



Fiscal Year 2019

Agency Financial Report



Chairperson's Message

The Council of the Inspectors General on Integrity and Efficiency (CIGIE or Council) was established by the Inspector General Reform Act of 2008. Currently composed of 73 Federal Inspectors General (IGs) and 6 integrity-related senior officials, the Council and its member organizations, function as a robust oversight group engaged in issues of nationwide significance. 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) 2019 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, 2019; and highlight the work of CIGIE's Executive Council, eight standing committees, and individual members on cross-cutting issues affecting Federal departments, agencies, and Offices of Inspector General.

The financial audit was performed by Harper, Rains, Knight & Company (HRK); the report reflects financial statements that present fairly the financial position of the organization. This year's report also identified one material weakness and one significant deficiency, both of which are being proactively addressed.

HRK'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.

In FY 2019, 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 approximately 13,000 professionals that make up the Federal 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.



Michael E. Horowitz
Chairperson, CIGIE

November 13, 2019
Date

Table of Contents

	<u>Page</u>
Management’s Discussion and Analysis	4
Financial Statements	21
Independent Auditor’s Report.....	36
Other Information	46



Management's Discussion and Analysis

Fiscal Year 2019

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.

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.

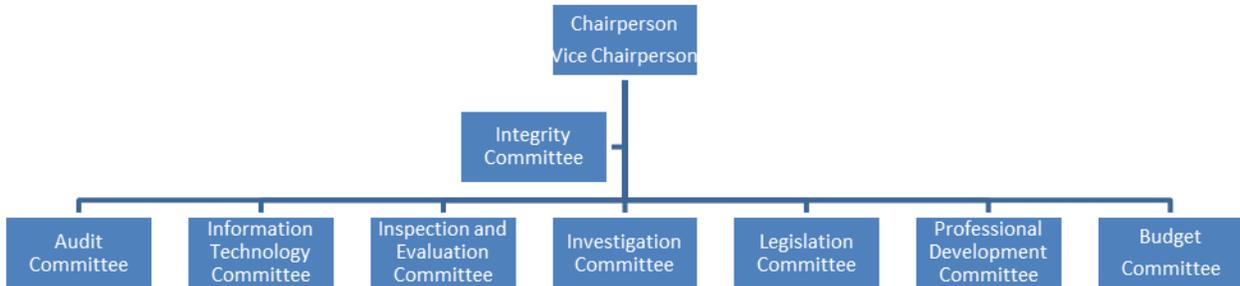
Organization: The Council is made up of 73 individual Inspectors General (IGs) from both the Executive and Legislative branches and 6 integrity-related senior officials: the Deputy Director for Management (DDM), Office of Management and Budget (OMB); the Deputy Director, Office of Personnel Management; 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 Margaret Weichert, Deputy Director for Management, Office of Management and Budget, is the Executive Chairperson of the Council. The Council is led by the elected Chairperson, Michael E. Horowitz, IG, U.S. Department of Justice; the Vice Chairperson, Allison C. Lerner, IG, National Science Foundation; and the other members of the Executive Council (see the below table).

Management’s Discussion and Analysis

Executive Council	
Michael E. Horowitz, U.S. Department of Justice	Chairperson
Allison C. Lerner, National Science Foundation	Vice Chairperson
Hannibal Ware, Small Business Administration	Audit Committee Chair
Carol F. Ochoa, General Services Administration	Budget Committee Chair
Tammy L. Whitcomb, U.S. Postal Service	Information Technology Committee Chair
Steve Linick, Department of State	Inspection and Evaluation Committee
Michael J. Missal, Department of Veterans Affairs	Investigations Committee Chair
Kathy A. Buller, Peace Corps	Legislation Committee Chair
Robert Westbrook, Pension Benefit Guarantee Corporation	Professional Development Committee Chair
Scott Dahl, Department of Labor	Integrity Committee Chair
Laura Davis, National Endowment for the Humanities	At-Large Member
Phyllis K. Fong, U.S. Department of Agriculture	Past Chairperson

CIGIE Committees

CIGIE consists of eight (8) committees, seven (7) of which represent functional responsibilities of the IG community. The eighth, 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.



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.

Management's Discussion and Analysis

Budget Committee

Provides leadership in the development of the Council's annual Congressional appropriation request by coordinating a transparent process to assess current CIGIE activities and, in consultation with the Chairperson, Vice Chairperson, and Executive Council, presenting a proposed budget to the membership for discussion and adoption. In addition, the Committee serves as the IG Community's lead in coordinating with the OMB and relevant Congressional committees to establish and maintain a direct annual appropriation to fund Council activities.

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.

Management's Discussion and Analysis

Integrity Committee

The Integrity Committee is required by the IG Act and has the statutory responsibility to review and refer for investigation allegations of wrongdoing made against CIGIE IGs and their designated staff members. The Committee is chaired by an IG member elected by the other committee members. The committee consists of four IGs appointed by the Council Chairperson for four-year terms. In addition, the Director of the Office of Government Ethics or designee and the FBI official serving on the Council or designee are also members. The Chief of the Public Integrity Section of the Criminal Division of the Department of Justice, or designee, serves as a legal adviser. In conjunction with the Council Chairperson, the Integrity Committee develops policies and procedures, which are submitted to the congressional committees of jurisdiction. Under the IG Empowerment Act of 2016, CIGIE is now responsible for committee records management and administrative support.

