



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

**Fiscal Year 2018**

**Agency Financial Report**



## 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 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) 2018 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, 2018; 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). CIGIE is pleased to report that HRK found that CIGIE's financial statements present fairly the financial position of CIGIE and that there were no reportable instances of noncompliance with laws or regulations governing CIGIE's financial management systems. HRK did find through their audit one material weakness in CIGIE's internal controls over financial reporting that existed. Specifically, in FY 2017, the Financial Statements incorrectly classified assessments received from Inspectors General offices as earned revenue (i.e. exchange revenue) on the Statements of Net Cost (SNC), instead of as Transfers-in/out without reimbursement (i.e. nonexchange expenditure transfers-in from a Federal fund) on the Statements of Changes in Net Position (SCNP). Appropriate actions have been taken to address this finding.

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 2018, 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.



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Michael E. Horowitz  
Chairperson, CIGIE

November 14, 2018

Date

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## Table of Contents

	<u>Page</u>
Management’s Discussion and Analysis .....	5
Analysis of Entity’s Systems, Controls and Legal Compliance.....	22
Financial Statements .....	24
Independent Auditor’s Report.....	41
Other Information .....	48



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

## **Management's Discussion and Analysis Fiscal Year 2018**

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

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

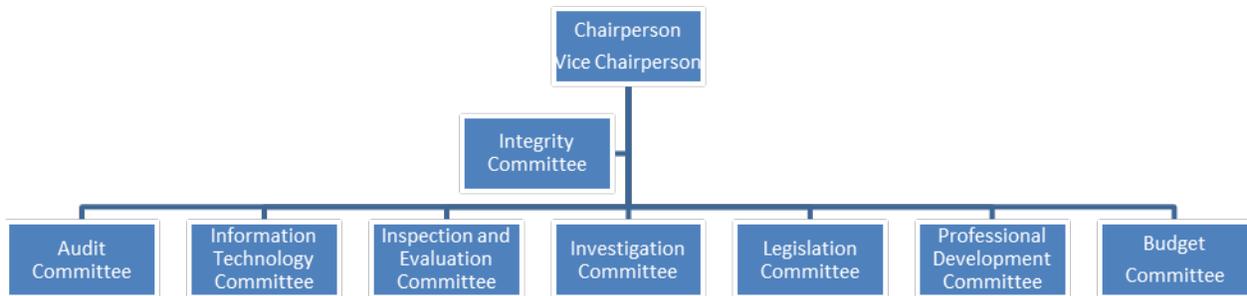
**Mission:** The mission of the Council is to address integrity, economy, and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained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

**Organization:** The Council is made up of 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).

Executive Council	
Michael E. Horowitz, U.S. Department of Justice	Chairperson
Allison C. Lerner, National Science Foundation	Vice Chairperson
Tom Howard, Amtrak	Audit Committee Chair
Carol F. Ochoa, General Services Administration	Budget Committee Chair
Tammy L. Whitcomb, U.S. Postal Service	Information Technology Committee 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
Kathy A. Buller, Peace Corps	Legislation Committee Chair
Robert Westbrooks, Pension Benefit Guarantee Corporation	Professional Development Committee Chair
Scott Dahl, Department of Labor	Integrity Committee Chair
Kathleen S. Tighe, Department of Education	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.



