



**Fiscal Year 2014**

**Agency Financial Report**



Council of the  
**INSPECTORS GENERAL**  
on INTEGRITY and EFFICIENCY

## Chairperson's Message

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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 more than 70 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.

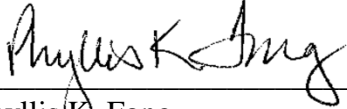
In this Agency Financial Report (AFR), we discuss CIGIE's fiscal year (FY) 2014 accomplishments in carrying out its mission and performance plan goals; provide the independent auditor's report regarding CIGIE's financial statements as of September 30, 2014; and highlight the work of CIGIE's Executive 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 Chortek LLP. CIGIE is pleased to report that Chortek 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.

Chortek'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 14.

In FY 2014, our work has been strengthened by the efforts of leaders in the IG community; 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 nearly 14,000 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.



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Phyllis K. Fong  
Chairperson, CIGIE

November 6, 2014  
Date

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## Management's Discussion and Analysis Fiscal Year 2014

The Council of the Inspectors General on Integrity and Efficiency (CIGIE or the Council) has chosen to produce an Agency Financial Report (AFR), which is posted on CIGIE's website at [www.ignet.gov](http://www.ignet.gov).

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

**Mission:** The mission of 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.

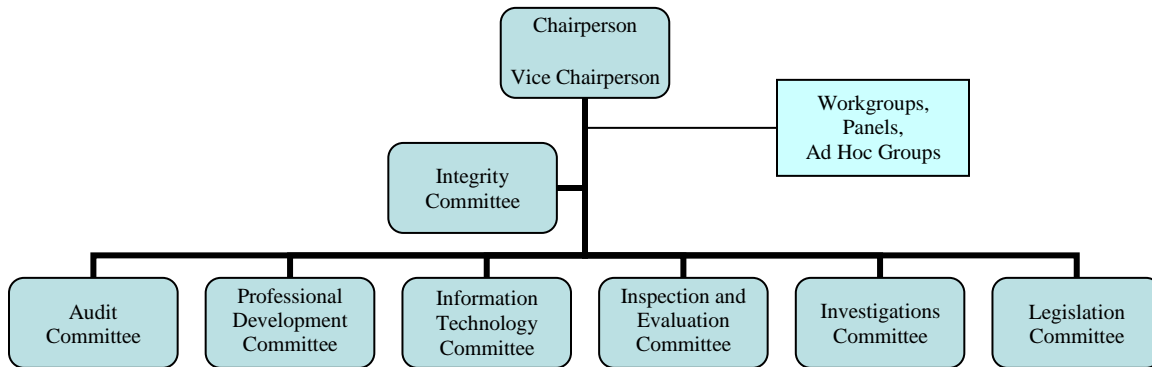
**Organization:** The Council is made up of 72 individual Inspectors General (IGs) from both the Executive and Legislative branches and 6 integrity-related senior officials: the Deputy Director for Management (DDM), Office of Management and Budget (OMB); the Deputy Director, Office of Personnel Management; 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 Beth Cobert, 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, Lynne A. McFarland, IG, Federal Election Commission; and the other members of the Executive Council (see the below table).

#### Executive Council

Phyllis K. Fong, Department of Agriculture	Chairperson
Lynne A. McFarland, Federal Election Commission	Vice Chairperson
Jon T. Rymer, Department of Defense	Audit Committee Chair
Kathleen S. Tighe, Department of Education	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, Securities and Exchange Commission	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
Gregory H. Friedman, Department of Energy	Past Vice Chair, President's Council on Integrity and Efficiency

## *CIGIE Committees*

CIGIE consists of seven (7) standing committees, six (6) of which represent functional responsibilities of 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 their senior 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 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 to ensure the development of competent personnel. Receives input from the Audit, Investigations, and Inspection and Evaluation Committees on the training and development needs of the CIGIE community. Seeks opportunities to improve training methods, enhance the development of OIG staff, and establish training to meet continuing professional 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 efforts 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. Provides input to the CIGIE Professional Development Committee and the Training Institute on the training and 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 development needs of the CIGIE investigations community.

### 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 who is a member of CIGIE. 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.
- Assistant Inspectors General for Investigations (AIGI) Committee – A council under CIGIE established to serve as a forum for internal discussion and a conduit for suggestions, issues and concerns that affect the OIG investigations community to the CIGIE Investigations Committee for appropriate action.
- 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 is an independent federal entity and 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, 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.





