



**Fiscal Year 2013**

**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) 2013 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, 2013; 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 12.

In FY 2013, 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 more than 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

12/4/2013

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Date

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**Management’s Discussion and Analysis  
Fiscal Year 2013**

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

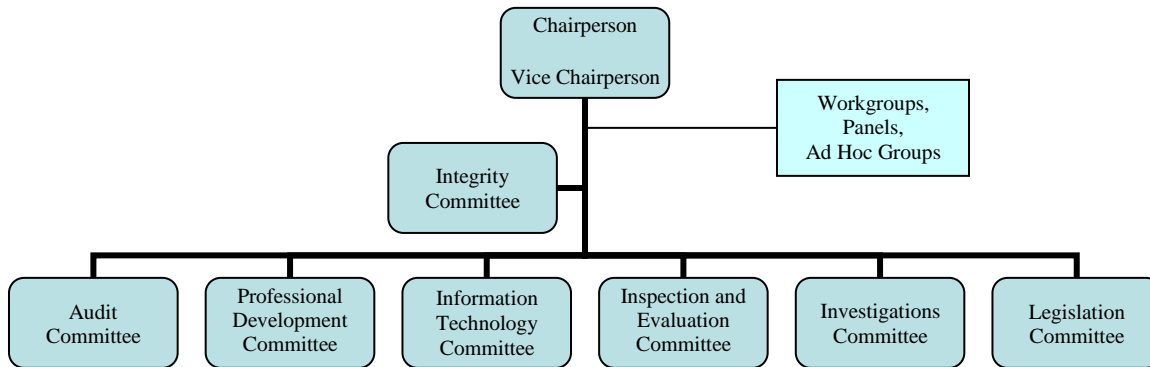
Mission: The mission of the Council of the Inspectors General on Integrity and Efficiency (CIGIE or the Council) is to address integrity, economy, and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Offices of Inspector 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 Steven VanRoekel, Acting 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 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 2013 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 seven cross-cutting studies during FY 2013. The following reflects the reports CIGIE issued as a result of four of the cross-cutting studies:

- Summary Report on Improper Payment Work of the Inspectors General – The Audit Committee led a study in which a report was compiled of the IGs' work associated with improper payments since the enactment of the Improper Payments Elimination and Recovery Act of 2010 (IPERA). 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 initiated a subsequent follow up study which was issued March 2013. This study determined whether OIGs performed IPERA reviews in a timely manner and summarized the OIGs' conclusions on whether their agencies complied with IPERA.
- Over-Classification Act Reporting Requirements – In late fiscal year 2012, CIGIE established a working group to advise and develop a common framework for conducting evaluations under Public Law 111-258, the Reducing Over-Classification Act of 2010. The working group, after studying and compiling information, developed *A Standard User's Guide for Inspectors General Conducting Evaluations Under Public Law 111-258, the "Reducing Over-Classification Act."* This guide was issued January 22, 2013.
- 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. In August 2013, CIGIE issued its latest guidance, *New Media for Offices of Inspectors General: A Discussion of Legal, Privacy, and Information Security Issues.*
- Data Analytics for Oversight and Law Enforcement Forum – CIGIE, the Recovery Accountability and Transparency Board, and the Government Accountability Office

convened a forum for the purpose of exploring ways in which oversight and law enforcement agencies use data analytics to assist in the prevention and detection of fraud, waste, and abuse, as well as identifying the most significant challenges to realizing the potential of data analytics and actions that the government can take to address these challenges. Information generated through the forum was subsequently captured through a report summarizing the key themes that emerged from the discussion in the forum. Specifically, the report discusses the challenges and opportunities in (1) accessing and using data and (2) sharing data. In addition, participants identified next steps to address these challenges and capitalize on opportunities. The report, titled *Data Analytics for Oversight and Law Enforcement*, was issued July 2013.

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

In FY 2013, CIGIE continued its efforts in providing quality training to the IG community and has finalized its annual training plans for FY 2014. In order to ensure its training programs remain at the highest quality and relevant, CIGIE previously implemented a robust training evaluation process. The evaluations received to date reflect a 99 percent positive score from participants. Additionally, in an effort to build upon its successes in this area, CIGIE finalized and began implementing a three-year Training Institute Strategic Framework, which is a roadmap for providing quality instruction and accreditation, and developing curricula that are aligned with the OIG mission and that support emerging OIG community needs and Institute-wide instructional processes.

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, 14 courses were attended by over 300 OIG professionals from across the OIG community.

