



Fiscal Year 2012

Agency Financial Report



Chairperson's Message

The Council of the Inspectors General on Integrity and Efficiency (CIGIE or Council) was established by the Inspector General Reform Act of 2008. Currently, composed of 73 Federal Inspectors General (IGs) and 6 integrity-related senior officials, CIGIE's mandated mission is to address integrity, economy, and effectiveness issues that transcend individual Government agencies, and to increase the professionalism and effectiveness of the inspector general community.

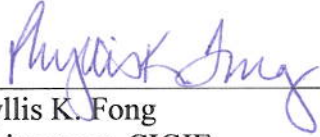
In this Agency Financial Report (AFR), we discuss CIGIE's fiscal year (FY) 2012 accomplishments in carrying out its mission and performance plan goals; provide the independent auditor's reports regarding CIGIE's financial statements as of September 30, 2012; and highlight the work of CIGIE's Executive Council, seven standing committees, and individual members on cross-cutting issues affecting Federal departments, agencies, and Offices of Inspector General.

The financial audit was performed by Martin and Wall, A Division of Chortek & Gottschalk, LLP, Washington, DC. CIGIE is pleased to report that Martin and Wall found that CIGIE's financial statements present fairly the financial position of CIGIE, that there were no internal control deficiencies over financial reporting considered to be material, and that there were no reportable instances of noncompliance with laws or regulations governing CIGIE's financial management systems.

Martin and Wall's opinion letters and audited CIGIE financial statements and notes to the financial statements are included in this AFR. Further information related to the Council's assurance as to the accuracy and reliability of the financial and performance data presented in this report may be found under the Management Statement of Assurance on page 11.

In FY 2012, our work has been strengthened by the efforts of leaders in the IG community; CIGIE's colleagues in the Office of Management and Budget; Congress; the Government Accountability Office; other Federal agencies, and law enforcement and professional organizations; and private-sector supporters who share a dedication to helping improve Government programs by ensuring accountability, efficiency, and oversight.

In particular, we sincerely thank the more than 14,700 members of the inspector general community for the work they do every day to ensure the effectiveness and integrity of Federal programs that affect the lives of all Americans.



Phyllis K. Fong
Chairperson, CIGIE

NOV 15 2012

Date

Table of Contents

	<u>Page</u>
Management Discussion and Analysis	4
Management Statement of Assurance.....	11
Financial Section.....	12
Other Accompanying Information	13
Appendix – Financial Statements & Independent Auditor’s Report	16



Management Discussion and Analysis Fiscal Year 2012

The Council of the Inspectors General on Integrity and Efficiency's Mission and Organization

Mission: The mission of the Council of the Inspectors General on Integrity and Efficiency (CIGIE or the Council) is to address integrity, economy, and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Offices of Inspectors General.

Organization: The Council is made up of 73 individual Inspectors General (IGs) from both the Executive and Legislative branches and 6 integrity-related senior officials: the Deputy Director for Management (DDM), Office of Management and Budget (OMB); the Deputy Director, Office of Personnel Management; the Special Counsel, Office of the Special Counsel; the Assistant Director of the Criminal Investigative Division, Federal Bureau of Investigation (FBI); the Director, Office of Government Ethics; and the Controller of the Office of Federal Financial Management, OMB. The Honorable Jeffrey Zients, DDM, OMB, is the Executive Chairperson of the Council. The Council is led by the elected Chairperson, Phyllis K. Fong, IG, U.S. Department of Agriculture; the Vice Chairperson, Carl A. Clinefelter, IG, Farm Credit Administration; and the other members of the Executive Council (see the below table).

Executive Council	
Phyllis K. Fong, Department of Agriculture	Chairperson
Carl A. Clinefelter, Farm Credit Administration	Vice Chairperson
Jon T. Rymer, Federal Deposit Insurance Corporation	Audit Committee Chair
Rebecca A. Batts, Pension Benefit Guaranty Corporation	Information Technology Committee Chair
Kathy A. Buller, Peace Corps	Inspection and Evaluation Committee Co-Chair
Daniel R. Levinson, Department of Health and Human Services	Inspection and Evaluation Committee Co-Chair
Carl W. Hoecker, U.S. Capitol Police	Investigations Committee Chair
Peggy E. Gustafson, Small Business Administration	Legislation Committee Chair
Mary L. Kendall, Department of the Interior (Acting IG)	Professional Development Committee Chair
Lynne A. McFarland, Federal Election Commission	At-Large Member
Gregory H. Friedman, Department of Energy	Past Vice Chair, President's Council on Integrity and Efficiency

Performance Goals, Objectives and Results

During the fiscal year, the Council approved its annual performance plan to guide its activities for the year. The performance plan is associated with CIGIE's five-year Strategic Plan and tracks to the goals, objectives, and performance measures associated with the Strategic Plan. CIGIE's performance plan sets out three major business goals and supporting objectives. These goals are: 1) deliver timely, relevant products that identify and address cross-government vulnerabilities, opportunities for improvements, and best practices; 2) promote and improve professional development for the IG community; and 3) improve CIGIE capacity to carry out its mission and vision. The following information reflects CIGIE's accomplishments during FY 2012 under each of these goals.

Goal 1: Deliver timely, relevant products that identify and address cross-government vulnerabilities, opportunities for improvements, and best practices.

CIGIE commissioned four cross-cutting studies during FY 2012 as follows:

- Summary Report on Improper Payment Work of the Inspectors General – The Audit Committee led a study in which a report was compiled of the IG's work associated with improper payments since the enactment of the Improper Payments Elimination and Recovery Act of 2010. This initial report includes a summary of the work of those OIGs whose agencies were designated by the Office of Management and Budget as having high-priority programs. Based on this report, the Council has initiated a subsequent follow up study which should be issued in FY 2013. The first report was issued August 2012.
- Education Guides on Critical Issues in New Media – CIGIE established a standing working group on new media (working group). The working group is studying and compiling information in order to develop and issue educational guides on critical issues identified. The guides will be available as a resource to both the IG community and the Federal community and their purpose is to assist organizations as they prepare to implement new media resources, as well as inform them of potential issues that may arise.
- Guidance in Conducting Oversight of Agencies' Cyber Security Programs – Through a survey of Council members, the Information Technology Committee's Cyber Security Working Group is developing a high level non-binding audit guide that will be available for use by OIGs to conduct cyber and IT security related reviews. The reviews associated with the guide are expected to assist in protecting agency IT systems against cyber threats and vulnerabilities the Nation faces daily.
- Over Classification Act Reporting Requirements – In late fiscal year 2012, CIGIE established a working group to advise and compile a community-wide report of IG work associated with the Reducing Over-Classification Act of 2010. This report will include a summary of the work of those OIGs whose agencies have classification authority.