## *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 aligns with 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 fiscal year (FY) 2014 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 or continued eight cross-cutting studies and projects during FY 2014, of which five were completed in FY 2014. The following reflects the results of the five cross-cutting studies and projects that were completed in FY 2014:

- *Program Fraud Civil Remedies Act (PFCRA) Practitioners Guide* – CIGIE established a PFCRA Working Group under the authority of the CIGIE Investigations Committee to implement a cross-cutting project to develop processes to enhance the use of PFCRA. The Working Group determined that many personnel in the Office of Inspector General (OIG) and elsewhere in the Federal government are unfamiliar with the statute's required procedures, which hampers the use of the PFCRA. Accordingly, the PFCRA Working Group developed a Practitioner's Guide that provides guidance on PFCRA procedures and cases, including providing sample key documents that are used in PFCRA proceedings.
- *Management Advisory Report: A Guide for Assessing Cybersecurity within the Office of Inspector General Community* – The CIGIE Cybersecurity Working Group undertook a review to examine the oversight role of the OIG community in current Federal cybersecurity initiatives and, based on its review, created an audit guide to be used for cybersecurity and Information Technology (IT) security-related reviews conducted by OIGs. This audit guide is intended to result in better protecting the integrity of Federal computer systems and networks and minimizing the risks associated with cyber vulnerabilities and potential threats.
- *Cloud Computing Contracts* – The CIGIE IT Committee initiated a government-wide project to evaluate selected agencies' efforts to adopt cloud-computing technologies. The 19 participating OIGs, modeling work completed by the National Aeronautics and Space Administration OIG, reviewed 77 commercial cloud contracts with an approximate value of \$1.6 billion. The OIGs found that the reviewed agencies have not considered existing Federal guidance, agency policies, or established best practices when developing requirements for cloud computing contracts. The OIGs also found a number of cloud systems were not yet FedRAMP compliant and that some agencies did not have an

accurate inventory of cloud systems. The issued report made a number of recommendations to OMB that would help address the findings identified.

- The Government Accountability Office (GAO), CIGIE, and the Recovery Accountability and Transparency Board (the Board) convened a forum to address challenges and opportunities related to sharing, using, and analyzing data to identify fraud, waste, and abuse. Two of the outcomes of this forum were recommendations that CIGIE consider developing a directory of data sources and a library of open-source software, algorithms, and data-analytics tools to assist oversight entities in their audits, inspections, evaluations, and investigations. Thus, the CIGIE IT Committee established a Data Analytics Working group to address these project activities. The following reflects the working group's efforts to date on these projects.
  - Directory of Existing Data Sources – The working group utilized the resources of the MAX.gov Federal Community to develop an OIG-wide information sharing site to host a consolidated directory of Federal data sources. These data sources, as reported by the OIG community, are used to support oversight efforts and are categorized based on ownership (e.g., agency, OIG, commercial). This consolidated directory, which contains key information about ownership and content, increases the community's awareness of the types of data available within the government and encourages ongoing information exchange.
  - Consolidated Library of Open-Source Software, Algorithms, and Data-Analytics Tools – The working group utilized the same platform to build a library of open-source and OIG developed data analytic tools. The library is structured by topic and was specifically developed to encourage proactive collaboration. The OIG community members are able to both contribute and use shared resources such as algorithms, best practices, models, and support documentation.

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

In FY 2014, CIGIE continued to provide quality training to the IG community and finalized its annual training plans for FY 2015. In order to ensure its training programs continue to be of the highest quality and relevance, CIGIE implemented a robust training evaluation process. The evaluations received to date reflect a 98 percent positive score from participants. Additionally, in an effort to build upon its successes in this area, CIGIE continued its implementation of a 3-year Training Institute strategic framework, which is a roadmap for providing quality instruction and achieving accreditation for CIGIE training programs, and developing curricula that are aligned with OIGs' missions and that support emerging OIG community needs and Training Institute-wide instructional processes.

CIGIE focused much of its training efforts on developing and providing leadership and management training programs, which were well received by the OIG community. These programs 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, 16 training programs were attended by 550 OIG professionals by the end of FY 2014.

