews and published 22 related reports. In fiscal year 2018, OGE issued 134 recommendations as a result of its program reviews. In cases in which OGE identified a program weakness during a program review, OGE exceeded its target for the percent of program reviews conducted during the fiscal year.

OGE also helps ensure that senior officials remain free from conflicts of interest by timely reviewing the public new entrant, annual, termination, and transaction financial disclosure reports of executive branch leaders appointed by the President and confirmed

by the Senate (PAS), as well as other reports filed by Designated Agency Ethics Officials (DAEOs) and certain White House officials. In fiscal year 2018, OGE reviewed approximately 1,450 public financial disclosure reports. OGE exceeded its target of completing reviews of public financial disclosure reports required to be submitted to OGE within 60 days of receipt.

OGE continued working to ensure that executive branch leaders appointed by the President and confirmed by the Senate (PAS) remain free of conflicts of interest after taking office. OGE does this by identifying and resolving potential conflicts of interest on the part of PAS nominees and by establishing written ethics agreements with them prior to confirmation. OGE then monitors PAS ethics agreement compliance through the collection and review of documentation provided by agency ethics officials. These Certifications of Ethics Agreement Compliance require appointees to attest to their ethics agreement compliance. OGE continued the practice of posting these certifications on its website. In fiscal year 2018, 379 PAS appointees were required to document timely compliance with their ethics agreements. Agency ethics officials reported that ninety-four percent of these appointees complied with their ethics agreements within the required time frame.

OGE assesses agency ethics program compliance through the Annual Agency Ethics Program Questionnaire (Annual Questionnaire). Through the Annual Questionnaire, OGE collects ethics program data from each of the more than 130 executive branch agencies. Agency responses to the Annual Questionnaire give OGE a snapshot view of each agency's ethics program and ensure that each agency does a year-end assessment of its own ethics program. Notably, 100 percent of agencies complied with the requirement to submit their ethics program data. In fiscal year 2018, OGE continued to share key highlights from its Annual Questionnaire with ethics officials and the public by posting on its website a report summarizing highlights and trends ascertained from collected data, as well as each agency's responses to the Annual Questionnaire. This allows the public to have insight into individual agency ethics programs and allows agencies to share model practices.

Accountability of the executive branch ethics program also includes monitoring enforcement activities conducted by other agencies. Agencies are required to concurrently notify OGE's Director when any matter involving a potential violation by an executive branch employee of 18 U.S.C. §§ 202-209 is referred for investigation or prosecution. Agencies use OGE Form 202 (Notification of Conflict of Interest Referral) to submit these notifications and information regarding the disposition of the matter. OGE tracks and follows up on conflicts of interest referrals to the Department of Justice to ensure that agencies are considering disciplinary or other corrective action in the event of declinations of prosecution.

Strategic Goal 3: Contribute to the continuity of senior leadership in the executive branch

OGE contributes to the continuity of senior leadership in the executive branch by preparing for a Presidential transition and providing assistance to the President and the Senate in the Presidential appointment process.

In fiscal year 2018, OGE participated as a member of working groups focused on how to prepare and improve future transitions. In addition, OGE began to review and update key resources such as the Nominee Ethics Guide, the Transition Guide, the Ethics Agreement Guide, and the Public Financial Disclosure Guide.

In fiscal year 2018, OGE continued to use a substantial portion of its staff to analyze and resolve potential conflicts of interest of the highest-level incoming executive branch leaders. OGE's review of nominees' disclosures presented a critical opportunity to evaluate nominees' financial interests for potential conflicts of interest and introduced top leaders to the importance of ethical leadership. OGE's staff approached this function from the perspective of managing risk. To that end, OGE required nominees to reduce the potential for conflicts as an initial matter, and prescribed mechanisms for addressing conflicts of interest if issues arose. In evaluating potential risks, OGE consulted with agency ethics officials who were familiar with their agencies' programs and activities. Based on these consultations, OGE and agency ethics officials would prepare an ethics agreement that described the steps a particular nominee would take to avoid conflicts of interest. After confirming with the agency that there were no unresolved conflicts of interest, OGE transmitted the review package, consisting of the financial disclosure form and ethics agreement, directly to the Senate following a Presidential nomination. In addition, OGE continued providing agency ethics officials with guidance and instruction to improve their review of financial disclosure reports.