Additionally, CIGIE offered 27 courses to IG members' audit, inspection and evaluation personnel, including two introductory audit courses, three suspension and debarment courses, six writing courses, as well as several other programs. These courses, in which CIGIE trained over 800 students, 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 IG Investigator workforce acquires and strengthens its skill set. To accomplish this, in FY 2013, 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 600 students representing nearly every Federal OIG, in addition to agents from State and local entities.

Additionally, in FY 2013 the Training Institute was responsible for coordinating two training sessions for OIG legal counsels on the specialized legal framework applicable to statutory OIGs and the unique challenges facing new OIG lawyers. The Institute also provided two specialized

training courses for 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.

CIGIE seeks to continuously improve the quality, effectiveness, and integrity of its training courses and programs. In FY 2013, we sought and received accreditation from the Federal Law Enforcement Training Accreditation for our basic IG-specific law enforcement course, the IG Investigator Training Program. As we continue with these efforts, we will continue to seek accreditation for various courses and training programs.

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.

Finally, in June 2013, the CIGIE adopted the Common Competencies of Office of Inspectors General Criminal Investigators (Common Competencies); and the accompanying Job Task Analysis (JTA) and Competency Assessment for Office of Inspectors General Criminal Investigators. This information is designed to provide assistance to OIGs in managing the criminal investigator (CI) workforce in areas such as developing criteria for CI performance, hiring of CIs, and updating CI competencies and the Job Task Illustration for Investigators. Although the goal of these issuances is to achieve consistency in common competencies and job tasks of criminal investigators, the guidance recognizes the uniqueness of the mission of each OIG and provides its flexibility in its implementation.

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

In FY 2013, CIGIE continued its work towards updating and developing professional standards governing the work of the IG community. CIGIE developed its Quality Standards for Digital Forensics and issued those standards in November 2012. Additionally, CIGIE updated its Investigations Undercover Operations Guidelines and subsequently issued these guidelines in June 2013.

CIGIE also continued its efforts towards reviewing and updating, when necessary, its quality assessment peer review guides. In November 2012, CIGIE updated and re-issued its Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. Additionally during the year, CIGIE reviewed its peer review guide for Investigations to ensure that it is 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 counsel, information technology, and human resource management, to OIGs in need of such services. These mechanisms are expected to be in place by late fall 2013.

Last year, CIGIE 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 began in FY 2013. A redesigned CIGIE website is planned to be launched in the first or second quarter of FY 2014.

In its third year of staff operations, CIGIE performed a review of its current approved staffing plan and determined due to financial implications that it was prudent to not fill one of the approved positions. Subsequently, CIGIE revised its financial plans to reduce the staffing level and the monetary amount associated with that reduced level. Additionally, with the planned departure of two staff, CIGIE openly recruited among its members for potential candidates to fill these two upcoming vacancies. Through its recruitment efforts and selection criteria, CIGIE was able to commit to filling these two positions with individuals from CIGIE member offices with the necessary knowledge, skills, and expertise on a reimbursable basis.

In FY 2013, CIGIE implemented its newly developed individual development plan procedures to enhance the staff's knowledge, skills, and abilities. Through these procedures, CIGIE ensured that its permanent staff continued to develop its skills and abilities through identified training and developmental opportunities.

CIGIE continues to efficiently administer its financial resources as reflected by its FY 2012 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.

Additionally, CIGIE 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. Subsequently, throughout the year, CIGIE has met with many of its stakeholders and customers to share information relating to both its current and future activities.

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 to address 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 2013 from contributions from each of its IG members and a carryover of non-expended/non-obligated funds from FY 2012. In FY 2013, 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 2013, CIGIE had obligated \$1,705,425 to continue building the necessary infrastructure to fully support these activities. Additionally, CIGIE had obligated \$4,077,455 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 2013, the gross obligations for CIGIE were \$5,782,880. Additionally, \$909,161 in unpaid obligations from FY 2012 were brought forward to FY 2013, of which \$140,676 were recovered. With these total obligations, CIGIE's gross outlays for FY 2013 amounted to \$5,665,951. The table below summarizes CIGIE's budgetary resource outlays and obligations and identifies our initial projections for FY 2013.