In FY 2014, CIGIE also delivered four 2-week introductory audit training programs to train nearly 110 new auditors from OIGs throughout the government. This program covers topics ranging from government auditing standards to writing skills. Additionally, CIGIE provided several other training programs to IG members' audit and inspection and evaluation personnel, including two suspension and debarment classes, 10 writing classes, and several other programs. In total, these classes trained 949 OIG personnel and prepared new staff for their professional responsibilities.

CIGIE also provides training to OIG investigators. In FY 2014, CIGIE delivered basic, refresher, and advanced investigator training programs along with more specialized instruction, such as the Public Corruption Investigations Training Program. In total, these training programs taught 628 students representing nearly every Federal OIG, in addition to agents from State and local entities.

Additionally, in FY 2014, the Training Institute was responsible for delivering three training programs primarily for OIG legal counsels on the specialized legal framework applicable to statutory OIGs and the unique challenges faced by OIG lawyers. The Institute also delivered two specialized training programs for the OIG community's human resources personnel on performing self-assessments of their operations and on creating and delivering effective briefings.

CIGIE continually focuses efforts on the quality, effectiveness, and integrity of its training courses and programs. By December 2014, the Training Institute is on track to receive National Association of State Boards of Accountancy's certification for the Training Institute's auditor training programs. The Training Institute will continue to seek accreditation and certification for other courses and training programs.

In the future, CIGIE plans to make training more widely available and synchronized with the professional needs of its member organizations by creating a variety of programs, including web-based training. CIGIE's goal is to create 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 2014, CIGIE continued its work towards reviewing and ensuring its quality standards and quality assessment peer review guides were updated for the IG community. CIGIE's Audit, Inspection and Evaluation, and Investigations committees continued to ensure that the quality standards for those professions were current and that changes are made when necessary during the year. For example, in FY 2014 the Digital Investigative Forensic Standards, developed by the IT Committee, were adopted by the Investigation Committee and approved by the Council, which are now part of the investigative quality assessment peer review guide.

CIGIE also continued its efforts towards reviewing and updating, when necessary, its quality assessment peer review guides. In September 2014, CIGIE updated and re-issued its *Guide for*

*Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General.* The Inspection and Evaluation Committee has performed two rounds of pilot peer reviews with plans for a third with the purpose of developing uniformed guidance for adoption in the future.

CIGIE 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 working groups include a suspension and debarment working group, a new media working group, and a PFCRA working group. These working groups shared information across the OIG community that contributed to advancing effective operations.

CIGIE continued its work 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. Subsequently, in December 2013, CIGIE issued a resource paper entitled, "Professional and Technical Services Available."

In 2012, CIGIE put together a team to assess the content and design of its website and enhance the ability of the user to find information on the website. CIGIE developed a redesign plan to better organize content, which was completed in September 2012 and implementation of the plan began in FY 2013. A redesigned CIGIE website was launched in October 2014.

In FY 2013, CIGIE implemented individual development plans to enhance staff's knowledge, skills, and abilities. In FY 2014, CIGIE updated the plans to ensure that staff continued to develop through training and developmental opportunities.

Additionally, CIGIE continues to efficiently administer its financial resources as reflected through its FY 2014 Financial Statement audit, in which an unmodified opinion was received.

In addition to these accomplishments, CIGIE met all of its statutory responsibilities, including:

- Coordinating OIG activities government-wide, including producing cross-cutting studies that mitigate common vulnerabilities and increase economy, efficiency, and effectiveness;
- Increasing the professionalism and effectiveness of OIG 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 prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance. The financial statements and notes are presented on a comparative basis in the required format in accordance with OMB Circular No. A-136, revised, *Financial Reporting Requirements*.

CIGIE obtained its funding in FY 2014 from contributions of each of the IG members and a carryover of non-expended/non-obligated funds from FY 2013. In FY 2014, 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 continue: 1) 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.

The following table summarizes the significant changes in CIGIE's financial position during FY 2014:

<b>Financial Condition</b>	<b>FY 2014 Balance</b>	<b>FY 2013 Balance</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Difference</b>
Total Assets	\$12,522,449	\$12,112,827	\$409,622	3.4%
Total Liabilities	\$886,279	\$753,445	\$132,834	17.6%
Net Position	\$11,636,170	\$11,359,382	\$276,788	2.4%
Net Cost of Operations	\$96,435	\$4,587,313	(4,490,878)	(97.9)%
Budgetary Resources	\$17,040,818	\$16,705,115	\$335,703	2.0%

As of the close of FY 2014, CIGIE had obligated \$1,552,179 to continue building the necessary infrastructure to fully support these activities. Additionally, CIGIE had obligated \$4,312,038 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 2014, the gross obligations for CIGIE were \$5,864,217. Additionally, \$885,414 in unpaid obligations from FY 2013 were brought forward to FY 2014, of which \$154,622 were recovered. With these total obligations, CIGIE's gross outlays for FY 2014 amounted to \$5,609,964. The table below summarizes CIGIE's budgetary resource outlays and obligations and identifies our initial projections for FY 2014.