The following are key highlights of OGE's nominee financial disclosure work in fiscal year 2018:

- OGE reviewed the reports of nominees for approximately 46 percent of the total PAS positions.
- OGE cleared 93 percent of the PAS nominee reports it received.

Strategic Goal 4: Engage the public in overseeing government integrity

OGE's prevention mission involves informing the public about the systems in place to detect and resolve conflicts of interest of their government leaders. This allows the public to engage in overseeing the integrity of its government. OGE accomplishes this by describing its missions, programs and work, and by making ethics information publicly available.

There are a number of external demands for information from OGE reflecting increased public interest in OGE's work. For example, OGE processed requests from the

public, news media, and government to inspect approximately 4,800 documents under the Ethics in Government Act, including public financial disclosure reports, periodic transaction reports, certificates of divestiture, and other covered records.

Individuals and organizations also continue to seek information from OGE through the Freedom of Information Act (FOIA). In fiscal year 2018, OGE continued to grapple with a backlog of FOIA requests due to a 400 percent increase in FOIA requests in fiscal year 2017. In addition, OGE continued to receive a higher than average number of new FOIA requests in fiscal year 2018. OGE also received requests for assistance from other stakeholders, including 1,600 requests from private citizens.

OGE continued to use its website as its primary tool for communicating with external stakeholders and building confidence in the systems designed to detect and resolve conflicts of interest in the federal executive branch. OGE added a significant number of new ethics documents of interest to the public and streamlined the process for accessing ethics information. In addition to its website, OGE continued to successfully use social media to broaden its reach to key external stakeholders. OGE created content to help citizens understand the structure of the ethics program, learn how to access various ethics documents, and contribute to government accountability. For example, in recognition of Sunshine Week, OGE published a series of Twitter threads with illustrations and instructions for accessing information on its website, including financial disclosure reports, conflict of interest waivers, and documents that OGE has released under the Freedom of Information Act.

OGE also continued to engage with professional organizations, good government, and interagency groups to discuss emerging ethics issues and trends, share model practices, develop sound ethics policies, and combine resources to more effectively ensure that government decisions are made for the benefit of the public and not for private gain. This included providing support to the international community. In fiscal year 2018, OGE briefed 28 foreign delegations comprising 390 individuals representing 170 countries.

All of these interactions increased OGE's ability to reach the public to promote further understanding of the executive branch ethics program and its role in ensuring government integrity.

Management Objectives: Sustain a strong culture of performance; strengthen organizational compliance and fiscal stewardship; and continuously enhance OGE's information systems and processes

OGE devotes significant resources toward sustaining a strong culture of performance; strengthening organizational compliance and fiscal stewardship; and continuously enhancing OGE's information systems and processes. These efforts are critical to OGE achieving its mission-focused strategic objectives. OGE accomplishes this by focusing on employee development, refining its administrative practices and

policies, and ensuring secure and efficient operations of its information technology systems.

OGE is committed to meeting its employees' professional development needs by providing significant education and training opportunities and support through the dedication of time and resources. In fiscal year 2018, OGE continued its use of a unique professional development program called the Employee Development Plan (EDP) process, which results in the achievement of measurable professional development targets annually for staff at all levels.

OGE strives for excellence by continuously reviewing and refining its strategies and processes for achieving its mission. As part of this effort, OGE continues to review and standardize its procedures and to implement new technological solutions to increase efficiency and effectiveness. Notably, in fiscal year 2018, OGE enhanced its financial disclosure tracking system to increase the efficiency of processing certificates of divestiture and waiver consultations.