**Summary of Budgetary Resources  
For the Year Ending September 30, 2013**

Funding:	
FY 2012 Carry Over Balance	\$ 11,440,480
Recoveries of Prior Year Obligations	\$ 140,676
Contributions Received	<u>\$ 5,123,959</u>
Total Budgetary Resources	<u>\$ 16,705,115</u>
Status of Budgetary Resources:	
Obligations Incurred	
Reimbursable	\$ 5,782,880
Unobligated Balances	
Apportioned	\$ 6,745,600
Unobligated Balances – not available	<u>\$ 4,176,635</u>
Total Status of Budgetary Resources	<u>\$ 16,705,115</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 share 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 but did not have any financial transactions. 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 which CIGIE operations are necessary to address 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%

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

The Certified Public Accounting firm of Chortek LLP, CPAs, has reviewed the FY 2013 financial statements 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.

CIGIE operated during Fiscal Year 2013 with 17 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. 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, *Management's Responsibility for Internal Control*. Subsequently, CIGIE has updated its policies and procedures on a few occasions to address matters identified through prior financial statement audits. The latest update incorporates procedures to address accounts receivable issues that were raised through the audit of CIGIE's FY 2012 financial statements. In incorporating these procedures, CIGIE has taken steps to address the accounts receivable issues raised in the audit. Further, these policies and procedures provide safeguards and controls for Government charge cards under CIGIE's control. Therefore, CIGIE can state 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), as well as OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*.

CIGIE uses the financial services of the General Services Administration's Office of Chief Financial Officer (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.

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.

### **Limitations of 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 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

### **Management Statement of Assurance**

Management of the Council of the Inspectors General on Integrity and Efficiency (CIGIE or the Council) is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. The Council 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, the Council 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, 2013 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

Mark D. Jones  
Executive Director

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**Financial Statements**  
**September 30, 2013 and 2012**

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

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

**BALANCE SHEETS**

**As of September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 11,500,848	\$ 11,653,528
Accounts Receivable (Note 3)	306,801	696,113
Other (Note 4)	173,336	90,482
Total Intragovernmental	11,980,985	12,440,123
Accounts Receivable, Net (Note 3)	6,199	1,790
General Property, Plant and Equipment (Note 5)	125,643	156,559
<b>Total Assets</b>	<b>\$ 12,112,827</b>	<b>\$ 12,598,473</b>
<b>Liabilities: (Note 6)</b>		
Intragovernmental:		
Accounts Payable	\$ 519,295	\$ 472,278
Other (Note 7)	7,439	4,699
Total Intragovernmental	526,734	476,976
Accounts Payable	66,193	38,290
Other (Note 7)	160,518	155,385
<b>Total Liabilities</b>	<b>753,445</b>	<b>670,651</b>
<b>Net Position:</b>		
Cumulative Results of Operations	11,359,382	11,927,821
<b>Total Net Position</b>	<b>11,359,382</b>	<b>11,927,821</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 12,112,827</b>	<b>\$ 12,598,473</b>

\* FY 2012 amounts may be off by a dollar due to rounding.

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

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

**STATEMENTS OF NET COST**

**For the Years Ended September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Program Costs:</b>		
Gross Costs (Note 8)	\$ 5,710,143	\$ 5,224,212
Less: Earned Revenue	1,122,830	1,250,569
Net Program Costs	4,587,313	3,973,644
<b>Net Cost of Operations</b>	<b>\$ 4,587,313</b>	<b>\$ 3,973,644</b>

\* FY 2012 amounts may be off by a dollar due to rounding.

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

**COUNCIL OF THE INSPECTORS GENERAL  
ON INTEGRITY AND EFFICIENCY  
STATEMENTS OF CHANGES IN NET POSITION  
For the Years Ended September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ 11,927,821	\$ 7,328,631
<b>Budgetary Financing Sources:</b>		
Transfers-In/Out Without Reimbursement	3,980,101	8,543,463
<b>Other Financing Resources (Non-Exchange):</b>		
Imputed Financing	38,773	29,371
Total Financing Sources	4,018,874	8,572,834
Net Cost of Operations	4,587,313	3,973,644
Net Change	(568,439)	4,599,191
<b>Cumulative Results of Operations</b>	<b>\$ 11,359,382</b>	<b>\$ 11,927,821</b>
<b>Net Position</b>	<b>\$ 11,359,382</b>	<b>\$ 11,927,821</b>

\* FY 2012 amounts may be off by a dollar due to rounding.