**Summary of Budgetary Resources  
For the Year Ending September 30, 2014**

Funding:	
FY 2013 Carry Over Balance	\$ 10,922,235
Recoveries of Prior Year Obligations	\$ 154,622
Contributions Received	<u>\$ 5,963,961</u>
Total Budgetary Resources	<u>\$ 17,040,818</u>
Status of Budgetary Resources:	
Obligations Incurred	
Reimbursable	\$ 5,864,217
Unobligated Balances	
Apportioned	\$ 6,272,707
Unobligated Balances – not available	<u>\$ 4,903,894</u>
Total Status of Budgetary Resources	<u>\$ 17,040,818</u>

Each year, CIGIE prepares a projected budget for funding needed to meet its planned activities. Based on the projected budget member offices are requested to contribute a pro rata rate of their annual funding level towards CIGIE operations that results in the funding necessary to meet CIGIE’s projected budget.

CIGIE began its first year of operations in FY 2009. The services and functions of the Council, during FY 2009, were provided by individual OIGs’ volunteers while funding mechanisms were developed and subsequently implemented for CIGIE. As CIGIE began its financial activities in FY 2010, it also started working towards building operations set out to meet the CIGIE mission and membership’s expectations. Since its inception, CIGIE has placed much thought and deliberation into determining what CIGIE operations are necessary to reach both its mission and membership expectations.

CIGIE has taken, and continues to take, a prudent approach towards its continued operations. This is reflected in both the growth of its activities over the past few years and the expenses associated with that growth. Below reflects CIGIE’s growth via gross costs:

- From FY 2010 to FY 2011 – 252.8%
- From FY 2011 to FY 2012 – 61.6%
- From FY 2012 to FY 2013 – 9.3%
- From FY 2013 to FY 2014 – 0.5%

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

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.

CIGIE management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). FMFIA is implemented by OMB Circular A-123, revised, *Management's Responsibility for Internal Control*. The objectives of FMFIA are to ensure that CIGIE's controls and systems provide reasonable assurance that:

- obligations and costs are in compliance with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

Section 2 of the FMFIA requires federal agencies to report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. Section 4 of the FMFIA requires that agencies annually provide assurance on programmatic internal controls and financial management systems, and effectiveness of internal control over financial reporting.

CIGIE operated during Fiscal Year 2014 with 17 employees, inclusive of permanent and detailed employees. CIGIE performs internal control reviews on financial, management, and information systems, and conducts fact finding activities to support decisions impacting revisions to the Council's accounting and financial reporting systems. For example, CIGIE initially developed its financial policies and procedures in FY 2010 to ensure internal controls were established to meet the objectives of OMB Circular A-123. Subsequently, CIGIE has updated its policies and procedures on a few occasions, the latest update was September 2013, to address matters identified through prior financial statement audits. Annually, we review our internal controls to see if there is any need for improvement. Additionally, we seek feedback from those intimately involved in the day-to-day financial operations of CIGIE to determine if any matters have arisen that reflect a potential weakness in these controls, and during FY 2014, no such matters were identified.

Further, CIGIE relies upon its Federal shared financial service provider as an additional control that lessens the risk of weaknesses in CIGIE's controls. CIGIE uses the financial services of the General Services Administration's Office of Chief Financial Services (GSA/OCFO). The operating effectiveness of the GSA's financials, general information technology, accounting operations and payroll controls was examined under Statements on Standards for Attestation

Engagements No. 16 (SSAE 16), Reporting on Controls at a Service Organization, issued by the American Institute of Certified Public Accountants (AICPA). An unqualified opinion was issued by GSA's independent public accounting firm for the period July 1, 2013 through June 30, 2014, and in which no material weaknesses or significant deficiencies were noted. Accordingly, GSA was able to provide CIGIE with assurance that the description of controls in the FY 2014 report presents fairly the operating effectiveness of GSA controls that were in place as of September 30, 2014 as they relate to key controls relied upon by CIGIE. Based on the results of the evaluation of GSA/OCFO financial systems and controls documented in its SSAE 16 report, CIGIE can provide reasonable assurance that the internal controls over GSA/OCFO's financial reporting were operating effectively and CIGIE's financial management systems complied substantially with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