Additionally, CIGIE is consulting with the CFO Council on the implementation of the payment recapture audit provisions of the Improper Payments Elimination and Recovery Act of 2010.

Goal 2: Promote and improve professional development for the IG community.

In FY 2012, CIGIE continued its efforts in providing quality training to the IG community and has finalized its annual training plans for FY 2013. In order to ensure its training programs remain at the highest quality and relevant, CIGIE has implemented a robust training evaluation process. The evaluations received to date reflect a 97 percent positive score from participants. Additionally, in an effort to build upon its successes in this area, CIGIE has prepared a three-year business plan that is expected to be finalized in the next few months. Once the business plan is finalized, the Training Institute will put forth the necessary efforts to implement.

CIGIE also took steps to further staff the Training Institute through the employ of two additional reimbursable detailees assigned to the Audit, Inspection and Evaluation Academy. The Training Institute currently has 12 staff and detailees who provide the necessary support to operate the Training Institute and work towards fully establishing the Institute.

CIGIE focused much of its efforts to provide leadership and management courses that were well received by the OIG community. These courses were designed both to sharpen experienced managers' skills and to equip new and future leaders with the vital tools they need to become effective public administrators. Drawing from historical lessons learned as well as current challenges facing today's leaders, 15 courses were attended by 350 OIG professionals from over 53 different OIGs.

In FY 2012, CIGIE also organized four 2-week introductory audit courses, training over 120 entering auditors from OIGs throughout the Government. These 2-week courses offered instruction on topics ranging from government auditing standards to writing skills. Additionally, CIGIE offered three courses to IG members' inspections and evaluations personnel, and two Government Auditing Standards courses. These courses provided both a unified training structure for the OIG community and a cost-effective means to prepare new staff for their professional responsibilities.

CIGIE is also providing training so that the Inspector General Investigator workforce acquires and strengthens its skill set. To accomplish this, in FY 2012, the IG Criminal Investigator Academy delivered basic, refresher, and advanced training courses along with more specialized instruction, such as the Public Corruption Investigations Training Program. In total, the academy taught over 720 students representing nearly every Federal OIG, in addition to agents from State and local entities.

Additionally, in FY 2012 the Training Institute was responsible for coordinating training sessions for OIG legal counsels on the specialized legal framework applicable to statutory OIGs and the unique challenges facing new OIG lawyers, and three specialized training courses to the OIG community's human resources personnel to assist them in performing self-assessments of their operations with the goal of increasing the efficiency and effectiveness of their operations.

In the future, CIGIE plans to make training widely available and synchronized with the professional needs of its member organizations by creating a variety of courses including instructor led, web-based, and blended learning courses. CIGIE's goal is to create a gateway to responsive, high-quality, cost effective, state-of-the-art, specialized training that can satisfy the IG community's needs today and in the future.

Goal 3: Improve CIGIE capacity to carry out its mission and vision.

In FY 2012, CIGIE worked towards updating the Quality Standards for Inspections and Evaluations and the Quality Standards for Inspectors General. A comprehensive review of these quality standards was performed. Based on these reviews several updates and modifications were conducted to reflect current practices and requirements for both standards. The Quality Standards for Inspections and Evaluations was revised and issued in January 2012 and the revised Quality Standards for Inspectors General are expected to be issued in the fall of 2012. Additionally, CIGIE's peer review program guides for both Audit and Investigations were reviewed to ensure that they are current, relevant, and appropriately set out an evaluative plan to adequately assess OIG operations in these professional areas.

Further, CIGIE has established various working groups of specialists and practitioners within the OIG community to exchange information on effective practices in the areas of their specialty. Examples of these workgroups include: a new media workgroup and a reducing over-classification workgroup. These workgroups will assist in the sharing of information across the OIG community that will contribute to further advancing effective operations.

CIGIE is also working towards developing mechanisms to help facilitate the provision of professional and technical services, such as legal services, information technology services, and human resource management services to OIGs in need of such services. These mechanisms are expected to be in place in the fall of 2012.

CIGIE has put together a team to assess the content and design of its website to develop a redesign plan that is intended to make it more user friendly through better organized content and more intuitive navigation to enhance the ability of the user to find information on the website. The redesign plan was completed in September 2012 and implementation of the plan will begin in FY 2013.

In its second year of staff operations, CIGIE performed a review to determine if the initial staffing plan met operational requirements. A newly prepared staffing plan was completed in March 2012 and work towards implementing the plan began at that time. The plan included additional staffing for the Audit, Inspections and Evaluations academy, for which CIGIE has employed two reimbursable detailees from the IG community, the addition of an administrative assistant position for the IG Criminal Investigator Academy, and the addition of an administrative assistant for CIGIE's operations. CIGIE also researched and developed individual development plan procedures that will assist in enhancing the staff's knowledge, skills, and abilities.

CIGIE continues to efficiently administer its financial resources as reflected through its FY 2011 Financial Statement audit, in which it received an unqualified opinion. The auditors made a few recommendations to further improve CIGIE operations; CIGIE concurred and subsequently updated its financial procedures to address the recommendations in March 2012.

Additionally, CIGIE has developed a working plan to establish effective CIGIE communications and outreach to its stakeholders. This communication and outreach is intended to better inform CIGIE's stakeholders of its accomplishments, activities, and planned work.

In addition, to CIGIE's above efforts, it met all of its statutory responsibilities, to include:

- Coordinating OIG activities Governmentwide to identify and produce cross-cutting studies that mitigate common vulnerabilities and increase economy, efficiency, and effectiveness;
- Increasing the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in establishing a well-trained and highly-skilled OIG workforce;
- Maintaining public and business websites for the benefit of the public, stakeholders, and the OIG community;
- Preparing and transmitting the *Annual Progress Report to the President*;
- Responding to inquiries from the public and stakeholders about CIGIE and OIG activities, including complaints and allegations against IGs;
- Administering peer review programs that assess OIG compliance with professional standards; and
- Recommending individuals to the appointing authority when IG vacancies occur.