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

**COUNCIL OF THE INSPECTORS GENERAL  
ON INTEGRITY AND EFFICIENCY  
STATEMENTS OF BUDGETARY RESOURCES  
For the Years Ended September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Budgetary Resources:</b>		
Unobligated balance brought forward, October 1	\$ 11,440,480	\$ 6,986,861
Recoveries of prior year unpaid obligations (unobligated balances)	140,676	193,080
Other changes in unobligated balance	-	335,614
Unobligated balance from prior year budget authority, net	11,581,156	7,515,554
Spending authority from offsetting collections	5,123,959	9,506,554
<b>Total Budgetary Resources</b>	<b>\$ 16,705,115</b>	<b>\$ 17,022,108</b>
<b>Status of Budgetary Resources:</b>		
Obligations incurred (Note 9)	\$ 5,782,880	\$ 5,581,628
Apportioned	6,745,600	2,766,512
Unapportioned	4,176,635	8,673,968
Unobligated balance brought forward, end of year	10,922,235	11,440,480
<b>Total Status of Budgetary Resources</b>	<b>\$ 16,705,115</b>	<b>\$ 17,022,108</b>
<b>Change in Obligated Balance:</b>		
Unpaid obligations, brought forward, October 1 (gross)	\$ 909,161	\$ 381,410
Obligation incurred	5,782,880	5,581,628
Outlays (gross)	(5,665,951)	(4,860,798)
Recoveries of prior year unpaid obligations	(140,676)	(193,080)
Unpaid obligations, end of year (gross) (Note 10)	885,414	909,161
Uncollected customer payments from Federal sources, brought forward, October 1	(696,113)	(120,541)
Change in uncollected customer payments from Federal Sources	389,312	(575,572)
Uncollected customer payments from Federal sources, end of year	(306,801)	(696,113)
Obligated balance, start of year (net)	\$ 213,048	\$ 260,869
Obligated balance, end of year (net)	\$ 578,613	\$ 213,048
<b>Budget Authority and Outlays, Net:</b>		
Budget authority, gross (discretionary and mandatory)	\$ 5,123,959	\$ 9,506,554
Actual offsetting collections (discretionary and mandatory)	(5,513,271)	(8,930,982)
Change in uncollected payments from Federal Sources (discretionary and mandatory)	389,312	(575,572)
Outlays, gross (discretionary and mandatory)	5,665,951	4,860,798
Actual offsetting collections (discretionary and mandatory)	(5,513,271)	(8,930,982)
Outlays, net (discretionary and mandatory)	<b>\$ 152,680</b>	<b>\$ (4,070,184)</b>
Agency outlays, net (discretionary and mandatory)	<b>\$ 152,680</b>	<b>\$ (4,070,184)</b>

\* FY 2012 amounts may be off by a dollar due to rounding.

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

***NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES***

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***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 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 (AICPA).

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, 2013, 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 GAAP and 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. The 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 five years for equipment and seven 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 benefits 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 three retirement programs, which include the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), which became effective on January 1, 1987, or the Federal Employees Retirement System--Revised Annuity Employee (FERS-RAE), which became effective January 1, 2013. The Council and its employees both contribute to these systems. The Council funds a portion of the benefits under CSRS, FERS, and FERS-RAE and makes the necessary payroll withholdings. However, it does not report assets associated with these benefit plans in accordance with SFFAS 5.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, 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.

For CSRS employees, the Council contributes an amount equal to 7.0% of the employees' basic pay to the plan. For FERS employees, the Council contributes an amount equal to 11.9% of the employees' basic pay to the plan. For FERS-RAE employees, the Council contributes an amount equal to 9.7% 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.

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



**NOTES TO FINANCIAL STATEMENTS – SEPTEMBER 30, 2013 AND 2012**

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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***

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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>2013</u>	<u>2012</u>
A. Fund Balance with Treasury		
Revolving Fund	\$ 11,500,848	\$ 11,653,528
	<u>                    </u>	<u>                    </u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	\$ 6,745,600	\$ 2,766,512
b) Unavailable	4,176,635	8,673,968
c) Unavailable - Accounts Receivable	(306,801)	(696,113)
2) Obligated Balance not yet Disbursed	885,414	909,161
<b>Total</b>	<u>\$ 11,500,848</u>	<u>\$ 11,653,528</u>

***NOTE 3 – ACCOUNTS RECEIVABLE, NET***

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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>2013</u>	<u>2012</u>
Accounts Receivable - Federal	\$ 306,801	\$ 696,113
Accounts Receivable - Public	6,199	1,790
	<u>\$ 313,000</u>	<u>\$ 697,903</u>

**NOTES TO FINANCIAL STATEMENTS – SEPTEMBER 30, 2013 AND 2012****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. Total advances reflected as Intragovernmental - Other Assets amounted to \$173,336 and \$90,482, as of September 30, 2013 and 2012, respectively.