Finally, the Accountability of Tax Dollars Act (ATDA) of 2002 requires the preparation of financial statements by the federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular No. A-136, *Financial Reporting Requirements*, enables agencies to consolidate their audited financial statements and other financial and performance reports into one report, the AFR. This report meets the requirements of the Act. In accordance with the ATDA, CIGIE's financial information is audited annually by the Certified Public Accounting firm of Chortek LLP, which reviewed the FY 2014 financial records and internal controls of the Council and submitted an unmodified audit opinion. This audit found no material weaknesses surrounding the Council's internal controls related to financial reporting. The results of the audit are considered by the Council in its assessment of whether or not the objectives of FMFIA are being met.



## Statement of Assurance

CIGIE's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. CIGIE conducted an assessment of the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, CIGIE can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2014 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.



Mark Jones  
Executive Director

November 6, 2014

## **Federal Information Security Management Act**

The Federal Information Security Management Act of 2002 (FISMA) requires each federal agency to establish and maintain an information security program for all non-national security information and information systems. The Council's information security program includes a process for planning, implementing, evaluating, and documenting remedial action to address any deficiencies in its information security policies, procedures, and practices.

## **Limitations of the Financial Statements**

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 U.S. generally accepted accounting principles (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.



*Council of the*  
**INSPECTORS GENERAL**  
*on INTEGRITY and EFFICIENCY*

**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 and 2013**

**The Council of the Inspectors General on Integrity and Efficiency**  
**BALANCE SHEET**  
**As of September 30, 2014 and 2013**

		2014	2013
<b>Assets:</b>			
Intragovernmental:			
Fund Balance with Treasury	(Note 2)	\$ 11,971,811	\$ 11,500,848
Accounts Receivable	(Note 3)	189,835	306,801
Advances and Prepayments	(Note 4)	254,455	173,336
Total Intragovernmental		12,416,101	11,980,985
Assets with The Public:			
Accounts Receivable, net	(Note 3)	11,621	6,199
General Property, Plant and Equipment, Net	(Note 5)	94,727	125,643
Total Assets		\$ 12,522,449	\$ 12,112,827
<b>Liabilities:</b>			
Intragovernmental:			
Accounts Payable	(Note 6)	\$ 571,042	\$ 519,295
Employer Contributions and Payroll Taxes Payable		6,658	4,939
Liability for Advances and Prepayments		7,650	2,500
Total Intragovernmental		585,350	526,734
Liabilities with the Public:			
Accounts Payable	(Note 6)	126,462	66,193
Accrued Funded Payroll and Leave	(Note 7)	23,541	19,795
Employer Contributions and Payroll Taxes Payable		1,075	962
Unfunded Leave		149,851	139,761
Total Liabilities		886,279	753,445
<b>Net Position:</b>			
Cumulative Results of Operations		11,636,170	11,359,382
Total Net Position		11,636,170	11,359,382
Total Liabilities and Net Position		\$ 12,522,449	\$ 12,112,827

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

**The Council of the Inspectors General on Integrity and Efficiency**  
**STATEMENT OF NET COST**  
**For the Years Ended September 30, 2014 and 2013**

		<b>2014</b>	<b>2013</b>
<b>Program Costs:</b>	<b>(Note 8)</b>		
Gross Costs		\$ 5,741,132	\$ 5,710,143
Less: Earned Revenue		5,644,697	1,122,830
Net Cost of Operations		\$ 96,435	\$ 4,587,313

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

**The Council of the Inspectors General on Integrity and Efficiency**  
**STATEMENT OF CHANGES IN NET POSITION**  
**For the Years Ended September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ 11,359,382	\$ 11,927,821
<b>Budgetary Financing Sources:</b>		
Transfers-in/out without reimbursement	317,793	3,980,101
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed financing	<u>55,430</u>	<u>38,773</u>
Total Financing Sources	373,223	4,018,874
Net Cost of Operations	<u>96,435</u>	<u>4,587,313</u>
Net Change	276,788	(568,439)
<b>Cumulative Results of Operations</b>	11,636,170	11,359,382
<b>Budgetary Financing Sources:</b>		
Net Position	<u><u>\$ 11,636,170</u></u>	<u><u>\$ 11,359,382</u></u>