In addition, in fiscal year 2018, OGE developed or updated 15 standard operating procedures that reduce risk, create efficiency, and ensure continuity of operation. For example, OGE improved numerous standard operating procedures related to processing certificate of divestiture requests by the public. OGE also improved several internal procedures related to equipment, managing controlled unclassified information, as well as processing and tracking nominee financial disclosure.

OGE maintains a strong, secure IT infrastructure, which is necessary to allow the agency to conduct its mission-critical work every day. OGE upgraded this infrastructure to mitigate the risk of potential failure, to address evolving technology, and to prevent security breaches. As potential security threats against automated systems grow and become more complex, OGE remained proactive to ensure that any threats are reduced and mitigated, if not eliminated. In fiscal year 2018, OGE completed a full life-cycle replacement of its information technology equipment as well as enhanced its network security. This crucial effort included upgrades to OGE's network infrastructure, laptops, and related peripherals and software, as well as tripling internet bandwidth to facilitate enhanced productivity. All of these services, including the equipment and software, were necessary for the security and efficiency of OGE's ongoing daily operations.

Fiscal year 2018 was a time of significant demand for *Integrity* due to the continuation of the Presidential transition. As a result, OGE focused on ensuring high quality system operations and support for *Integrity* for the heavy use by new, incoming PAS nominees, many of whom had extremely complex financial disclosure filings. The system assisted filers in reporting information more easily and more accurately. OGE also continued to provide a high level of support for agency administrators and reviewers through its Help Desk services and online tools, including a comprehensive online user guide and on-demand video tutorials, as well as regular biweekly *Integrity* webinars during the annual filing season. In its annual user survey, 95 percent of agency

administrators who responded ranked the *Integrity* support provided by OGE as very satisfactory or satisfactory.

While OGE's focus for *Integrity* remained primarily on steady-state operations, bug-fixing, and targeted enhancements, in March 2018 OGE launched the *Integrity* Advisory Council to seek input from agencies that use the system. Composed of representatives from agencies with a large *Integrity* user community, the Council is tasked with making recommendations to OGE about desired changes. Through this feedback, OGE is able to consider the views of the user community in determining how best to use available resources for *Integrity* enhancements. In order to increase speed and system efficiency, OGE planned and undertook a significant server upgrade for the latter part of the fiscal year.

Conclusion

The above performance highlights demonstrate that through targeted strategies and careful tasking of its small, cross-functional staff, OGE has been successful in achieving its strategic goals and accomplishing its mission. As noted at the beginning of the Management Analysis and Discussion section on page 4, OGE will provide more detailed information regarding its performance goals and results in its fiscal year 2018 Annual Performance Report (APR).

Forward Looking Information

Numerous external factors shape OGE's operating environment. Understanding their influence is essential for mitigating risk and achieving performance goals. For example, prior to and immediately after a Presidential election, regardless of the outcome, OGE experiences a particularly large and varied workload, requiring it to shift resources to support the Administration in the Senate confirmation process. OGE must balance its vital role in ensuring that Presidential nominees for civilian positions requiring Senate confirmation are free of conflicts of interest with its mission-critical work that is not directly related to a transition. In addition, in fiscal year 2018, OGE and the executive branch ethics program continued to experience an increase in stakeholder interest and the resulting workload. OGE's *2018-2022 Strategic Plan* and subsequent *Annual Performance Plans* respond to these factors by prioritizing work accordingly.

Analysis of Financial Statements and Stewardship

In fiscal year 2018, OGE continued to display sound financial stewardship by maximizing the use of existing resources, evaluating and refining internal processes, and updating and strengthening our Information Technology infrastructure, while refreshing and revitalizing our strategic goals during a time of increased public and Congressional scrutiny. In fiscal year 2018, OGE used its funds responsibly to successfully achieve its priorities, objectives, and goals. OGE made significant strides by advancing a strong, uniform executive branch ethics program; holding the executive branch accountable for carrying out an effective ethics program; contributing to the continuity of senior

leadership in the executive branch; engaging the public in overseeing government integrity; and, advancing its management objectives while continuing to focus on providing and improving OGE's expert guidance and support to stakeholders by promoting consistent interpretation and application of ethics laws and regulations across the executive branch.