Analysis of CIGIE's Financial Statements and Stewardship Information

CIGIE obtained its funding in FY 2012 from contributions of each of the IG members and a carryover of non-expended/non-obligated funds from FY 2011. In FY 2012, CIGIE operated under its established internal control and financial management systems to ensure accountability of these funds while continuing to build operations to support CIGIE and its mission. These funds are being used to: 1) continue creating the infrastructure necessary to fully support the activities of CIGIE; 2) providing educational and professional development programs to increase the professionalism and effectiveness of the IG community workforce; and 3) operating and managing CIGIE's website.

As of the close of FY 2012, CIGIE had obligated \$1,405,270 to continue building the necessary infrastructure to fully support these activities. Additionally, CIGIE had obligated \$4,176,358 to assist in providing the IG community with training in the areas of leadership, audit, inspections and evaluations, and investigations.

At the end of FY 2012, the gross obligations for CIGIE were \$5,581,628. Additionally, \$381,410 in unpaid obligations from FY 2011 were brought forward to FY 2012, of which \$193,080 were recovered. With these total obligations, CIGIE's gross outlays for FY 2012 amounted to \$4,860,798. The table below summarizes CIGIE's budgetary resource outlays and obligations and identifies our initial projections for FY 2012.

Summary of Budgetary Resources For the Year Ending September 30, 2012 (Amounts may be off by a dollar due to rounding.)

Funding:	
FY 2011 Carry Over Balance	\$ 6,986,861
Recoveries of Prior Year Obligations	\$ 196,080
Other Changes in Unobligated Balance	\$ 335,614
Income and Recovery ¹	\$ 9,506,554
Total Budgetary Resources	\$ 17,022,108
Status of Budgetary Resources:	
Obligations Incurred	
Reimbursable	\$ 5,581,628
Unobligated Balances	
Apportioned	\$ 2,766,512
Unobligated Balances – not available	\$ 8,673,968
Total Status of Budgetary Resources	\$ 17,022,108

¹ Income and Recovery includes OIG contributions, tuition received, and recovery of unused planned expenses from prior year.

CIGIE continues towards building its infrastructure. This required substantial involvement of and coordination with various governmental entities. Thus, several planned obligations for FY 2012 were not incurred and have been deferred to FY 2013.

Analysis of CIGIE's Systems, Controls, and Legal Compliance

The Certified Public Accounting firm of Martin and Wall, A Division of Chortek & Gottschalk, LLP, has reviewed the FY 2012 financial records and internal controls of the Council and submitted an unqualified audit opinion. This audit found no material internal control weaknesses in the Council's financial reporting.

The principal financial statements have been prepared to report the financial position and results of operations of CIGIE, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of CIGIE in accordance with GAAP 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.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

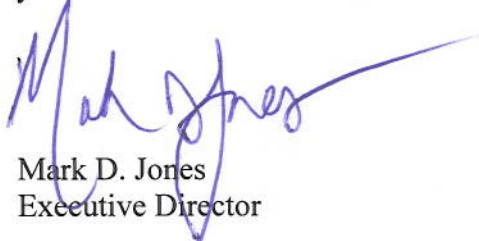
Management Statement of Assurance

CIGIE operated during Fiscal Year 2012 with 16 employees, inclusive of permanent and detailed employees. CIGIE acknowledges that it is management's responsibility to establish and maintain adequate Internal Controls over Financial Reporting. Although, CIGIE had developed financial policies and procedures in FY 2010 to ensure internal controls were established to meet the objectives of OMB Circular A-123, *Management's Responsibility for Internal Control*, Martin and Wall found three significant deficiencies through its audit of the CIGIE FY 2011 financial statement. The deficiencies were with the recording of advances and prepayments, revenue recognition, and accrued expenses and accounts payable. The findings were discovered for the years FY 2010 and FY 2011.

CIGIE has taken the necessary steps to address the above findings through the issuance of additional internal controls that included the development of written accounting policies and procedures to assist in ensuring that future transactions of these types are properly recorded. These policies and procedures were developed and implemented during FY 2012. Thus, CIGIE can provide with reasonable assurance that its accounting systems and internal controls comply with the provisions of OMB Circular A-123 and the objectives of the Federal Managers' Financial Integrity Act (FMFIA).

CIGIE uses the financial services of the General Services Administration's Office of Chief Financial Services (GSA/OCFO). Based on the results of the evaluation of GSA/OCFO financial systems and controls documented in its Statements on Standards for Attestation Engagements 16 report, CIGIE can provide reasonable assurance that the internal controls over GSA/OCFO's financial reporting were operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Additionally, CIGIE can provide reasonable assurance that GSA/OCFO's financial management systems meet the objectives of FMFIA.

CIGIE is committed to diligently correcting the audit weaknesses found through its financial statement audit and will be implementing the recommendations presented by Martin and Wall. This AFR provides timely information for CIGIE's stakeholders and the public to better understand CIGIE's program and operations. As always, CIGIE is committed to continuing its efforts in bettering its internal controls and maintaining an unqualified audit opinion in future years.