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

**The Council of the Inspectors General on Integrity and Efficiency**  
**STATEMENT OF BUDGETARY RESOURCES**  
**For the Years Ended September 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>BUDGETARY RESOURCES</b>		
Unobligated balance brought forward, October 1	\$ 10,922,235	\$ 11,440,480
Recoveries of prior year unpaid obligations (unobligated balances)	154,622	140,676
Unobligated balance from prior year budget authority, net	11,076,857	11,581,156
Spending authority from offsetting collections	5,963,961	5,123,959
Total budgetary resources	\$ 17,040,818	\$ 16,705,115
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations incurred (Note 9)	\$ 5,864,217	\$ 5,782,880
Apportioned	6,272,707	6,745,600
Unapportioned	4,903,894	4,176,635
Unobligated balance brought forward, end of year	11,176,601	10,922,235
Total budgetary resources	\$ 17,040,818	\$ 16,705,115
<b>CHANGE IN OBLIGATED BALANCE</b>		
Unpaid obligations, brought forward, October 1 (gross)	\$ 885,414	\$ 909,161
Obligations incurred	5,864,217	5,782,880
Outlays (gross) (-)	(5,609,964)	(5,665,951)
Recoveries of prior year unpaid obligations (-)	(154,622)	(140,676)
Unpaid obligations, end of year (Note 10)	985,045	885,414
Uncollected payments, Fed sources, brought forward, Oct 1 (-)	(306,801)	(696,113)
Change in uncollected payments, Fed sources	116,966	389,312
Uncollected payments, Fed sources, end of year (-)	(189,835)	(306,801)
Obligated balance, start of year (net)	578,613	213,048
Obligated balance, end of year (net)	\$ 795,210	\$ 578,613
<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget authority, gross (discretionary and mandatory)	\$ 5,963,961	\$ 5,123,959
Actual offsetting collections (discretionary and mandatory) (-)	(6,080,927)	(5,513,271)
Change in uncollected payments from Federal Sources (discretionary and mandatory) (+ or -)	116,966	389,312
Outlays, gross (discretionary and mandatory)	5,609,964	5,665,951
Actual offsetting collections (discretionary and mandatory) (-)	(6,080,927)	(5,513,271)
Outlays, net (discretionary and mandatory)	(470,963)	152,680
Agency outlays, net (discretionary and mandatory)	\$ (470,963)	\$ 152,680

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

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Council of 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 U.S. 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, *Financial Reporting Requirements*. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants (AICPA).

OMB Circular A-136, revised, 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, 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 basis of accounting in accordance U.S. GAAP and reported 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.



**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

**Revenues and Other Financing Sources**

Majority of CIGIE's funding is derived from multiple expenditure transfers in from assessments made against other Federal agencies. However, CIGIE also has exchange revenue, which is generated when CIGIE provides goods or services to another Government entity or the Public for a price. In an exchange transaction, each party to the transaction sacrifices value and receives value in return. An example of exchange revenue is the funds received by CIGIE to provide training. Another term for "exchange revenue" is "earned revenue."

As for other financing sources, certain operating costs of CIGIE are paid out of funds appropriated to other federal agencies. Specifically, CIGIE records imputed expenses and financing sources for employee retirement plan contributions, group term life insurance, and health benefit costs, which are paid by the Office of Personnel Management (OPM).

**Personnel Compensation and Benefits**

Salaries and wages of employees are recognized as 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.

CIGIE's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. CIGIE and its employees both contribute to these systems. Public Law 112-96, Section 5001, the "Middle Class Tax Relief and Job Creation Act of 2012" divided FERS participants into two categories, FERS employees and FERS-Revised Annuity Employees (FERS-RAE). Employees hired on or after January 1, 2013, with some exceptions, are required to contribute 2.3% more to FERS than FERS employees hired prior to January 1, 2013. Although CIGIE 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, CIGIE contributes an amount equal to 7% of the employees' basic pay to the plan. For FERS employees, CIGIE contributes an amount equal to 11.9% of the employees' basic pay to the plan. For FERS-RAE employees, CIGIE contributes an amount equal to 9.6% 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, CIGIE 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

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

employees pay will not be matched. CSRS employees receive no matching contribution from CIGIE.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including CIGIE’s employees. CIGIE has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by CIGIE 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 CIGIE 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 CIGIE’s contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, CIGIE has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

**NOTE 2 – FUND BALANCE WITH TREASURY**

CIGIE’s Fund Balance with Treasury is derived from transfers in from other Federal entities during the fiscal year. CIGIE is a revolving no year fund and no trust or other fund types are used to fund CIGIE’s activities. Accordingly, as a no-year fund, the fund balance at the end of the previous year is carried forward and made available for the next fiscal year.