OGE continued to support agencies' use of *Integrity*, OGE's executive branchwide electronic public financial disclosure filing system used by more than 23,000 users (comprising filers, administrators, and reviewers) by providing centralized help desk services and user resources, such as written and online tools, to address user questions to ensure consistency and uniformity. OGE formed the *Integrity* Advisory Council to seek input from the user community on suggested modifications to the system and both developed and made plans to develop some of the requested features and changes.

OGE responded to over 200 external requests for government ethics expertise from a variety of external stakeholders with substantive advice and analysis. OGE worked extensively with the White House and executive branch agencies to ensure that the President's nominees complied with the extensive financial disclosure requirements under the Ethics in Government Act. OGE developed and/or redesigned numerous internal applications that streamlined workflows for agency programs, made data more retrievable, enhanced management practices, and strengthened compliance activities critical to agency operations. OGE maintained a strong FOIA program after experiencing a significant increase in the volume of FOIA requests received, driven in part by the public's interest in government ethics issues. OGE effectively used its fiscal year 2018 resources to support the agency's important mission of providing leadership and oversight of the executive branch ethics program – a program designed to enable executive branch employees to conduct government business impartially by preventing and resolving conflicts of interest.

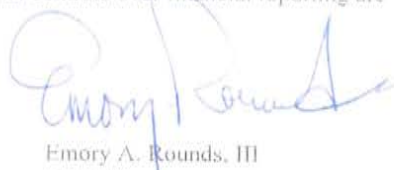
In summary, OGE used its budget resources responsibly to pursue its mission and to meet or exceed its stated strategic goals and objectives.

Part II - Management Assurances

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

OGE's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). OGE conducted its assessment in compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. After a thorough review of the results, and to the best of my knowledge and belief, OGE can provide reasonable assurance that its internal controls over the effectiveness and efficiency of operations were in compliance with applicable laws and regulations as of September 30, 2018. No material weaknesses were found in the design or operations of the internal controls.

OGE relies on the U.S. Department of Treasury, Bureau of Fiscal Service (BFS), a shared service provider, for its accounting and financial systems and to meet its financial reporting requirements. OGE has no in-house financial systems but rather uses systems hosted/provided by BFS. OGE uses Oracle Financials which we consider to be a reliable and effective financial system. OGE obtains the Statement on Standards for Attestation Engagements No. 16 from BFS and reviews the statement to assist in assessing internal controls over OGE's financial reporting. After a thorough review of the results, OGE has not discovered any significant issues or deviations in its financial reporting during fiscal year 2018. Therefore, OGE concludes that the internal controls over financial reporting are sufficiently strong.



Emory A. Rounds, III
Director
U.S. Office of Government Ethics

Part III – Financial Statements and Independent Auditor’s Report

Limitations of the Financial Statements

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



BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

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

In our audits of the fiscal years 2018 and 2017 financial statements of the U.S. Office of Government Ethics (OGE), we found

- OGE's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

In accordance with our contract, we have audited OGE's financial statements. OGE's financial statements comprise the balance sheets as of September 30, 2018, and 2017; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

OGE's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, OGE's financial statements present fairly, in all material respects, OGE's financial position as of September 30, 2018, and 2017, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

OGE's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on OGE's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of OGE's financial statements, we considered OGE's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to OGE's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

OGE's management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of OGE's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the OGE's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OGE's internal control over financial reporting. Accordingly, we do not express an opinion on OGE's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of OGE's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of OGE's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the OGE's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of OGE's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