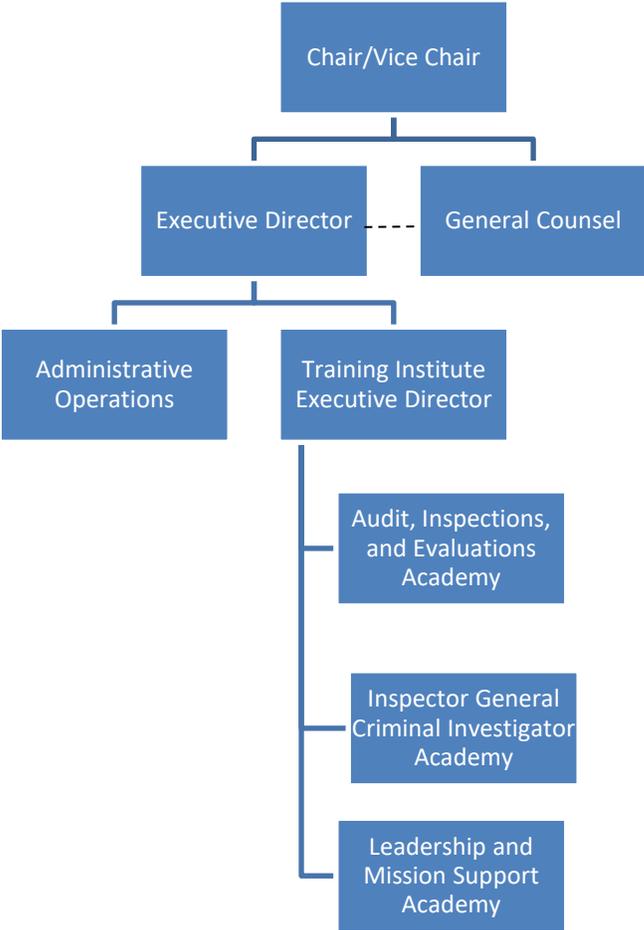
In addition to these eight standing committees, there are several councils, panels, roundtables, and work groups that are discipline-specific within the IG community or function under the auspices of CIGIE or the standing committees. A few examples of these and their purposes are:

- 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.
- Inspections and Evaluations 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.
- Ombuds Working Group – This working group under the Investigations Committee is focused on myriad of matters associated with the responsibilities of OIG ombudsman.
- Human Resources Roundtable – This roundtable under the Professional Development Committee is focused on myriad of issues pertinent to the OIG's human resources community.
- 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.

Management’s Discussion and Analysis

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.



Management's Discussion and Analysis

Performance Goals, Objectives and Results

Executive Summary of High Level Annual Accomplishments and Achievements:

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 four major business goals and supporting objectives. These goals are: 1) enhanced integrity and strength of Federal programs and operations; 2) a well-trained and highly skilled OIG community; 3) a focal point for collaboration, best practices, and outreach; and 4) an efficient, well-managed organization. The following information reflects CIGIE's accomplishments during fiscal year (FY) 2019 under each of these goals.

Goal 1: Enhanced integrity and strength of Federal programs and operations.

During FY 2019, the Council continued its forward progress towards achieving the goals associated with its FY18-22 Strategic Plan by refining and successfully acting on the initiatives that comprise the annual performance plan. In addition, during the year CIGIE strengthened support for its member activities through completing, commissioning, or continuing the following cross-cutting studies and projects:

- Whistleblowing Works: How Inspectors General Respond to and Protect Whistleblowers. – To conduct effective oversight of the federal government and its \$4 trillion annual budget, it is critical that Inspectors General (IGs) receive information from insiders, who are often in the best position to identify and report waste, fraud, abuse, and misconduct. It is also critically important that IGs protect whistleblowers from unlawful retaliation, so they continue to feel comfortable coming forward with allegations of wrongdoing. Recent efforts by the IG community to make its work more accessible and transparent make it possible for the public to assess the ways in which whistleblowers contribute to IG efforts to improve the effectiveness and efficiency of government programs.

On October 1, 2017, the Council of Inspectors General on Integrity and Efficiency (CIGIE) launched www.Oversight.gov. Oversight.gov is a publicly accessible, searchable website for the thousands of Office of Inspector General (OIG) reports issued each year. The public can now review OIG's collective work on critical issues, such as cybersecurity, the opioids crisis, and counter-terrorism.

Oversight.gov also provides timely updates on the IG community's consolidated results, including up-to-date totals on the billions of dollars of savings that result from OIG oversight.

In this report, to illustrate the importance of individuals coming forward to report waste, fraud, abuse, and misconduct to OIGs, a number of examples drawn from Oversight.gov served to highlight the many instances in which OIG investigations, audits, and reviews were initiated or advanced because of a

Management's Discussion and Analysis

whistleblower disclosure. A summary of OIG efforts to protect whistleblowers from unlawful retaliation is also included.

- Combatting the Opioid Crisis: Role of the Inspector General Community - The United States is in the middle of a severe opioid crisis. More than 70,000 people died from drug overdoses in 2017, and around two-thirds of these deaths, 47,600, involved opioids. The federal government is ramping up efforts to address the problem, but resolving this issue is complex. It requires the collaboration of numerous agencies within the federal government as well as state and local governments and the private and nonprofit sectors. The path to opioid abuse can start with a single opioid prescription for pain, but there is no one fix for the opioid crisis. Instead, many smaller opportunities exist to make substance abuse less likely and to disrupt drug diversion and criminal trafficking. The federal government plays multiple roles, whether regulating drugs, paying for health care services, encouraging research, enforcing the law, or funding treatment. This paper describes federal and Office of Inspectors General (OIG) efforts to address the opioid crisis both within the health care system and through law enforcement.
- Enterprise Risk Management Guide for Offices of Inspectors General – As with all public sector organizations, the OIG community faces unprecedented risks to achieving its mission, goals, and objectives. Risks associated with talent recruitment and retention; complex operations; technological breakthroughs; public perception; budget shortfalls; and, organizational cultures that may not promote engagement, high performance, or transparency could be looming.