A. Fund Balance with Treasury	<u>2014</u>	<u>2013</u>
Revolving Fund	\$11,971,811	\$11,500,848
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	6,272,707	6,745,600
b) Unavailable	4,903,894	4,176,635
c) Unavailable - Accounts Receivable	(189,835)	(306,801)
2) Obligated Balance not yet Disbursed	985,045	885,414
Total	\$11,971,811	\$11,500,848

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

Accounts Receivable, net from the Public represents the Accounts Receivable from public Inspectors General and the Inspector General Criminal Investigator Academy (IGCIA). Accounts Receivable from federal sources represents the Accounts Receivable from federal Inspectors General.

	<u>2014</u>	<u>2013</u>
Accounts Receivable - Non-Federal	\$ 11,621	\$ 6,199
Accounts Receivable - Federal	189,835	306,801
	<u>\$ 201,456</u>	<u>\$ 313,000</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, Department of Transportation, and Health and Human Services.

	<u>2014</u>	<u>2013</u>
Intragovernmental - Other Assets	\$ 254,455	\$ 173,336
Total Assets - Other	<u>\$ 254,455</u>	<u>\$ 173,336</u>

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

As of September 30, 2014, CIGIE shows leasehold improvements with a total cost of \$214,153 and a net book value of \$94,727 and administrative equipment with a total cost of \$17,704 and a net book value of \$0. The accumulated depreciation to date shows a balance of \$137,130.

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>2014</u>	<u>Leasehold Improvements</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 214,153	\$ 17,704	\$ 231,857
Accumulated Depreciation	(119,426)	(17,704)	(137,130)
Net Book Value	<u>\$ 94,727</u>	<u>\$ -</u>	<u>\$ 94,727</u>

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

2013	Leasehold Improvement s	Equipment	Total
Cost	\$ 214,153	\$ 17,704	\$ 231,857
Accumulated Depreciation	(88,510)	(17,704)	(106,214)
Net Book Value	<u>\$ 125,643</u>	<u>\$ -</u>	<u>\$ 125,643</u>

**NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities of CIGIE are classified as liabilities covered or not covered by budgetary resources. Liabilities not covered by budgetary resources consists of unfunded leave liability of \$149,851 and \$139,761 as of September 30, 2014 and 2013, respectively.

As of September 30, 2014, liabilities covered by budgetary resources of \$736,428 is composed of Accounts Payable \$697,504, Accrued Funded Payroll and Leave \$23,541, Employer Contributions and Payroll Taxes Payable \$7,733, and Advances to Others \$7,650. As of September 30, 2013, liabilities covered by budgetary resources of \$613,684 is composed of Accounts Payable \$585,488, Accrued Funded Payroll and Leave \$19,795, Employer Contributions and Payroll Taxes Payable \$5,901, and Advances to Others \$2,500.

	2014	2013
With the Public		
Other (Unfunded leave liability)	\$ 149,851	\$ 139,761
Total liabilities not covered by budgetary resources	149,851	139,761
Total liabilities covered by budgetary resources	736,428	613,684
Total Liabilities	<u>\$ 886,279</u>	<u>\$ 753,445</u>

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

**NOTE 7 – OTHER LIABILITIES**

As of September 30, 2014, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$23,541, Unfunded Leave in the amount of \$149,851, and employer contributions and payroll taxes payable – TSP of \$1,075. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable \$6,658 and Advances to Others \$7,650. As of September 30, 2013, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$19,795, Unfunded Leave in the amount of \$139,761, and employer contributions and payroll taxes payable – TSP of \$962. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable \$4,939 and Advances to Others \$2,500.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2014	Other Liabilities	\$149,851	\$24,616	\$174,467
2013	Other Liabilities	\$139,761	\$20,757	\$160,518

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2014	Other Liabilities	\$0	\$14,308	\$14,308
2013	Other Liabilities	\$0	\$7,439	\$7,439