Mark D. Jones
Executive Director

Financial Section

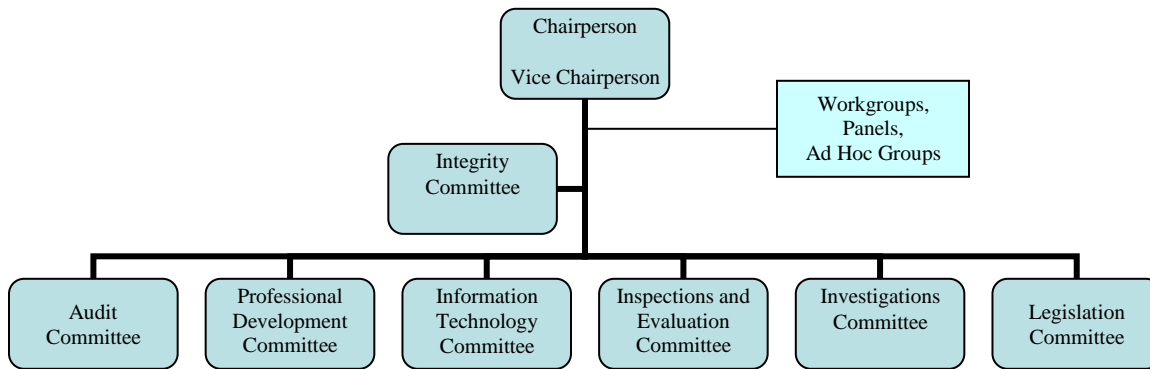
The CIGIE obtained its funding of \$12,440,123 in FY 2012 from contributions of each of the IG members and a carryover of non-expended/non-obligated funds from FY 2011. These monies are used to fulfill its mission of: 1) addressing integrity, economy, and effectiveness issues that transcend individual Government agencies; and 2) increasing the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Offices of Inspectors General. Management's responsibility includes ensuring there is accountability as to how these monies are being used. In working towards accomplishing this task, CIGIE supplemented financial control procedures to address deficiencies identified through CIGIE's 2011 financial audit – the recording of advances and prepayments, revenue recognition, and accrued expenses and accounts payable – to ensure continued efficient and effective financial operations. Further, CIGIE procured the services of GSA/OCFO to employ the full range of financial and accounting services for CIGIE.

CIGIE has engaged the services of independent external auditors to review our financial records and related information concerning the effectiveness of our internal controls and our compliance with OMB guidance and the laws and regulations that govern CIGIE. The Certified Public Accounting firm of Martin and Wall, A Division of Chortek & Gottschalk, LLP, has conducted the audit and provided an unqualified opinion and found no material weaknesses in our internal controls or financial management. The audit determined that all material aspects of our financial statements conform to U.S. generally accepted accounting principles and that CIGIE operated in compliance with selected provisions of laws and regulations.

Other Accompanying Information

CIGIE Committees

CIGIE consists of seven (7) standing committees, six (6) of which represent the functional responsibilities with the IG community. The seventh, the Integrity Committee, is a statutory committee established by the IG Reform Act of 2008 that serves as an independent and objective investigative mechanism for addressing allegations of misconduct against IGs and or their staff members. The following organizational chart represents the Council's organizational structure.



Committees

Audit Committee

The Audit Committee provides leadership to and serves as a resource for the Federal IG audit community. Sponsors and coordinates audits that address multi-agency or Government-wide issues, maintains professional standards for OIG audit activities, and administers the audit peer review program. Provides input to the CIGIE Professional Development Committee and the Training Institute on the training and the development needs of the CIGIE audit community, and advice to the Chairperson, Vice Chairperson, and Executive Director regarding CIGIE's contracts for audit services.

Professional Development Committee

The Professional Development Committee provides educational opportunities, through the Training Institute, for members of the IG community and ensures the development of competent personnel. Receives input from the Audit, Investigations, and Inspections and Evaluation Committees on the training and the development needs of the CIGIE community. Seeks opportunities to improve training methods, enhance the development of OIG staff, and establish training to meet continuing educational requirements.

Information Technology Committee

The Information Technology Committee facilitates effective OIG information technology (IT) audits, evaluations, reviews, and investigations, and provides a vehicle for expressing the IG community's perspective on Government-wide IT operations.

Inspection and Evaluation Committee

The Inspection and Evaluation Committee provides leadership for the CIGIE inspection and evaluation community's effort to improve agency program effectiveness by maintaining professional standards; leading the development of protocols for reviewing management issues that cut across departments and agencies; promoting the use of advanced program evaluation techniques; and fostering awareness of evaluation and inspection practice in OIGs. The Committee provides input to the CIGIE Professional Development Committee and the Training Institute on the training and the development needs of the CIGIE inspection and evaluation community.

Investigations Committee

The Investigations Committee contributes to improvements in program integrity, efficiency, and cost effectiveness government-wide by providing analysis of investigative issues common to federal agencies. Provides the CIGIE community with guidance, support, and assistance in conducting high quality investigations. Provides input to the CIGIE Professional Development Committee and the Training Institute on the training and the development needs of the CIGIE investigations community. Actively engages the Assistant Inspector General for Investigations Committee to assist in carrying out the Investigations Committee's goals and strategies.

Legislation Committee

The Legislation Committee ensures that CIGIE is kept abreast of matters in the Congressional arena that are of interest to the IG community. Develops, coordinates, and represents the official IG community positions on legislative issues.

Integrity Committee

The Integrity Committee is required by the IG Act and is chaired by the FBI official serving on the Executive Council. The committee consists of four CIGIE member IGs appointed by the Council Chairperson for four-year terms. In addition, the Special Counsel of the Office of Special Counsel and the Director of the Office of Government Ethics are members. The Chief of the Public Integrity Section of the Criminal Division of the Department of Justice, or designee, serves as legal adviser. In conjunction with the Council Chairperson, the Integrity Committee develops its own policies and procedures, which are submitted to the congressional committees of jurisdiction.

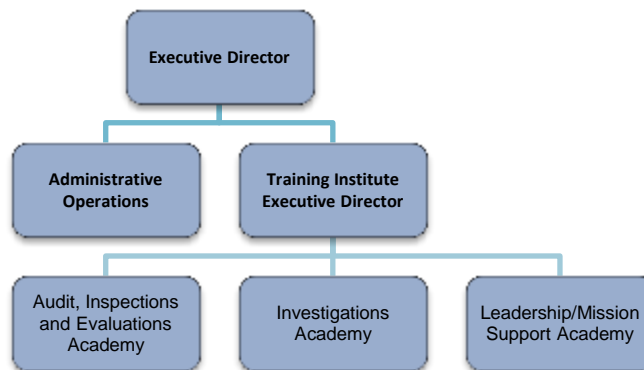
In addition to these seven standing committees, there are several councils, panels, roundtables, and work groups that are discipline-specific within the IG community or function under the auspices of CIGIE or the standing committees. A few examples of these and their purposes are

- Federal Audit Executive Council (FAEC) – A council under CIGIE established to discuss and coordinate issues affecting the Federal audit community with special emphasis on audit policy and operations of common interest to CIGIE members.
- IG Candidate Recommendations Panel – A panel under CIGIE which, as required by the IG Act, maintains and submits to appointing officials recommendations of individuals for vacant IG positions.
- Misconduct in Research Working Group - The general mission of the working group is to assess the role of IGs in investigating allegations of research misconduct and to recommend, as appropriate, guidance for such investigations.