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

As of September 30, 2013, CIGIE shows Leasehold Improvements with a total cost of \$214,153 and a net book value of \$125,643 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 \$106,214. As of September 30, 2012, CIGIE shows Leasehold Improvements with a total cost of \$214,154 and a net book value of \$156,559. The total Accumulated Depreciation as of that date shows a balance of \$75,299. 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.

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

<b>2012</b>	<b>Leasehold</b>	<b>Equipment</b>	<b>Total</b>
Cost	\$ 214,154	\$ 17,704	\$ 231,858
Accumulated Depreciation	(57,595)	(17,704)	(75,299)
Net Book Value	\$ 156,559	\$ -	\$ 156,559

**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, 2013, liabilities covered by budgetary resources are 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. As of September 30, 2012, liabilities covered by budgetary resources is composed of Accounts Payable \$510,568, Accrued Funded Payroll and Leave \$14,146, and Employer Contributions and Payroll Taxes Payable \$3,703, and Advance to Others \$1,679.

	<b>2013</b>	<b>2012</b>
With the Public		
Other (Unfunded leave liability)	139,761	140,554
Total liabilities not covered by budgetary resources	139,761	140,554
Total liabilities covered by budgetary resources	613,684	530,097
Total Liabilities	\$753,445	\$670,651

**NOTES TO FINANCIAL STATEMENTS – SEPTEMBER 30, 2013 AND 2012**

***NOTE 7 – OTHER LIABILITIES***

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.

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.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
<b>2013</b>	Other Liabilities	\$ 139,761	\$ 20,757	\$ 160,518
<b>2012</b>	Other Liabilities	\$ 140,554	\$ 14,830	\$ 155,385

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
<b>2013</b>	Other Liabilities	\$ -	\$ 7,439	\$ 7,439
<b>2012</b>	Other Liabilities	\$ -	\$ 4,699	\$ 4,699

***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>Total 2013</u>	<u>Total 2012</u>
Intragovernmental - Program costs	\$ 3,577,374	\$ 3,313,417
Public - Program costs	2,132,769	1,910,795
Total Program Costs	<u>5,710,143</u>	<u>5,224,212</u>
Intragovernmental earned revenue	(1,103,953)	(1,236,661)
Public earned revenue	(18,877)	(13,908)
Total Program earned revenue	<u>(1,122,830)</u>	<u>(1,250,569)</u>
Total Program Net Costs	<u>\$ 4,587,313</u>	<u>\$ 3,973,644</u>

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

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All obligations for CIGIE are Category B, which were \$5,782,880 and \$5,581,628 in fiscal year 2013 and 2012, respectively. Category B is the amount of reimbursable obligations incurred against amounts apportioned under category B on the SF 132.

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

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CIGIE’s budgetary resources obligated for undelivered orders for September 30, 2013 and 2012 are as follows:

	<u>Undelivered Orders</u>	<u>Delivered Orders, Obligations Unpaid</u>	<u>Unpaid Obligated Balance Net</u>
<b>2013</b>	\$ 277,230	\$ 608,184	\$ 885,414
<b>2012</b>	\$ 380,743	\$ 528,417	\$ 909,161

***NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET***

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Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by CIGIE in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by 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 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 in 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).

**NOTES TO FINANCIAL STATEMENTS – SEPTEMBER 30, 2013 AND 2012**

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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:

	<b>FY 2013</b>	<b>FY 2012</b>
Budgetary Resources Obligated	\$5,782,880	\$5,581,628
Spending Authority from Recoveries and Offsetting Collections	(5,264,635)	(9,699,634)
Imputed Financing from Costs Absorbed by Others	38,773	29,371
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	24,480	(183,250)
Resources that Finance the Acquisition of Assets	(4,409)	(1,790)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	3,980,101	8,207,849
Financing Sources Yet to be Provided (see Note 11)	(793)	8,468
Components Not Requiring or Generating Resources	30,916	31,001
Net Cost of Operations	\$4,587,313	\$3,973,644

***NOTE 12 – SUBSEQUENT EVENTS***

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CIGIE has evaluated subsequent events occurring after the balance sheet date as of September 30, 2013 and through, 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.

## **Independent Auditor's Report**

November 22, 2013

## **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, 2013 and 2012, 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, 2013 and 2012, 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**

### **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*, requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant erroneous payments. In FY 2013, 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; therefore, implementing a payment recapture audit program is not applicable to the agency.