**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.

	<u>Total</u> <u>2014</u>	<u>Total</u> <u>2013</u>
Intragovernmental - Costs	\$ 3,339,699	\$ 3,577,374
Public - Costs	2,401,433	2,132,769
Total Costs	<u>5,741,132</u>	<u>5,710,143</u>
Intragovernmental earned revenue	(5,614,985)	(1,103,953)
Public earned revenue	(29,712)	(18,877)
Total earned revenue	<u>(5,644,697)</u>	<u>(1,122,830)</u>
Total Net Costs	<u>\$ 96,435</u>	<u>\$ 4,587,313</u>

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

**NOTE 9 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

All obligations for CIGIE in fiscal year 2014 and fiscal year 2013 are category B on the SF 132, *Apportionment and Reapportionment Schedule*. Apportioned amounts appear on different groups of lines in the application of budgetary resources section of an apportionment. Amounts are identified as Category B in an apportionment are by a specific program, project, or activity. The amount of reimbursable obligations incurred against amounts apportioned under category B are as follows:

	<u>2014</u>	<u>2013</u>
Category B	\$5,864,217	\$5,782,880

**NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD**

The amount of CIGIE’s budgetary resources obligated for undelivered orders was \$985,045 and \$885, 414 as of September 30, 2014 and 2013, respectively.

	<u>Undelivered Orders</u>	<u>Accounts Payable</u>	<u>Unpaid Obligations, End of Year</u>
FY 2014	\$256,267	\$728,778	\$985,045
FY 2013	\$277,230	\$608,184	\$885,414

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

**NOTE 11 – 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 but 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)):

	<b>FY 2014</b>	<b>FY 2013</b>
Budgetary Resources Obligated	\$5,864,217	\$5,782,880
Spending Authority from Recoveries and Offsetting Collections	(6,118,583)	(5,264,635)
Imputed Financing from Costs Absorbed by Others	55,430	38,773
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	58,006	(24,480)
Resources that Finance the Acquisition of Assets	5,422	4,409
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(317,793)	(3,980,101)
Financing Sources Yet to be Provided	10,090	(793)
Components Not Requiring or Generating Resources	30,916	30,916
Net Cost of Operations	\$96,435	\$4,587,313

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY**  
**Notes to the Financial Statements**

**NOTE 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 6, 2014, which is the date the financial statements were available to be issued.



## **Independent Auditor's Report**

**November 5, 2014**

Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Council of the Inspectors General on Integrity and Efficiency ("the Council or "CIGIE"), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, the related consolidated statements of net cost and changes in net position, and combined budgetary resources for the years then ended, and the related notes to the financial statements (hereinafter referred to as "financial statements").

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget ("OMB") Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 CIGIE's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council of the Inspectors General on Integrity and Efficiency as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

***Other Matters***

***Required Supplementary Information***

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Chairperson's message and other information sections of CIGIE's *Agency Financial Report* are presented for purposes of additional analysis and are 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 do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered CIGIE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CIGIE's internal control. Accordingly, we do not express an opinion on the effectiveness of CIGIE's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether CIGIE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CIGIE's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

*Chortek LLP*

Chortek LLP  
Washington, DC

## **Other Information**

## Summary of the Financial Statement Audit and Management's Assurances

### Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	Yes				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

### Summary of Management Assurances:

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management Systems Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

### Improper Payments Information Act Reporting Details

The *Improper Payments Information Act (IPIA) of 2002*, as amended by the *Improper Payments Elimination and Recovery Act (IPERA) of 2010*, and further amended by the *Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012*, requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant erroneous payments. In FY 2014, CIGIE performed a systematic review of its program and related activities to identify processes which may be susceptible to significant erroneous payments. Significant erroneous payments are defined as annual erroneous payments

in the program exceeding both \$10 million and 2.5 percent or \$100 million of total annual program payments.

CIGIE considered risk factors as outlined in OMB Memorandum M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123* which may significantly increase the risk of improper payments and determined that none are applicable to CIGIE's operations. Based on the systematic review performed, CIGIE concluded that none of its program activities are susceptible to significant improper payments at or above the threshold levels set by OMB. Accordingly, CIGIE has determined that the risk of improper payments is low. Although CIGIE concluded its programs are not susceptible to improper payments as defined under IPERIA, payments are reviewed as part of its internal control assessment discussed above. The agency reviews its controls and systems under the FMFIA to ensure that the agency remains compliant.