- Inspection and Evaluation Roundtable – A roundtable that provides support to the Inspection and Evaluation Committee on a myriad of issues pertinent to the inspection and evaluation function with the IG community.
- Suspension and Debarment Working Group – This working group under the Investigations Committee is focused on finding ways to protect taxpayer dollars through expanded and more effective use of suspension and debarment remedies.
- Council of Counsels to the Inspectors General (CCIG) – Comprised of counsels to IGs, this council discusses issues of common interest generally of a legal nature within the IG community.
- Homeland Security Roundtable - This roundtable operates under the auspices of CIGIE. Its mission is to support the IG community by sharing information, identifying best practices, and participating on an ad hoc basis with various external organizations and governmental entities with respect to homeland security activities.

Staff

The Council maintains its own permanent staff for which the Chairperson provides oversight. Council staff is responsible for supporting the activities of the Council, including, but not limited to, preparing minutes of all Council meetings, drafting Council reports such as the annual report, administering the peer review activity, maintaining the Council’s website and archives, maintaining a Training Institute for the professional training of OIG personnel, and additional functions. Below represents the Council’s staff organizational structure.



Appendix

Financial Statements &

Martin and Wall, A Division of Chortek & Gottschalk, LLP

Independent Auditor's Report



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2012 & 2011

COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor’s Report	1 - 4
Financial Statements	
Balance Sheets	5
Statements of Net Cost	6
Statements of Changes in Net Position.....	7 - 8
Statements of Budgetary Resources.....	9
Notes to Financial Statements	10 - 16
Appendix A: Comments on Draft Audit Report	



Independent Auditor's Report

Council Chair, Audit Committee and Executive Director
Council of the Inspectors General on Integrity and Efficiency
Washington, DC

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting audits of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). We have audited the accompanying balance sheets of the Council of the Inspectors General on Integrity and Efficiency 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.

The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered the Council of the Inspectors General on Integrity and Efficiency's internal control over financial reporting and tested the Council of the Inspectors General on Integrity and Efficiency's compliance with selected provisions of applicable laws and regulations that could have a direct and material effect on these financial statements.

Summary

In our audits of the Council of the Inspectors General on Integrity and Efficiency for the fiscal year ended September 30, 2012 and 2011, we found:

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting (including safeguarding assets);
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss our opinion on the Council's financial statements; our consideration of the Council's internal controls over financial reporting; our tests of the Council's compliance with certain provisions of applicable laws, regulations, contracts and grant agreements; and management's and our responsibilities.

Opinion on Financial Statements

We have audited the accompanying balance sheets of the Council of the Inspectors General on Integrity and Efficiency 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.



In our opinion, the financial statements referred to above, including the accompanying notes, present fairly, in all material respects, the financial position of the Council of the Inspectors General on Integrity and Efficiency, 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 U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements, revised*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information and analysis of the consistency with the financial statements. However, we did not audit the information and express no opinion on it. The Performance and Accountability Report, except for Management's Discussion and Analysis, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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, fraud, or noncompliance in amounts that would be material to the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above. We noted certain additional matters that we reported to the Council's management addressing internal control matters not considered to be material weaknesses or significant deficiencies.

Compliance and Other Matters

The results of our tests of compliance as described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.



Responsibilities

Management Responsibilities: Council of the Inspectors General on Integrity and Efficiency's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing and maintaining effective internal control, (3) complying with laws, regulations, contracts and agreements applicable to the Council.

Auditor's Responsibilities: Our responsibility is to express an opinion on the fiscal years 2012 and 2011 financial statements of the Council of the Inspectors General on Integrity and Efficiency based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council of the Inspectors General on Integrity and Efficiency's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management;
- Evaluating the overall financial statement presentation;
- Obtaining an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- Considering the design of the process for evaluating and reporting on internal control;
- Testing compliance with selected provisions of laws, regulations, contracts and agreements applicable to the Council that could have a direct and material effect on the financial statements.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal years 2012 and 2011 audits, we considered the Council of the Inspectors General on Integrity and Efficiency's internal control over financial reporting by obtaining an understanding of the Council's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

As part of obtaining reasonable assurance about whether the Council of the Inspectors General on Integrity and Efficiency's fiscal years 2012 and 2011 financial statements are free of material misstatement, we performed tests of the Council's compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain



provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Council. However, providing an opinion on compliance with laws, regulations, contracts and agreements was not an objective of our audits, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Agency Comments and Our Evaluation

In commenting on a draft of this report (see Appendix A), the Council of the Inspectors General on Integrity and Efficiency concurred with the facts and conclusions in our report.

Use and Distribution of Report

This report is intended solely for the information and use of the Council of the Inspectors General on Integrity and Efficiency's management and Council members, the U.S. Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Charter & Sattahy, LLP

Washington, DC
November 09, 2012

**COUNCIL OF THE INSPECTORS GENERAL
ON INTEGRITY AND EFFICIENCY**

**BALANCE SHEETS
As Of September 30, 2012 and 2011**

		2012	2011
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 11,653,528	\$ 7,247,730
Accounts Receivable	(Note 3)	696,113	120,541
Other	(Note 4)	90,482	77,895
Total Intragovernmental		12,440,123	7,446,166
With The Public:			
Accounts Receivable, net	(Note 3)	1,790	-
General Property, Plant and Equipment	(Note 5)	156,559	187,560
Other	(Note 4)	-	1,885
		158,349	189,445
Total Assets		\$ 12,598,473	\$ 7,635,611
 Liabilities:			
(Note 6)			
Intragovernmental:			
Accounts Payable		\$ 472,278	\$ 92,250
Other	(Note 7)	4,699	2,685
Total Intragovernmental		476,976	94,934
With The Public:			
Accounts Payable		38,290	66,432
Other	(Note 7)	155,385	145,614
Total Liabilities		670,651	306,980
 Net Position:			
Cumulative Results of Operations - Other Funds		11,927,821	7,328,631
Total Net Position		11,927,821	7,328,631
 Total Liabilities and Net Position		\$ 12,598,473	\$ 7,635,611

*Amounts may be off by a dollar due to rounding.