## 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.

#### 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.

### 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.

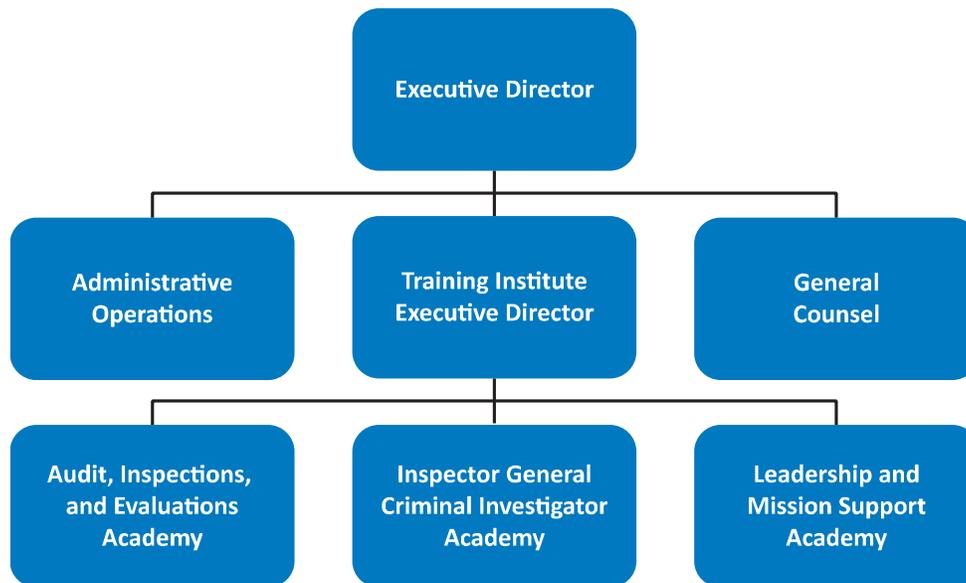
In addition to these eight standing committees, there are several councils, panels, roundtables, and work groups that are discipline-specific within the IG community or function under the auspices of CIGIE or the standing committees. A few examples of these and their purposes are:

- 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.

## Staff

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



### *Performance Goals, Objectives and Results*

During the fiscal year, the Council approved its annual performance plan to guide its activities for the year. The performance plan is associated with CIGIE's five-year Strategic Plan and aligns with the goals, objectives, and performance measures associated with the Strategic Plan. CIGIE's performance plan sets out 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) 2018 under each of these goals.

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

During FY 2018, the Council approved both its new five-year Strategic Plan and its annual performance plan associated with this Strategic Plan to track goals, objectives, and performance measures. In addition, during the year CIGIE strengthened support for its member activities through completing, commissioning, or continuing the following cross-cutting studies and projects:

- Critical Issues Involving Multiple Offices of Inspector General - The Inspector General Empowerment Act of 2016 mandated that CIGIE conduct an analysis of critical issues that involve the jurisdiction of more than one individual federal agency. In response, CIGIE consulted within the IG community to determine six high-impact issues where coordination and collaboration would continue to be most beneficial: Strengthening cybersecurity; Safeguarding national security; Ensuring integrity and efficiency in contracting and subcontracting; Modernizing information technology (IT) infrastructure; Enhancing oversight of grants; and Preventing fraudulent benefit claims and improper payments. Although, CIGIE already conducts collaborative work on these issues, there are opportunities to increase these efforts that would yield a good return for federal oversight by allowing OIGs to use resources more effectively and share knowledge. In addition, such collaborative efforts could reduce fragmentation and duplication within the government and across the oversight community. CIGIE issued its report on this effort in December 2017.
- Vulnerabilities and Resulting Breakdowns: A review of Audits, Evaluations, and Investigations Focused on Services and Funding for American Indian and Alaskan Natives - The CIGIE Inspections and Evaluations Committee established a working group to examine and assess internal controls in place to identify weaknesses and promote more appropriate use of Federal funding and coordination across Federal American Indian and Alaskan Natives grants funding and programs to promote efficiency and more effective outcomes. CIGIE issued its report on this effort in December 2017.

- Top Management and Performance Challenges Facing Multiple Federal Agencies - CIGIE reviewed the 61 publicly available top management and performance challenges reports that were issued by federal, statutory OIGs in 2017. We worked to identify the most frequently reported challenges by category, subsequently, we reviewed each individual challenge within the broader category to determine whether we could also identify any common themes or key areas of concern. This review identified the 7 challenges that were the most frequently reported in management challenges reports created by individual federal Offices of Inspector General in 2017 - Information Technology Security and Management, Performance Management and Accountability, Human Capital Management, Financial Management, Procurement Management, Facilities Maintenance, and Grant Management. Subsequently, CIGIE issued its report on this effort in April 2018.
  