OGE's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to OGE.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to OGE that have a direct effect on the determination of material amounts and disclosures in OGE's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to OGE.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to OGE. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Brown & Company

Largo, Maryland
October 31, 2018



UNITED STATES OFFICE OF GOVERNMENT ETHICS NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U. S. Office of Government Ethics (OGE), established by the Ethics in Government Act of 1978, provides overall leadership and oversight of the executive branch ethics program designed to prevent and resolve conflicts of interest. OGE's mission is part of the very foundation of public service. The first principle in the Fourteen Principles of Ethical Conduct for Government Officers and Employees is "public service is a public trust, requiring employees to place loyalty to the Constitution, the laws and ethical principles above private gain." Public servants are expected to make impartial decisions based on the interests of the public when performing their job duties. OGE, in concert with agency ethics practitioners throughout the executive branch, ensures that employees fulfill this great trust.

To carry out its leadership and oversight responsibilities, OGE promulgates and maintains enforceable standards of ethical conduct for approximately 2.7 million employees in over 130 executive branch agencies and the White House; oversees a financial disclosure systems that reaches more than 26,000 public and more than 380,000 confidential financial disclosure report filers; ensures that executive branch agency ethics programs are in compliance with applicable ethics laws and regulations; provides education and training to the approximately 4,500 ethics officials executive branch-wide; conducts outreach to the general public, the private sector, and civil society; and provides technical assistance to state, local, and foreign governments and international organizations.

OGE's greatest resource is its multidisciplinary staff of attorney, ethics and finance experts, and support personnel. OGE is a lean organization, operating at fewer than its 80 authorized full-time equivalents, and accomplishes its responsibilities by organizing cross-functional teams to perform such diverse tasks as working with Presidential nominees for appointments requiring Senate confirmation to resolve potential financial conflicts of interest, training executive branch ethics officials, and conducting oversight of executive branch ethics programs. OGE is led by a Director who is appointed to a five-year term by the President and confirmed by the Senate.

OGE's General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees, and other miscellaneous receipts for services and benefits.

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

B. Basis of Presentation

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

follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from, and are fully supported by, the books and records of OGE in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and OGE accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control OGE's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

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

D. Fund Balance with Treasury

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

The OGE does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury.

E. Accounts Receivable

Accounts receivable consists of amounts owed to OGE by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. OGE's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	9
Office Furniture	5
Computer Equipment	3
Office Equipment	5
Software	5

G. Advances and Prepaid Charges

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

H. Liabilities

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

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

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

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, 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. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

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 the OGE employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the OGE terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

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

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

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

OGE recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to OGE for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. OGE recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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

responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

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

M. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

N. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. OGE recognized imputed costs and financing sources in fiscal years 2018 and 2017 to the extent directed by accounting standards.

O. Reclassification

Certain fiscal year 2017 balances have been reclassified, retitled, or combined with other

financial statement line items for consistency
with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 65,161	\$ 120,480
Unavailable	199,803	507,950
Obligated Balance Not Yet Disbursed	3,547,244	2,241,081
Total	\$ 3,812,208	\$ 2,869,511

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

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

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

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

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
With the Public		
Accounts Receivable	\$ 1,351	\$ -
Total Accounts Receivable	\$ 1,351	\$ -

The accounts receivable is primarily made up of employee receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2018 and 2017.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2018

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 57,406	\$ 31,892	\$ 25,514
Furniture & Equipment	349,603	266,908	82,695
Software	5,866,030	4,531,415	1,334,615
Total	\$ 6,273,039	\$ 4,830,215	\$ 1,442,824

Schedule of Property, Equipment, and Software as of September 30, 2017

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 57,406	\$ 25,515	\$ 31,891
Furniture & Equipment	239,343	230,183	9,160
Software	5,866,030	3,358,208	2,507,822
Total	\$ 6,162,779	\$ 3,613,906	\$ 2,548,873

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for OGE as of September 30, 2018 and 2017, 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.