**COUNCIL OF THE INSPECTORS GENERAL
ON INTEGRITY AND EFFICIENCY**
STATEMENTS OF NET COST
For The Years Ended September 30, 2012 and 2011

		2012	2011
Program Costs:			
Program A:			
Gross Costs	(Note 8)	\$ 5,224,212	\$ 3,232,521
Less: Earned Revenue		1,250,569	-
Net Program Costs		3,973,644	3,232,521
Net Cost of Operations		\$ 3,973,644	\$ 3,232,521

*Amounts may be off by a dollar due to rounding.

**COUNCIL OF THE INSPECTORS GENERAL
ON INTEGRITY AND EFFICIENCY**
STATEMENTS OF CHANGES IN NET POSITION
For The Years Ended September 30, 2012 and 2011

	2012			
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$ -	\$ 7,328,631	\$ -	\$ 7,328,631
Budgetary Financing Sources:				
Transfers-In/Out Without Reimbursement	-	8,543,463	-	8,543,463
Other Financing Resources (Non-Exchange):				
Imputed Financing	-	29,371	-	29,371
Total Financing Sources	-	8,572,834	-	8,572,834
Net Cost of Operations (+/-)	-	3,973,644	-	3,973,644
Net Change	-	4,599,191	-	4,599,191
Cumulative Results of Operations	\$ -	\$ 11,927,821	\$ -	\$ 11,927,821
Net Position	\$ -	\$ 11,927,821	\$ -	\$ 11,927,821

*Amounts may be off by a dollar due to rounding.

**COUNCIL OF THE INSPECTORS GENERAL
ON INTEGRITY AND EFFICIENCY
STATEMENTS OF CHANGES IN NET POSITION
For The Years Ended September 30, 2012 and 2011**

	2011			
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$ -	\$ 7,444,967	\$ -	\$ 7,444,967
Budgetary Financing Sources:				
Transfers-In/Out Without Reimbursement	-	3,096,577	-	3,096,577
Other Financing Resources (Non-Exchange):				
Imputed Financing	-	19,608	-	19,608
Total Financing Sources	-	3,116,185	-	3,116,185
Net Cost of Operations (+/-)	-	3,232,521	-	3,232,521
Net Change	-	(116,336)	-	(116,336)
Cumulative Results of Operations	\$ -	\$ 7,328,631	\$ -	\$ 7,328,631
Net Position	\$ -	\$ 7,328,631	\$ -	\$ 7,328,631

*Amounts may be off by a dollar due to rounding.

**COUNCIL OF THE INSPECTORS GENERAL
ON INTEGRITY AND EFFICIENCY**

STATEMENTS OF BUDGETARY RESOURCES

For The Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 6,986,861	\$ 6,929,082
Recoveries of prior year unpaid obligations (unobligated balances)	193,080	13,495
Other changes in unobligated balance	335,614	-
Unobligated balance from prior year budget authority, net	<u>7,515,554</u>	<u>6,942,577</u>
Spending authority from offsetting collections	9,506,554	3,096,577
Total budgetary resources	<u><u>\$ 17,022,108</u></u>	<u><u>\$ 10,039,154</u></u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred	(Note 9) \$ 5,581,628	\$ 3,052,294
Apportioned	2,766,512	3,980,350
Unapportioned	8,673,968	3,006,511
Unobligated balance brought forward, end of year	<u>11,440,480</u>	<u>6,986,861</u>
Total budgetary resources	<u><u>\$ 17,022,108</u></u>	<u><u>\$ 10,039,154</u></u>
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 381,410	\$ 547,387
Uncollected customer payments from Federal sources, brought forward, October 1 (-)	(120,541)	(191,944)
Obligated balance, start of year (net),	<u>260,869</u>	<u>355,443</u>
Obligation incurred	5,581,628	3,052,294
Outlays (gross) (-)	(4,860,798)	(3,204,776)
Change in uncollected customer payments from Federal Sources (+ or -)	(575,572)	71,403
Recoveries of prior year unpaid obligations (-)	(193,080)	(13,495)
Unpaid obligations, end of year (gross)	(Note 10) 909,161	381,410
Uncollected customer payments from Federal sources, end of year (-)	(696,113)	(120,541)
Obligated balance, end of year (net)	<u><u>\$ 213,048</u></u>	<u><u>\$ 260,869</u></u>
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 9,506,554	\$ 3,096,577
Actual offsetting collections (discretionary and mandatory) (-)	(8,930,982)	(3,167,980)
Change in uncollected payments from Federal Sources (discretionary and mandatory) (+ or -)	(575,572)	71,403
Anticipated offsetting collections (discretionary and mandatory) (+ or -)	-	-
Budget authority, net (discretionary and mandatory)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Outlays, gross (discretionary and mandatory)	4,860,798	3,204,776
Actual offsetting collections (discretionary and mandatory) (-)	(8,930,982)	(3,167,980)
Outlays, net (discretionary and mandatory)	<u><u>\$ (4,070,184)</u></u>	<u><u>\$ 36,796</u></u>
Distributed offsetting receipts (-)	-	-
Agency outlays, net (discretionary and mandatory)	<u><u>\$ (4,070,184)</u></u>	<u><u>\$ 36,796</u></u>

*Amounts may be off by a dollar due to rounding.

COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

NOTES TO FINANCIAL STATEMENTS – SEPTEMBER 30, 2012 AND 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) was statutorily established as an independent entity within the executive branch by the "The Inspector General Reform Act of 2008," P.L. 110-409 to 1) address integrity, economy, and effectiveness issues that transcend individual Government agencies, and 2) increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General.

Basis of Presentation

These financial statements have been prepared from the accounting records of the CIGIE in accordance with Generally Accepted Accounting Principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular A - 136. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Council (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants.

OMB Circular A – 136 requires agencies to prepare financial statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The Balance Sheet presents, as of September 30, 2012, amounts of future economic benefits owned or managed by CIGIE (assets), amounts owed by CIGIE (liabilities), and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within CIGIE and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular A - 136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenues and Other Financing Sources

CIGIE is a revolving no year fund. In FY 2012, budgetary resources for CIGIE included multiple expenditure transfers in.

Accounts Receivable

Accounts receivable consist of amounts owed to CIGIE by other federal agencies and from the public. Accounts receivable are generally, with exception of occasional billing disputes, considered to be fully collectible.