- Report on Government Purchase Card Initiative - CIGIE analyzed and reviewed Government purchase card data to determine the risks associated with purchase card transactions. To accomplish this objective, 20 participating OIGs reviewed Federal agencies that processed over 1.8 million purchase card transactions totaling over \$941 million from October 1, 2016 through March 31, 2017. The participating OIGs selected and then tested a random sample of 1,255 high-risk purchase card transactions of over \$1.3 million to identify transactions that were potentially illegal, improper, or erroneous. While the OIGs did not find evidence of fraudulent behavior, they found weaknesses in certain areas—such as policy, monitoring, and training—that reduced program efficiency and increased the risk of unauthorized purchases on Government purchase cards. The OIGs found that agencies’ cardholders need additional training in properly using their cards; agencies need to develop additional policies and procedures for the cards; and approving officials need to better review transactions. CIGIE issued its report on this effort in July 2018.
  
- Vulnerability Scanning and Penetration Testing Usage Survey Report – The CIGIE Information Technology Committee conducted a vulnerability and penetration testing usage survey in March 2018, which was a follow-up to a previous survey in February 2012. Thirty-eight OIGs completed the survey and the results of the survey were internally reported to the OIG community in August 2018.

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

In FY 2018, CIGIE, in close coordination with the applicable governing committees, launched the first stage of a multi-year initiative to modernize its approach to training design, training delivery, and the associated supporting infrastructure. 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.

In FY2018 the Training Institute employed a Rapid Workflow Analysis (RWA) process to analyze and document the workflows of all four major OIG career fields: Inspections & Evaluation (I&E); Investigations; Financial Audit; and Performance Audit. “IG Community Leadership” is planned for analysis in FY19. The RWA process is a leading-edge, state-of-the-training industry practice. CIGIE initially planned completing one RWA during the year; however, we far exceeded this by completing four RWA’s.

CIGIE working towards modernizing its Training Institute, found that : (a) not all the academies were collecting information relating the percentage of supervisors indicating that training and professional development offered through CIGIE courses improved participants performance; (b) current measurement tools are not necessarily providing the right type of data in this regard; and (c) at least some of the existing training isn’t maximizing impact on performance to the extent it needs to be. This being the case, a simple baseline of “all academies will measure effect of training on performance by FY22” has been established. This will be refined and made more specific as the modernization effort matures.

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 95% 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 25 iterations were delivered to 461 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 694 in-person and virtual participants, a 35% increase in attendance over the 2017 Forum.

In broadening professional development opportunities within the IG community, CIGIE launched its 3rd cohort of the interagency fellowship program for the OIG community in FY 2018. 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 program provides fellows with engaging cohort activities designed to provide additional developmental opportunities and foster collaboration and cohesion among the cohort.

In FY 2018, the Audit, Inspections and Evaluation Academy delivered 31 iterations of a variety of introductory, intermediate, and advanced classes, achieving a total enrollment of 848.

Furthermore, in support of the I&E community, CIGIE delivered 4 learning forums on the topics of Writing to Elements of a Finding; The New I&E Peer Review Process (2 sessions); and Asking the Right Questions on Non-monetary Return on Investment. Combined, these forums attracted nearly 1,000 participants from across the community. 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 2018, 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 31 training courses in over 19 locations across the country that were attended by over 833 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 87 training programs that were attended by over 3,843 OIG professionals in FY 2018.

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

On October 1, 2017, CIGIE launched Oversight.gov, a website that aggregates public reports from the Federal OIGs that are members of CIGIE. Oversight.gov provides a "one stop shop" to follow the ongoing oversight work of all IGs that publicly post reports. With the launch of Oversight.gov, users can now sort, search, and filter the site's database of public reports across agencies to find oversight areas of interest. Led by the U.S. Postal Service Office of Inspector General and the U.S. Department of Justice Office of Inspector General, a CIGIE working group developed this intuitive website that now has over 10,000 OIG reports.

Through CIGIE's outreach efforts to better inform the public of the mission, responsibilities, and efforts of the OIGs, a working group was formulated in FY 2018 to develop methods of communicating such information through the avenue of recognizing 40 years since the signage of the Inspector General Act of 1978 (IG Act). Through the work of this CIGIE group, two conferences were held, one in Washington, D.C, at the Capitol Visitors Center, and one in Atlanta, Georgia, at the Jimmy Carter Presidential Library and Museum/The Carter Center, that commemorated the enactment of the IG Act, subsequent amendments to the Act, the establishment of CIGIE, and the importance of the work of the OIGs. Through these conferences, and additional information that has been posted on CIGIE's website, we have further educated our stakeholders regarding the OIGs mission, priorities and challenges.