OIG organizations need to identify risk challenges that lie ahead to remain flexible, respond to changes in their particular risk environment, and create public value. ERM is a useful process that improves decision-making by providing an understanding of both risks and opportunities associated with mission accomplishment.

Essentially, ERM is a holistic approach that uses an enterprise-wide lens to identify and prioritize internal and external risks to the organization, along with related mitigation efforts. The key to an effective ERM capability is for entities to understand the combined impact of risks in an interrelated portfolio, rather than by addressing risks only within silos.

The objective of the guide is to share good practices for ERM implementation activities in an effort to facilitate the adoption of ERM within the OIG community and other public sector organizations. This guide is not prescriptive because each OIG should take into account the strength of its existing risk management controls, budget, organizational culture, and structure and size before choosing to develop an ERM implementation strategy. That is, each OIG should customize an ERM approach that complements its unique mission, vision, core values, goals, objectives and available resources. Although the good practices described in the guide highlight the experiences of practitioners within

Management's Discussion and Analysis

the IG community, these experiences can serve as a useful resource for any Federal agency, or public sector organization seeking to implement or enhance ERM practices.

Goal 2: A well-trained and highly skilled OIG community.

FY 2019 marked the second year of a multi-year initiative to modernize CIGIE's approach to training design, training delivery, and the associated supporting infrastructure through close collaboration with the applicable governing committees. The net effects are expected to be higher quality training (as defined by the impact of training in relation to on-the-job performance); significantly expanded access to training; and a more efficient use of available fiscal and human resources.

Using the Inspections and Evaluations (I&E) career field as a test bed and building on workflow maps developed in the prior year, the Training Institute developed three new learning constructs for the I&E community. One, "I&E Jumpstart" is designed for new or relatively new hires and is intended to equip them to quickly perform at a basic level of proficiency with minimal assistance. The second, "Driving I&E" is for more experienced professionals and addresses the full range of tasks and supporting knowledge required to perform I&E work. Both of these: (1) are able to be delivered in the classroom or via the Web; (2) integrate comprehensive performance support for use in class or later on the job; feature highly structured companion learner and facilitator guides; and incorporate integrated measurement strategies.

The third, "I&E Tune ups" has been designed but is still in the nascent stages of development. This aspect will feature "voices from the field" via podcast, virtual Lunch 'n Learn sessions, live chat virtual chats, etc

In the meantime, the Institute's existing obligations and workload proceeded unabated. Nevertheless, performance against traditional measures of training success remains quite strong. For example, student participant evaluations indicating satisfaction with the training experience continue, as in past years, to average approximately 96% across the Institute as a whole.

From a program perspective, CIGIE continued to focus much of its training efforts on developing and providing leadership and management training programs to the OIG community. In total, 12 different program offerings spanning 23 iterations were delivered to 566 participants from across the community to very favorable reviews. These programs were designed to both sharpen experienced managers' skills and equip new and future leaders with the vital tools they need to become effective public administrators. Further, CIGIE held its Annual Leadership Forum which attracted over 1,000 in-person and virtual participants, a 44% increase in attendance over the 2018 Forum.

In broadening professional development opportunities within the IG community, CIGIE launched its 4th cohort of the interagency fellowship program for the OIG community in FY 2019. Fellows in the program participate in a 6-month rotational assignment with another OIG; these assignments are designed to enhance specific leadership skills aligning with the Office of Personnel Management's Senior Executive Service executive core qualifications. Further, the

Management's Discussion and Analysis

program provides fellows with engaging cohort activities designed to provide additional developmental opportunities and foster collaboration and cohesion among the cohort.

In FY 2019, the Audit, Inspections and Evaluation Academy delivered 32 iterations of a variety of introductory, intermediate, and advanced classes, achieving a total enrollment of 1,750. Of note, CIGIE continued to award National Association of State Boards of Accountancy (NASBA) continuing professional education credits (CPE) for its audit, inspection, and evaluation managed training programs during the fiscal year.

CIGIE also provides training to OIG investigators and other professionals. In FY 2019, CIGIE delivered basic, refresher, and advanced investigator training programs along with more specialized instruction, such as the Public Corruption Investigations Training Program. In total, CIGIE delivered over 34 training courses in over 14 locations across the country that were attended by over 685 students, representing nearly every Federal OIG, in addition to agents from State and local entities.

Drawing from historical lessons learned as well as current challenges facing today's leaders, the Training Institute provided a total of 90 training programs that were attended by over 4,000 OIG professionals in FY 2019.

Goal 3: A focal point for collaboration, best practices, and outreach.

In conjunction with National Whistleblower Day and in collaboration with the U.S. Office of Special Counsel, CIGIE unveiled a new set of tools and resources available through Oversight.gov:

- **Interactive hotline tool.** By following a few simple prompts, users are directed to the appropriate Inspector General, the Office of Special Counsel, or other entity to report wrongdoing or to file a retaliation complaint. CIGIE and OSC launched the tool during its BETA test to provide the public an opportunity to provide feedback before the tool is final.
- **Resources for whistleblowers.** To further guide individuals who want to report waste, fraud, abuse, or retaliation, the site provides specific information to individuals in various sectors, such as whistleblower protections for contractors and grantees, members of the military services, and intelligence community employees.