	2018	2017
Intragovernmental – FECA	\$ 90,579	\$ 89,002
Intragovernmental – Unemployment Insurance	4,877	-
Unfunded Leave	681,109	688,287
Actuarial FECA	494,694	305,711
Total Liabilities Not Covered by Budgetary Resources	\$ 1,271,259	\$ 1,083,000
Total Liabilities Covered by Budgetary Resources	1,433,668	690,127
Total Liabilities	\$ 2,704,927	\$ 1,773,127

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

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

NOTE 6. ACTUARIAL FECA LIABILITY

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

OGE bases its estimate for FECA actuarial liability on the DOL's FECA model. The DOL method of determining the liability uses historical benefits payment patterns for a specific incurred period to predict the ultimate payments for the period. Based on the information provided by the DOL, OGE’s liability as of September 30, 2018 and 2017, was \$494,694 and \$305,711, respectively.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2018 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 9,396	\$ 81,183	\$ 90,579
Unemployment Insurance Liability	4,877	-	4,877
Payroll Taxes Payable	92,638	-	92,638
Total Intragovernmental Other Liabilities	\$ 106,911	\$ 81,183	\$ 188,094
With the Public			
Payroll Taxes Payable	\$ 13,913	\$ -	\$ 13,913
Accrued Funded Pay roll and Leave	469,408	-	469,408
Unfunded Leave	681,109	-	681,109
Other Liability	105	-	105
Total Public Other Liabilities	\$ 1,164,535	\$ -	\$ 1,164,535

Other liabilities account balances as of September 30, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 10,040	\$ 78,962	\$ 89,002
Payroll Taxes Payable	90,682	-	90,682
Total Intragovernmental Other Liabilities	\$ 100,722	\$ 78,962	\$ 179,684
With the Public			
Payroll Taxes Payable	\$ 20,372	\$ -	\$ 20,372
Accrued Funded Payroll and Leave	450,309	-	450,309
Unfunded Leave	688,287	-	688,287
Other Liability	205	-	205
Total Public Other Liabilities	\$ 1,159,173	\$ -	\$ 1,159,173

NOTE 8. LEASES

Operating Leases

OGE occupies office space under a lease agreement that is accounted for as an operating lease. The lease term begins on February 2, 2014 and expires on February 1, 2024. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2018 and 2017 were \$1,289,306 and \$1,322,100, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Office Space
2019	\$ 1,345,253
2020	1,361,495
2021	1,378,225
2022	1,395,456
2023	1,413,205
Thereafter	448,933
Total Future Payments	\$ 7,342,567

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

NOTE 9. CONTINGENT LIABILITIES

OGE did not have any material contingent liabilities that met disclosure requirements as of September 30, 2018 and 2017.

NOTE 10. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2018 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2019 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2019 Budget of the United States Government, with the "Actual" column completed for 2017, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

FY2017	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$ 17,000,000	\$ 16,000,000	\$ 16,000,000
Difference - Due to Rounding	(1,000,000)	-	-
Budget of the U.S. Government	\$ 16,000,000	\$ 16,000,000	\$ 16,000,000

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2018 and 2017 consisted of the following:

	2018	2017
Direct Obligations, Category A	\$ 16,716,146	\$ 16,104,378
Reimbursable Obligations, Category A	2,670	2,973
Total Obligations Incurred	\$ 16,718,816	\$ 16,107,351

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 12. IMPUTED FINANCING SOURCES

OGE recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2018 and 2017, respectively, imputed financing was as follows:

	2018	2017
Office of Personnel Management	\$ 568,460	\$ 383,364
Total Imputed Financing Sources	\$ 568,460	\$ 383,364

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2018, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	\$ 1,843,860	\$ 269,715	\$ 2,113,575
Total Undelivered Orders	\$ 1,843,860	\$ 269,715	\$ 2,113,575