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.

CIGIE implemented additional information security policies and procedures in FY 2018 further strengthening CIGIE's cybersecurity posture. These included CIGIE's Information Security policy, our IT Information Categorization policy, Mobile Device Security policy, and updated IT Rules of Behavior policy. 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.

Several CIGIE working groups have begun deploying collaborative environments with the use of technology. Three such working groups, the IG Ombudsman working group, the Enterprise Risk Management working group, Federal Hotline working group, have used MAX.gov an internal government web presence to establish respective sites that provide a means to better collaborate among their members.

Further, CIGIE conducted a survey of its member offices to assist in establishing a baseline measurement relating to several of its Strategic Plans objectives. The results of this survey provided members perspectives relating to the success of CIGIE's efforts in meeting the measures established in our first Annual Plan associated with the new Strategic Plan. This baseline information will be used to assist CIGIE in striving for continued advancement in its efforts to meet those goals it has set out for the future.

#### **Goal 4: An efficient, well-managed organization.**

With the enactment of the IG Empowerment Act in December 2016, operational responsibilities associated with CIGIE's statutorily mandated Integrity Committee shifted from the Federal Bureau of Investigation (FBI) to CIGIE. Accordingly, CIGIE immediately began to develop a staffing plan and associated budget to address the needs resulting from this new responsibility. In FY 2018, CIGIE finalized and implemented these plans, including the selecting and hiring of additional staff, and transitioned the Integrity Committee operational responsibilities from the FBI to CIGIE. The transition also required CIGIE to undertake updating the Integrity Committee Policies and Procedures, CIGIE Freedom of Information Act regulations, CIGIE Privacy Act regulations, and the public facing webpage associated with the Integrity Committee, as well as to develop and publish a new Privacy Act System of Records and work with the National Archives and Records Administration to begin development of a records disposition schedule for Integrity Committee records. Furthermore, CIGIE identified the need to develop a case management system that would provide a more efficient way to manage CIGIE's Integrity Committee records and implemented the same.

CIGIE continues to efficiently administer its financial resources as reflected through its FY 2018 Financial Statement audit, in which an unmodified opinion was received.

In addition to these accomplishments, CIGIE continued to meet all its statutory responsibilities in FY 2018, 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;
- Preparing and transmitting its *Annual Progress Report*;
- Responding to inquiries from the public and stakeholders about CIGIE and OIG activities, including complaints and allegations against IGs;
- Administering peer review programs that assess OIG compliance with professional standards; and
- Recommending individuals to the appointing authority when IG vacancies occur.

***Analysis of CIGIE’s Financial Statements and Stewardship Information***

CIGIE prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance. The financial statements and notes are presented on a comparative basis in the required format in accordance with OMB Circular No. A-136, revised, *Financial Reporting Requirements*.

CIGIE obtained its funding in FY 2018 from the carry-over balance of non-expended/non-obligated funds from FY 2017 in its no-year revolving fund. In FY 2018, 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 2018:

<b>Financial Condition</b>	<b>FY 2018 Balance</b>	<b>FY 2017 Balance</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Difference</b>
Total Assets	\$16,421,896	\$14,480,166	\$1,941,730	11.8%

Total Liabilities	\$1,346,664	\$1,261,571	\$85,093	6.32%
Net Position	\$15,075,232	\$13,218,594	\$1,856,638	12.3%
Net Cost of Operations	\$7,235,128	\$5,821,292	\$1,413,836	19.5%
Budgetary Resources	\$23,580,873	\$21,006,558	\$2,574,315	10.9%

As of the close of FY 2018, CIGIE had obligated \$3,554,984 to continue building the necessary infrastructure to fully support these activities. Additionally, CIGIE had obligated \$5,286,915 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 2018, the gross obligations for CIGIE were \$8,841,899. The table below summarizes CIGIE's budgetary resource outlays and obligations and identifies our initial projections for FY 2018.