Property and Equipment

Property and equipment are recorded at cost. The Council uses the straight-line method for recording depreciation and amortization expense for financial reporting purposes. The estimated life of property and equipment is generally 5 years for equipment and 7 years for leasehold improvements.

The cost of assets retired or sold and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations.

Assets and Liabilities

Intra-governmental assets and liabilities arise from transactions between the Council and other Federal entities.

Funds with the U.S. Treasury and investments in U.S. Treasury securities comprise the majority of assets on the Council's balance sheet. All other assets result from activity with non-federal sources.

Liabilities represent amounts that are likely to be paid by the Council as a result of transactions that have already occurred. The accounts payable portion of liabilities consists of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses received but not yet paid.

Liabilities covered by budgetary or other resources are those liabilities of the Council for which Congress has appropriated funds, or funding is otherwise available to pay amounts due.

Fund Balance with Treasury

The U.S. Department of the Treasury (Treasury) processes the Council's receipts and disbursements. Fund Balance with Treasury is the aggregate amount of the agency's accounts with Treasury for which the agency is authorized to liquidate obligations, pay funded liabilities, and make expenditures. The fund balance is increased through the positive non-expenditure transfers and other expenditure inflows of funds. The Fund Balance with Treasury is reduced through negative non-expenditure transfers, disbursements, and other expenditure cash outflows of funds.

Personnel Compensation and Benefits

Salaries and wages of employees are recognized as accrued payroll expenses and related liabilities as earned. These expenses are recognized as a funded liability when accrued. Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when employees use the leave. The amount accrued is based upon current pay rates for employees. Sick leave and other types of leave that are not vested are expensed when used and no future liability is recognized for these amounts.

The Council's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. The Council and its employees both contribute to these systems. Although the Council funds a portion of the benefits under CSRS and FERS and makes the necessary payroll withholdings, it does not report assets associated with these benefit plans in accordance with SFFAS 5.

For CSRS employees, the Council contributes an amount equal to 11.2% of the employees' basic pay to the plan. For FERS employees, the Council contributes an amount equal to 7% of the employees' basic pay to the plan.

Both CSRS employees and FERS employees are eligible to participate in the Thrift Savings Plan (TSP). The TSP is a defined contribution retirement plan intended to supplement the benefits provided under CSRS and FERS. For FERS employees, the Council contributes an amount equal to 1% of the employee's basic pay to the TSP and matches employee contributions up to an additional 4%. The first 3% of pay that the employee contributes will be matched dollar-for-dollar; the next 2% will be matched at 50 cents on the dollar. Contributions above 5% of the employees pay will not be matched. CSRS employees receive no matching contribution from the Council.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including the Council's employees. The Council has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and

the contributions made by the Council and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM.

Employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and the Council paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers the FEGLI program and is responsible for the reporting of related liabilities. Each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of basic life coverage. Because the Council's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Council has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

Contingencies

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimated). The Council recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and environmental suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

Net Position

Net position consists of cumulative results of operations.. The cumulative result of operations is comprised of the following: (1) the difference between revenues and expenses and (2) the net amount of transfers of assets in and out without reimbursement, all since the inception of the fund(s).

NOTE 2 – FUND BALANCE WITH TREASURY

All of CIGIE's fund balance with treasury is coming from transfers in during the period. No trust or other fund types are used to fund CIGIE's activities. CIGIE operates as a no-year fund, where the fund balance of the previous year is carried forward to the next year.

	<u>2012</u>	<u>2011</u>
A. Fund Balance with Treasury		
Revolving Fund	<u>\$ 11,653,528</u>	<u>\$ 7,247,730</u>
 B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	\$ 2,766,512	\$ 3,980,350
b) Unavailable	8,673,968	3,006,511
c) Unavailable - Accounts Receivable	(696,113)	(120,541)
2) Obligated Balance not yet Disbursed	<u>909,161</u>	<u>381,410</u>
Total	<u><u>\$ 11,653,528</u></u>	<u><u>\$ 7,247,730</u></u>

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts Receivable from federal sources represents the Accounts Receivable from federal Inspectors General and the Inspector General Criminal Investigator Academy. Accounts Receivable, Net from the public sources represents the Accounts Receivable from non-federal entities.

	<u>2012</u>	<u>2011</u>
Accounts Receivable - Public	\$ 1,790	\$ -
Accounts Receivable - Federal	696,113	120,541
	<u>\$ 697,903</u>	<u>\$ 120,541</u>

NOTE 4 – OTHER ASSETS

CIGIE has obligations that involve the advancement of funds for services to be provided in the future with Department of the Interior in fiscal year 2012.

	<u>2012</u>	<u>2011</u>
Intragovernmental - Other Assets	\$ 90,482	\$ 77,895
With The Public - Other Assets	-	1,885
Total Assets - Other	<u>\$ 90,482</u>	<u>\$ 79,780</u>

NOTE 5 – GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30, 2012, CIGIE shows Leasehold Improvements with a total cost of \$214,154 and a net book value of \$156,559 and Administrative Equipment with a total cost of \$17,704 and a net book value of \$0. The total Accumulated Depreciation to date shows a balance of \$75,298. As of September 30, 2011, CIGIE shows Leasehold Improvements with a total cost of \$214,154 and a net book value of \$187,560. The total Accumulated Depreciation as of that date shows a balance of \$26,593. The depreciation calculation method used is Straight Line with a useful life matching the remaining time on the lease contract or seven-years, whichever is less. A \$5,000 threshold is used to determine whether Leasehold Improvements are capitalized.

	<u>2012</u>	<u>Leasehold</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$	214,154	\$ 17,704	\$ 231,858
Accum. Depr.		(57,594)	(17,704)	(75,298)
Net Book Value	<u>\$</u>	<u>156,559</u> *	<u>\$ -</u>	<u>\$ 156,559</u>
	<u>2011</u>	<u>Leasehold</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$	214,154	\$ -	\$ 214,154
Accum. Depr.		(26,593)	-	(26,593)
Net Book Value	<u>\$</u>	<u>187,560</u> *	<u>\$ -</u> *	<u>\$ 187,560</u>

*Rounding

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of CIGIE are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2012, CIGIE showed liabilities covered by budgetary resources of \$530,097 and liabilities not covered by budgetary resources of \$140,554. As of September 30, 2011, CIGIE showed liabilities covered by budgetary resources of \$174,894 and liabilities not covered by budgetary resources of \$132,087.