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. CIGIE also continued its efforts towards reviewing and updating, when necessary, its quality assessment peer review guides.

Management's Discussion and Analysis

CIGIE implemented additional information security policies and procedures in FY 2019 further strengthening CIGIE's cybersecurity posture. These included CIGIE's updated IT Rules of Behavior policy and User Agreement Form. Additionally, CIGIE has made efforts to further mitigate potential cybersecurity risks through continued upgrading and deploying additional security hardware and software; and by implementing best practices for cybersecurity management and protection controls.

Goal 4: An efficient, well-managed organization.

CIGIE continued to meet its statutory responsibilities in FY 2019, to include:

- 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;
- 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.

Management's Discussion and Analysis

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 2019 from the carry-over balance of non-expended/non-obligated funds from FY 2018 in its no-year revolving fund. In FY 2019, 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 2019:

Financial Condition	FY 2019 Balance	FY 2018 Balance	Increase/ (Decrease)	Percentage Difference
Total Assets	\$18,835,792	\$16,421,896	\$2,413,896	14.6%
Total Liabilities	\$1,330,101	\$1,346,664	(\$16,563)	-1.2%
Net Position	\$17,505,691	\$15,075,232	\$2,430,459	14.9%
Net Cost of Operations	\$7,660,894	\$7,235,128	\$425,766	5.7%
Budgetary Resource	\$26,605,470	\$23,580,873	\$3,024,597	12%

The table below summarizes CIGIE's budgetary resource outlays and obligations and identifies our initial projections for FY 2019.

Management's Discussion and Analysis

Summary of Budgetary Resources For the Year Ending September 30, 2019

Funding:	
FY 2018 Carry Over Balance	\$15,066,983
Appropriations (discretionary and mandatory)	2,000,000
Spending authority from Offsetting Collections	9,538,487
Total Budgetary Resources	<u>\$26,605,470</u>
Status of Budgetary Resources:	
Obligations Incurred	
Reimbursable	\$10,611,184
Unobligated Balances	
Apportioned	15,666,277
Unobligated Balances – not available	<u>328,009</u>
Total Status of Budgetary Resources	<u>\$26,605,470</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, except in years such as FY 2019, where the CIGIE members determine that a portion of the carry-over balance of non-expended/non-obligated funds available in its no-year revolving fund is to be used to assist in reducing the pro rata rate to be used to determine the contribution amount.

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%
- From FY 2014 to FY 2015 – 8.8%
- From FY 2015 to FY 2016 – 7.2%
- From FY 2016 to FY 2017 – 20.7%
- From FY 2017 to FY 2018 – 12.3%
- From FY 2018 to FY 2019 – 2.8%

Management’s Discussion and Analysis

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.

Further, the Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (known as the Green Book), provides the overall framework for establishing and maintaining an effective internal control system. The Green Book, along with OMB’s Circular A-123, provide guidance on assessing five components that contain a total of 17 principles, that are summarized in the below table:

Component	Principles
Control Environment	<ol style="list-style-type: none">1. Demonstrates commitment to integrity and ethical values2. Exercises oversight responsibility3. Establishes structure, authority, and responsibility4. Demonstrates commitment to competence5. Enforces accountability
Risk Assessment	<ol style="list-style-type: none">6. Specifies suitable objectives7. Identifies and analyzes risk8. Assesses fraud risk9. Identifies and analyzes significant change

Management's Discussion and Analysis

Component	Principles
Control Activities	10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys through policies and procedures
Information & Communication	13. Uses relevant information 14. Communicates internally 15. Communicates externally
Monitoring	16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies

CIGIE operated during Fiscal Year 2019 with 29 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. 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 with the exception of one material weakness and one significant deficiency identified by our financial statement auditors, I can provide reasonable assurance that our internal controls are operating effectively.

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 was audited in FY 2019 by the Certified Public Accounting firm of Harper, Rains, Knight & Company (HRK), which reviewed the FY 2019 financial records and internal controls of the Council and submitted an unmodified audit opinion.

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 U.S. Department of Agriculture's Office of Chief Financial Officer (USDA/OCFO). The operating effectiveness of the USDA/OCFO's financials, general information technology, accounting operations and payroll controls was examined under Statements on Standards for Attestation Engagements No. 18 (SSAE 18), *Quality Control Review of Controls over the Service Provider*, issued by the American Institute of Certified Public Accountants (AICPA). An unqualified opinion was issued by USDA/OCFO's independent public accounting firm for the period July 1, 2018 through June 30, 2019. Accordingly, USDA/OCFO was able to provide CIGIE with assurance that the description of controls in the FY 2019 report presents fairly the operating effectiveness of USDA/OCFO controls that were in place as of September 30, 2019, as they relate to key controls relied upon by CIGIE. Based on the results of the evaluation of USDA/OCFO financial systems and controls documented in its SSAE 18 report, CIGIE can

Management's Discussion and Analysis

provide reasonable assurance that the internal controls over USDA/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.



Analysis of Entity's Systems, Controls and Legal Compliance

CIGIE's management is responsible for managing risks and establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the FMFIA and meet FFMIA. CIGIE conducted an assessment risk and 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 Enterprise Risk Management and 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, reporting, and compliance with applicable laws and regulations as of September 30, 2019, was operating effectively, with the exception of one material weakness identified through the financial statement audit, specifically, that our general ledger maintained by our service provider required adjustments to reconcile to our internally maintained subledgers.

Alan Boehm

Executive Director

November 18, 2019

Date

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.



FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2019 and 2018

The Council of the Inspectors General on Integrity and Efficiency

BALANCE SHEETS

As Of September 30, 2019 and 2018

		2019	2018
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 17,807,382.46	\$ 15,652,418.53
Accounts Receivable	(Note 3)	680,283.29	441,895.42
Other:	(Note 4)		
Advances and Prepayments		257,090.05	245,019.77
Total Intragovernmental		18,744,755.80	16,339,333.72
Accounts Receivable, net	(Note 3)	91,036.12	82,562.52
General Property, Plant and Equipment, Net	(Note 5)	-	-
Total Assets		\$ 18,835,791.92	\$ 16,421,896.24
Liabilities:			
Intragovernmental:			
Accounts Payable	(Note 6)	\$ 944,986.50	\$ 816,337.37
Other:	(Note 7)		
Employer Contributions and Payroll Taxes Payable		17,587.04	19,178.15
Liability for Advances and Prepayments		1,200.00	4,650.00
Total Intragovernmental		963,773.54	840,165.52
Accounts Payable		97,546.21	186,411.45
Other:	(Note 7)		
Accrued Funded Payroll and Leave		70,730.55	68,370.16
Employer Contributions and Payroll Taxes Payable		2,677.78	3,203.76
Unfunded Leave		195,372.67	248,513.47
Total Liabilities		\$ 1,330,100.75	\$ 1,346,664.36
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		2,000,000.00	-
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		15,505,691.17	15,075,231.88
Total Net Position - All Other Funds (Consolidated Totals)		17,505,691.17	15,075,231.88
Total Net Position		\$ 17,505,691.17	\$ 15,075,231.88
Total Liabilities and Net Position		\$ 18,835,791.92	\$ 16,421,896.24

The Council of the Inspectors General on Integrity and Efficiency

STATEMENTS OF NET COST

As Of And For The Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Program Costs:		
CIGIE:		
Gross Costs	\$ 9,348,520.07	\$ 9,090,529.33
Less: Earned Revenue	1,687,625.40	1,855,401.52
Net Program Costs	<u>7,660,894.67</u>	<u>7,235,127.81</u>
 Net Cost of Operations	 <u><u>\$ 7,660,894.67</u></u>	 <u><u>\$ 7,235,127.81</u></u>

The accompanying notes are an integral part of these statements.

The Council of the Inspectors General on Integrity and Efficiency

STATEMENTS OF CHANGES IN NET POSITION

As Of And For The Years Ended September 30, 2019 and 2018

FY 2019 (CY)

	Dedicated Collections (Consolidated)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Budgetary Financing Sources:				
Appropriations received	\$ -	\$ 2,000,000.00	\$ -	\$ 2,000,000.00
Total Budgetary Financing Sources	-	2,000,000.00	-	2,000,000.00
Total Unexpended Appropriations	\$ -	\$ 2,000,000.00	\$ -	\$ 2,000,000.00
Cumulative Results from Operations				
Beginning Balances	\$ -	\$ 15,075,231.88	\$ -	\$ 15,075,231.88
Beginning balances, as adjusted		15,075,231.88		15,075,231.88
Budgetary Financing Sources:				
Transfers-in/out without reimbursement (+/-)	-	7,983,092.21	-	7,983,092.21
Other Financing Sources (Nonexchange):				
Imputed Financing	-	108,261.75	-	108,261.75
Total Financing Sources	-	8,091,353.96	-	8,091,353.96
Net Cost of Operations	-	7,660,894.67	-	7,660,894.67
Net Change	-	430,459.29	-	430,459.29
Cumulative Results of Operations	\$ -	\$ 15,505,691.17	\$ -	\$ 15,505,691.17
Net Position	\$ -	\$ 17,505,691.17	\$ -	\$ 17,505,691.17

The Council of the Inspectors General on Integrity and Efficiency

STATEMENTS OF CHANGES IN NET POSITION

As Of And For The Years Ended September 30, 2019 and 2018

FY 2018 (PY)

	Dedicated Collections (Consolidated)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results from Operations				
Beginning Balances	\$ -	\$ 13,218,594.34	\$ -	\$ 13,218,594.34
Beginning balances, as adjusted	\$ -	\$ 13,218,594.34	\$ -	\$ 13,218,594.34
Budgetary Financing Sources:				
Transfers-in/out without reimbursement (+/-)	-	8,986,503.97	-	8,986,503.97
Other Financing Sources (Nonexchange):				
Imputed Financing	-	105,261.38	-	105,261.38
Total Financing Sources	-	9,091,765.35	-	9,091,765.35
Net Cost of Operations	-	7,235,127.81	-	7,235,127.81
Net Change	-	1,856,637.54	-	1,856,637.54
Cumulative Results of Operations	\$ -	\$ 15,075,231.88	\$ -	\$ 15,075,231.88
Net Position	\$ -	\$ 15,075,231.88	\$ -	\$ 15,075,231.88