As of September 30, 2017, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	\$ 1,137,998	\$ 412,957	\$ 1,550,955
Total Undelivered Orders	\$ 1,137,998	\$ 412,957	\$ 1,550,955

NOTE 14. CUSTODIAL ACTIVITY

OGE's custodial collection primarily consists of late fees, and abandoned property fees. While these collections are considered custodial, they are neither primary to the mission of OGE nor material to the overall financial statements. OGE's total custodial collections are \$438 and \$0 for the years ended September 30, 2018, and 2017, respectively.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2018	2017
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 16,718,816	\$ 16,107,351
Spending Authority From Offsetting Collections and Recoveries	(50,500)	(88,641)
Net Obligations	16,668,316	16,018,710
Other Resources		
Imputed Financing From Costs Absorbed By Others	568,460	383,364
Net Other Resources Used to Finance Activities	568,460	383,364
Total Resources Used to Finance Activities	17,236,776	16,402,074
Resources Used to Finance Items Not Part of the Net Cost of Operations	(680,058)	(1,652,798)
Total Resources Used to Finance the Net Cost of Operations	16,556,718	14,749,276
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	1,410,394	1,335,753
Net Cost of Operations	\$ 17,967,112	\$ 16,085,029

Part IV – Other Information

Fraud Reduction Report

OGE is a small agency with fewer than 70 employees. While the potential for fraud exists in any organization and level, OGE has taken the necessary steps to eliminate or significantly reduce fraud by implementing financial and administrative internal controls to monitor the potential risk. These controls include but are not limited to a separation of duties and responsibilities of actionable personnel so that no one person has complete control over a financial action. At least three distinct levels of administrative review occur within OGE, along with several additional checks of the action by our financial shared service provider (FSSP). Routine reports on payroll, beneficiary payments, contracts, and purchase and travel cards are run and evaluated by multiple personnel at both the FSSP and agency level. All purchases are approved at supervisory level, validated by the Budget Officer and cross-referenced by budgetary personnel at the FSSP. Receipt of procured items is obtained by employee signature and verified by an approving official outside the procurement action chain. Payment invoices are verified by the Contracting Officer's Representative, the Budget Officer, and again at the FSSP level. Audits of Government Purchase Card transactions are conducted annually by FSSP auditors to ensure compliance and use of proper procedures. OGE continues to monitor and evaluate implemented internal controls on an annual basis, constantly seeking improved methods and accountability to guard against potential fraudulent practices.

Grants Oversight & New Efficiency (GONE) Act Requirements

OGE does not administer any Grants/Cooperative Agreements and therefore does not have any information to report for this section.

Civil Monetary Penalty Adjustment for Inflation

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (via statute or regulation)	Current Penalty Level (\$ Amount or Range)	Sub-Agency/Bureau/Unit	Location for Penalty Update Details
Ethics in Government Act of 1978 as amended	5 CFR 2634.702(a) - Breaches by trust fiduciaries and interested parties; 2634.703 - Misuse of public reports; and 2636.104(a) - Civil, disciplinary and other action	1978	2018	\$19,639.00	U.S. Office of Government Ethics	Federal Register (January 2018): 83 FR 2329-2331. https://www.federalregister.gov/documents/2018/01/17/2018-00688/civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations
Ethics in Government Act of 1978 as amended	5 CFR 2634.702(b) - Breaches by trust fiduciaries and interested parties	1978	2018	\$9,819.00	U.S. Office of Government Ethics	Federal Register (January 2018): 83 FR 2329-2331. https://www.federalregister.gov/documents/2018/01/17/2018-00688/civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations
Ethics in Government Act of 1978 as amended	5 CFR 2634.701(b) - Failure to file or falsifying reports	1978	2018	\$59,028.00	U.S. Office of Government Ethics	Federal Register (January 2018): 83 FR 2329-2331. https://www.federalregister.gov/documents/2018/01/17/2018-00688/civil-monetary-penalties-inflation-adjustments-for-ethics-in-government-act-violations