As of September 30, 2012, liabilities covered by budgetary resources is composed of Accounts Payable \$510,568, Accrued Funded Payroll and Leave \$14,146, Employer Contributions and Payroll Taxes Payable \$3,703, and Advances to Others \$1,679. As of September 30, 2011, liabilities covered by budgetary resources is composed of Accounts Payable \$158,682, Accrued Funded Payroll and Leave \$12,893, and Employer Contributions and Payroll Taxes Payable \$3,318.

	<u>2012</u>	<u>2011</u>
With the Public		
Other (Unfunded leave liability)	140,554	132,087
Total liabilities not covered by budgetary resources	140,554	132,087
Total liabilities covered by budgetary resources	530,097 *	174,894 *
Total Liabilities	<u>\$670,651</u>	<u>\$306,980 *</u>

*Rounding

NOTE 7 – OTHER LIABILITIES

As of September 30, 2012, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$14,146, Unfunded Leave in the amount of \$140,554, and employer contributions and payroll taxes payable – TSP of \$684. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable \$3,019 and Advances to Others \$1,679. As of September 30, 2012, there were no other liabilities to report.

As of September 30, 2011, other liabilities with the public consist of non-current liabilities of Unfunded Leave in the amount of \$132,087 and current liabilities of Accrued Funded Payroll and Leave of \$12,893, and employer contributions and payroll taxes payable – TSP of \$634.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2012	Other Liabilities	\$ 140,554	\$ 14,830	\$ 155,385
2011	Other Liabilities	\$ 132,087	\$ 13,527	\$ 145,614

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2012	Other Liabilities	\$ -	\$ 4,699 *	\$ 4,699
2011	Other Liabilities	\$ -	\$ 2,685	\$ 2,685

*Rounding

NOTE 8 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs are goods/services purchased from a federal entity. All other costs are associated with non-federal sources. The Inspector General Criminal Investigator Academy (IGCIA) was transferred over to the Council during fiscal year 2012. Due to this transfer and the activity of the IGCIA, the Council now recognizes revenue due to the operations of the IGCIA.

	<u>2012</u>	<u>2011</u>
Program A		
Intragovernmental - Program A costs	\$ 3,313,417	\$ 1,505,736
Public - Program A costs	1,910,795	1,726,785
Total Program A costs	<u>5,224,212</u>	<u>3,232,521</u>
Intragovernmental earned revenue	(1,236,661)	-
Public earned revenue	(13,908)	-
Total Program A earned revenue	<u>(1,250,569)</u>	<u>-</u>
Total Program A Net Costs	<u>\$ 3,973,644</u> *	<u>\$ 3,232,521</u>

*Rounding

NOTE 9 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

All obligations for CIGIE in fiscal year 2012 and fiscal year 2011 are category B, which is the amount of reimbursable obligations incurred against amounts apportioned under category B on the latest SF 132.

	<u>2012</u>	<u>2011</u>
Category B	\$ 5,581,628	\$ 3,052,294

NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2012 and 2011, total amount of CIGIE's budgetary resources obligated for undelivered and delivered orders was \$909,161 and \$381,410, respectively.

	<u>Undelivered Orders</u>	<u>Delivered Orders, Obligations Unpaid</u>	<u>Unpaid Obligated Balance Net</u>
2012	\$ 380,743	\$ 528,417	\$ 909,161 *
2011	\$ 206,516	\$ 174,894	\$ 381,410

*Rounding

NOTE 11 – EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

The Change in Components Requiring or Generating Resources in Future Periods equals the difference between the opening and ending balances of Liabilities Not Covered by Budgetary Resources (as shown on the Balance Sheet, reference Note 6), shown as follows:

FY 2012

	FY 2011	FY 2012	Change
Unfunded Annual Leave	\$132,087	\$140,554	\$8,468*

FY 2011

	FY 2010	FY 2011	Change
Unfunded Annual Leave	\$0	\$132,087	\$ 132,087

*Rounding

Note accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations, whereas unfunded annual leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

NOTE 12 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the CIGIE in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the CIGIE in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefits costs incurred for the CIGIE employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered by not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e., good and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between budgetary resources obligated and net cost of operations (i.e., providing an explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2012	FY 2011
Budgetary Resources Obligated	\$5,581,628	\$3,052,294
Spending Authority from Recoveries and Offsetting Collections	(9,699,634)	(3,110,072)
Imputed Financing from Costs Absorbed by Others	29,371	19,608
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(183,250)	229,588
Resources that Finance the Acquisition of Assets	(1,790)	(214,154)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	8,207,849	3,096,577
Financing Sources Yet to be Provided (see Note 11)	8,468	132,087
Components Not Requiring or Generating Resources	31,001	26,593
Net Cost of Operations	\$3,973,644*	\$3,232,521

*Rounding

NOTE 13 – SUBSEQUENT EVENTS

CIGIE has evaluated subsequent events occurring after the balance sheet date and through November 09, 2012, the date the financial statements were available for release. Based upon this evaluation, CIGIE has determined that no subsequent events have occurred which require disclosure in the financial statements.

APPENDIX A
COMMENTS ON DRAFT AUDIT REPORT



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

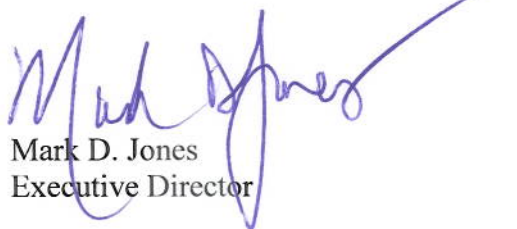
November 09, 2012

Martin & Wall, A Division of Chortek & Gottschalk
Mark E. Albrecht, CPA
Audit Partner
1633 Q Street, NW
Suite 230
Washington, DC 20009

Dear Mr. Albrecht:

We have reviewed the draft audit report provided to us relating to your audit of Council of the Inspectors General on Integrity and Efficiency for the fiscal year ended September 30, 2012. We concur with the facts and conclusions in the draft report.

Sincerely,



Mark D. Jones
Executive Director