The Council of the Inspectors General on Integrity and Efficiency

STATEMENTS OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2019 and 2018

	<u>2019</u> Budgetary	<u>2018</u> Budgetary
Budgetary resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 15,066,983.25	\$ 12,832,754.10
Appropriations (discretionary and mandatory)	2,000,000.00	-
Spending authority from offsetting collections (discretionary and mandatory)	9,538,487.21	10,748,119.17
Total budgetary resources	<u>\$ 26,605,470.46</u>	<u>\$ 23,580,873.27</u>
Status of budgetary resources:		
New obligations and upward adjustments (total)	(Note 9) \$ 10,611,183.75	\$ 8,841,898.98
Unobligated balance, end of year:		
Apportioned, unexpired account	15,666,277.46	14,730,608.67
Unapportioned, unexpired accounts	328,009.25	8,365.62
Unexpired unobligated balance, end of year	15,994,286.71	14,738,974.29
Unobligated balance, end of year (total)	<u>15,994,286.71</u>	<u>14,738,974.29</u>
Total budgetary resources	<u>\$ 26,605,470.46</u>	<u>\$ 23,580,873.27</u>
Outlay, net:		
Outlays, net (total) (discretionary and mandatory)	\$ (154,963.93)	\$ (2,814,572.93)
Agency outlays, net (discretionary and mandatory)	<u>\$ (154,963.93)</u>	<u>\$ (2,814,572.93)</u>

Notes to the Financial Statements

For the Years Ended September 30, 2019 and 2018
(in dollars)

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.

Notes to the Financial Statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Other Financing Sources

Majority of CIGIE's funding is derived from multiple expenditure transfers in from assessment 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 13.7% of the employees' basic pay to the plan. For FERS-RAE and FRAE employees, CIGIE contributes an amount equal to 11.9% 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-

Notes to the Financial Statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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>2019</u>	<u>2018</u>
Revolving Fund	\$ 17,807,382.46	\$ 15,652,418.53
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	15,666,277.46	14,730,608.67
b) Unavailable	328,009.25	8,365.62
c) Unavailable - Accounts Receivable	(680,283.29)	(441,895.42)
d) Unavailable - Unfilled Customer Order Without Advance	70,076.47	(51,029.45)
2) Obligated Balance not yet Disbursed	2,423,302.57	1,406,369.11
Total	<u>\$ 17,807,382.46</u>	<u>\$ 15,652,418.53</u>

Notes to the Financial Statements

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the amounts owed to CIGIE as the result of collecting tuition for government employees representing Federal Inspectors General, non-Federal Inspectors General and other state/local government employees and collecting CIGIE-member assessments for the funding of CIGIE operations from Federal Inspectors General and non-Federal Inspectors General. Amounts due from Federal Inspectors General are considered fully collectible. An allowance for uncollectible accounts receivable from non-Federal Inspectors General and other state/local government employees is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay. It was determined that the establishment of an Allowance for Uncollectible Accounts was not necessary as of September 30, 2019 and September 30, 2018.

NOTE 4 – OTHER ASSETS

As of September 30, 2019, the CIGIE has obligations that involve the advancement of funds for services to be provided in the future with the Department of the Interior and the Department of Transportation.

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

As of September 30, 2019, CIGIE shows leasehold improvements with a total cost of \$214,153.64 and a net book value of \$0.00. The accumulated depreciation to date shows a balance of \$214,153.64.

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.

2019	Leasehold	Equipment	Total
Cost	\$ 214,153.64	-	\$ 214,153.64
Accum. Depr.	(214,153.64)	-	(214,153.64)
Net Book Value	-	-	-
2018	Leasehold	Equipment	Total
Cost	\$ 214,153.64	-	\$ 214,153.64
Accum. Depr.	(214,153.64)	-	(214,153.64)
Net Book Value	-	-	-

Notes to the Financial Statements

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the CIGIE are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2019, the CIGIE had liabilities covered by budgetary resources of \$1,134,728.08 and liabilities not covered by budgetary resources of \$195,372.67. As of September 30, 2018, the CIGIE had liabilities covered by budgetary resources of \$1,098,150.89 and liabilities not covered by budgetary resources of \$248,513.47.

	2019	2018
Intragovernmental		
Accounts Payable	\$ 944,986.50	\$ 816,337.37
Employer Contributions and Payroll Taxes Payable	17,587.04	19,178.15
Liability for Advances and Prepayments	1,200.00	4,650.00
Total Intragovernmental	963,773.54	840,165.52
With the Public		
Accounts Payable	97,546.21	186,411.45
Accrued Funded Payroll and Leave	70,730.55	68,370.16
Employer Contributions and Payroll Taxes Payable	2,677.78	3,203.76
Unfunded Leave	195,372.67	248,513.47
Total With the Public	366,327.21	506,498.84
Total Liabilities	\$ 1,330,100.75	\$ 1,346,664.36
Total liabilities not covered by budgetary resources	\$ 195,372.67	\$ 248,513.47
Total liabilities covered by budgetary resources	1,134,728.08	1,098,150.89
Total Liabilities	\$ 1,330,100.75	\$ 1,346,664.36

NOTE 7 – OTHER LIABILITIES

Other liabilities with the public for the year ended September 30, 2019 and 2018 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable, and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable and Liability for Advances and Prepayments.

Notes to the Financial Statements

NOTE 7 – OTHER LIABILITIES (continued)

FY 2019			
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 17,587.04	\$ 17,587.04
Liability for Advances and Prepayments	-	1,200.00	1,200.00
Total Intragovernmental	-	18,787.04	18,787.04
Liabilities with the Public			
Accrued Funded Payroll & Leave	-	70,730.55	70,730.55
Employer Contributions and Payroll Taxes Payable	-	2,677.78	2,677.78
Unfunded Leave	195,372.67	-	195,372.67
Total Liabilities with the Public	195,372.67	73,408.33	268,781.00
Total Other Liabilities	\$ 195,372.67	\$ 92,195.37	\$ 287,568.04

FY 2018			
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 19,178.15	\$ 19,178.15
Liability for Advances and Prepayments	-	4,650.00	4,650.00
Total Intragovernmental	-	23,828.15	23,828.15
Liabilities with the Public			
Accrued Funded Payroll & Leave	-	68,370.16	68,370.16
Employer Contributions and Payroll Taxes Payable	-	3,203.76	3,203.76
Unfunded Leave	248,513.47	-	248,513.47
Total Liabilities with the Public	248,513.47	71,573.92	320,087.39
Total Other Liabilities	\$ 248,513.47	\$ 95,402.07	\$ 343,915.54

NOTE 8 – OPERATING LEASE

CIGIE’s lease for its office commenced on November 28, 2010 and extends through December 31, 2020. The lease was amended on April 1, 2017 increasing CIGIE’s office space from 3,889 rental square feet (RSF) to 5,094 RSF. The future minimum lease payments required under this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 232,920.87

Rent expense for the years ended September 30, 2019 and 2018 was \$203,035.62 and \$196,567.14, respectively.

Notes to the Financial Statements

NOTE 9 – APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS REIMBURSABLE OBLIGATIONS

All obligations for CIGIE in fiscal year 2019 and fiscal year 2018 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 of an apportionment. Amounts are identified as Category B in an apportionment by a specific program, project, or activity. The amount of reimbursable new obligations and upward adjustments incurred against amounts apportioned under category B are as follows:

	2019	2018
Reimbursable		
Category B - Administrative (Council Operations)	\$ 4,988,011.38	\$ 3,554,984.06
Category B - Audit/Inspections and Evaluations Training	1,131,731.73	964,100.71
Category B - Investigative Training	2,454,994.87	2,597,654.96
Category B - Leadership/Mission Support Training	840,202.83	743,212.03
Category B - Training HQ and Administrative	1,037,806.94	981,947.22
Category B - Oversight.gov	158,436.00	-
Total	\$ 10,611,183.75	\$ 8,841,898.98

NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of CIGIE’s budgetary resources obligated for undelivered orders was \$1,546,864.54 and \$557,887.99 as of September 30, 2019 and 2018, respectively.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
2019	\$ 1,289,774.49	\$ 257,090.05	\$ 1,546,864.54
2018	312,868.22	245,019.77	557,887.99

Notes to the Financial Statements

NOTE 11 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources, obligations, distributed offsetting receipts, and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the Budget of the United States Government (Budget). The Budget that will include FY 2019 actual budgetary execution information is scheduled for publication in February 2020, which will be available through OMB’s website at <https://www.whitehouse.gov/omb/budget>. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2018 SBR and the related President’s Budget reflected the following:

FY 2018	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 23,580,873.27	\$ 8,841,898.98	\$ -	\$ (2,814,572.93)
Budget of the U.S. Government	24,000,000.00	9,000,000.00	-	(3,000,000.00)
Difference*	\$ (419,126.73)	\$ (158,101.02)	-	\$ 185,427.07

* Differences are due to the rounding to the nearest millionth in MAX for the President's Budget.

Notes to the Financial Statements

NOTE 12 – RECONCILIATION OF NET COST TO NET OUTLAYS

CIGIE has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations:

	Intra- governmental	With the Public	Total
Net Operating Cost (SNC)	7,660,894.67	-	7,660,894.67

Components of Net Operating Cost Not Part of the Budgetary Outlays

Increase/(Decrease) in Assets not affecting Budget Outlays:

Accounts receivable	238,387.87	8,473.60	246,861.47
Other assets	12,070.28	-	12,070.28

(Increase)/Decrease in Liabilities not affecting Budget Outlays:

Accounts payable	(125,199.13)	88,865.24	(36,333.89)
Salaries and benefits	1,591.11	(1,834.41)	(243.30)
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	-	53,140.80	53,140.80

Other financing sources

Federal employee retirement benefit costs	(108,261.75)	-	(108,261.75)
Transfers out (in) without reimbursement	(7,983,092.21)	-	(7,983,092.21)

Total Components of Net Operating Cost	(7,964,503.83)	148,645.23	(7,815,858.60)
---	-----------------------	-------------------	-----------------------

Net Outlays (Calculated Total)	(303,609.16)	148,645.23	(154,963.93)
---------------------------------------	---------------------	-------------------	---------------------

Related Amounts on the Statement of Budgetary Resources

Outlays, net (SBR Line 4190)	(154,963.93)
Agency Outlays, Net (SBR Line 4210)	(154,963.93)

NOTE 13 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 18th, 2019, which is the date the financial statements were available to be issued.



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Harper, Rains, Knight & Company
700 12th Street NW, Suite 700
Washington, DC 20005
(202) 558-5167



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). CIGIE's financial statements comprise the balance sheet as of September 30, 2019 and 2018, and the related statements of net cost and changes in net position, and the statement of budgetary resources, for the fiscal years then ended; and the related notes to the financial statements.

Management's Responsibility

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

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 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

Certified Public Accountants • Consultants • hrkcpa.com

1052 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
p: 601-605-0722 • f: 601-605-0733

700 12th Street NW, Suite 700
Washington, DC 20005
p: 202-558-5162 • f: 601-605-0733

Auditors' Responsibility (continued)

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

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, CIGIE's financial statements present fairly, in all material respects, CIGIE's financial position as of September 30, 2019 and 2018, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Matters (continued)

Other Information

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

The Chairperson's Message and Other Information section has not been subjected to the auditing procedures applied in the audit of the 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 CIGIE's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*, we considered the entity's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the entity's internal control over financial reporting. We did not consider all internal controls relevant to operating objectives as broadly established by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to preparing performance information and ensuring efficient operations. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibit I, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Exhibit II to be a significant deficiency.

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 selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the financial statements. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. We caution that noncompliance may occur and not be detected by these tests.

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2019 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CIGIE. Accordingly, we do not express such an opinion.

Management's Response to Findings

Management's responses to the findings identified in our audit are described in the accompanying Exhibits I and II. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

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. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hopper, Raines, Knight & Company, P.A.

November 18, 2019

I. Management Reconciliation of Subledgers to General Ledger

Condition:

CIGIE's general ledger prepared by its service provider, the United States Department of Agriculture (USDA), did not agree with its subledger for both accounts receivable and advances and prepayments in amounts, that while not material, were collectively significant.

Criteria:

OMB Circular A-123, Management's Responsibility for Internal Control states:

"Management's Responsibility for Oversight of Service Organizations.

The extent of an Agency's oversight of a service organization depends on the nature of the contract or agreement terms and conditions. The use of a third-party provider needs to be considered for management's oversight and assessment of internal control based on risk and when the activity is significant to the Agency's achievement of internal control objectives of operations, reporting, or compliance. Examples of services provided by the service organization that warrant oversight include: maintenance of a user Agency's financial reporting and accounting records ..."

GAO Standards for Internal Control in the Federal Government (Green Book) states:

"16.08 Management retains responsibility for monitoring the effectiveness of internal control over the assigned processes performed by service organizations. Management uses ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization's internal controls over the assigned process. Monitoring activities related to service organizations may include the use of work performed by external parties, such as service auditors, and reviewed by management."

Cause:

CIGIE does not have sufficient accounting personnel available to provide oversight and review of its accounting functions. The majority of CIGIE personnel are on detail from other Inspector General agencies under short term agreements. Full-time CIGIE personnel reside predominantly in positions that enhance operations. CIGIE does not employ any staff with an "accountant" or "financial officer" designation. Therefore, personnel at CIGIE do not reconcile or monitor financial information provided by its service provider to its internal records.

Effect:

Lack of appropriate review of financial records could result in material misstatements in CIGIE's financial statements, lack of compliance in its financial reporting obligations, and potentially expose CIGIE to fraudulent financial activity.

Recommendation:

We recommend that CIGIE enhance its management team to include full-time personnel with significant accounting and financial statement experience to monitor its financial activity.

Managements' Response

CIGIE management agrees with this notice of finding and subsequent recommendation. Recognizing the potentially serious negative outcomes that could result from the absence of appropriately qualified, full-time, permanent financial staff, CIGIE sought and received membership approval in conjunction with its FY20 budget request to add a position of this nature. The position was advertised at the beginning of the FY20 fiscal year and will be filled pending receipt of the list of qualified candidates from OPM and completion of the selection process

II. Timely Billing of Accounts Receivable

Condition:

CIGIE suffered significant delays in billing and collecting payments for its training courses during Fiscal Year 2019. Billings and collections for March to June period of 2019 were down sixty-seven (67) percent from the same period in 2018.

Criteria:

GAO Standards for Internal Control in the Federal Government (Green Book) states:

"Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Cause:

CIGIE's key employee responsible for billing and collecting the majority of its training programs retired at the end of December 2018. CIGIE attempted to replace the key personnel by transitioning another employee into the role. However, the transitioned employee received minimal training on the job and CIGIE did not fill the role that the transitioned employee vacated. This resulted in the transitioned employee attempting to perform old duties as well as new duties. As a result, both roles suffered, and transactions were not being completed timely.

Effect:

CIGIE was not able to timely bill and receive payment for its training programs during the period of March to June 2019. Expenditures still occurred timely, as instructors, travel, and administrative expenses continued. This could result in operating cash shortfalls necessary to reimburse CIGIE for the costs of these programs.

Recommendation:

We recommend that CIGIE increase its administrative staff at the Federal Law Enforcement Training Center (FLETC) to ensure that all transactions are recorded timely. In addition, we recommend that CIGIE cross train its employees so that institutional knowledge is not isolated into few personnel.

CIGIE should also explore utilizing third party online software to bill and collect fees for its training similar to other federal agencies.

Managements' Response

CIGIE management agrees with this notice of finding and subsequent recommendation. The original position holder returned to CIGIE as a Rehired Annuitant to provide training to her successor. Her successor's former position has also since been filled. Additionally, cross-training and adjusting provisions for providing back-up among FLETC-based staff and between FLETC and Washington-based staff are ongoing.

CIGIE management disagrees with the stated result indicated under "Effect." CIGIE did not experience any operating cash shortfalls at any point during the fiscal year. Mission execution continued unabated in all respects. Had operating cash shortfalls become problematic during this period, CIGIE's revolving fund reserve balance was funded sufficiently to provide an offset if necessary (subject of course to the approval of membership).

Status of Prior Year Findings
Exhibit III

COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

Status of Prior Year Findings

September 30, 2019

Title of Finding from FY18 Audit Report	Prior Year Status	Current Year Status
Assessment Accounting and Financial Statement Presentation	Material Weakness	Resolved



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Other Information

Other Information

Summary of the Financial Statement Audit and Management's Assurances

Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	1	0	0	1

Summary of Management Assurances:

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	1	0	0	0	1

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

Conformance with Financial Management Systems Requirements (FMFIA § 4)						
Statement of Assurance	Unmodified ¹					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
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 201, 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

¹ CIGIE uses a federal shared services provider, the U.S. Department of Agriculture's Office of Chief Financial Officer (USDA/OCFO) for financial systems.

Other Information

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, Requirements for Effective Estimation and Remediation of Improper Payments*, 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.