**Summary of Budgetary Resources  
For the Year Ending September 30, 2018**

Funding:		
FY 2017 Carry Over Balance		\$12,832.754
Spending authority from Offsetting Collections		\$10,748,119
Total Budgetary Resources		<u>\$23,580.873</u>
Status of Budgetary Resources:		
Obligations Incurred		
Reimbursable		\$8,841,899
Unobligated Balances		
Apportioned		\$14,730,609
Unobligated Balances – not available		<u>\$8,366</u>
Total Status of Budgetary Resources		<u>\$23,580.873</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 2018, 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%

## *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:

<b>Component</b>	<b>Principles</b>
<b>Control Environment</b>	<ol style="list-style-type: none"><li>1. Demonstrates commitment to integrity and ethical values</li><li>2. Exercises oversight responsibility</li><li>3. Establishes structure, authority, and responsibility</li><li>4. Demonstrates commitment to competence</li><li>5. Enforces accountability</li></ol>
<b>Risk Assessment</b>	<ol style="list-style-type: none"><li>6. Specifies suitable objectives</li><li>7. Identifies and analyzes risk</li><li>8. Assesses fraud risk</li></ol>

	9. Identifies and analyzes significant change
<b>Control Activities</b>	10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys through policies and procedures
<b>Information &amp; Communication</b>	13. Uses relevant information 14. Communicates internally 15. Communicates externally
<b>Monitoring</b>	16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies

CIGIE operated during Fiscal Year 2018 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 identified by our financial statement auditors, I can provide reasonable assurance that our internal controls are operating effectively.

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, 2017 through June 30, 2018, and in which no material weaknesses or significant deficiencies were noted. Accordingly, USDA/OCFO was able to provide CIGIE with assurance that the description of controls in the FY 2018 report presents fairly the operating effectiveness of USDA/OCFO controls that were in place as of September 30, 2018, 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 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.

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 2018 by the Certified Public Accounting firm of Harper, Rains, Knight & Company (HRK), which reviewed the FY 2018 financial records and internal controls of the Council and submitted an unmodified audit opinion. HRK did find through their audit one material weakness in CIGIE's internal controls over financial reporting that existed, as described above. Subsequently, CIGIE took appropriate actions to address this finding. The results of the audit are considered by the Council in its assessment of whether or not the objectives of FMFIA are being met.



## 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, 2018, was operating effectively, with the exception of one material weakness identified through the audit, specifically, in FY 2017, the Financial Statements incorrectly classified assessments received from Inspectors General offices as earned revenue (i.e. exchange revenue) on the Statements of Net Cost (SNC), instead of as Transfers-in/out without reimbursement (i.e. nonexchange expenditure transfers-in from a Federal fund) on the Statements of Changes in Net Position (SCNP).

  
\_\_\_\_\_  
Executive Director

November 14, 2018  
\_\_\_\_\_

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.



**REVOLVING FUND  
FINANCIAL STATEMENTS**

**As Of And For The Years Ended September 30, 2018 and 2017**

# The Council of the Inspectors General on Integrity and Efficiency

## BALANCE SHEETS

As Of September 30, 2018 and 2017

		2018	2017
<b>Assets:</b>			
<b>Intragovernmental:</b>			
Fund Balance With Treasury	(Note 2)	\$ 15,652,418.53	\$ 12,837,845.60
Accounts Receivable	(Note 3)	441,895.42	1,455,049.52
<b>Other:</b>	(Note 4)		
Advances and Prepayments		245,019.77	168,998.65
<b>Total Intragovernmental</b>		16,339,333.72	14,461,893.77
Accounts Receivable, net	(Note 3)	82,562.52	16,378.34
General Property, Plant and Equipment, Net	(Note 5)		1,893.53
<b>Total Assets</b>		\$ 16,421,896.24	\$ 14,480,165.64
<b>Liabilities:</b>	(Note 6)		
<b>Intragovernmental:</b>			
Accounts Payable		\$ 816,337.37	\$ 942,390.56
<b>Other:</b>	(Note 7)		
Employer Contributions and Payroll Taxes Payable		19,178.15	15,040.09
Liability for Advances and Prepayments		4,650.00	75.00
<b>Total Intragovernmental</b>		840,165.52	957,505.65
Accounts Payable		186,411.45	61,934.84
<b>Other:</b>	(Note 7)		
Accrued Funded Payroll and Leave		68,370.16	49,044.80
Employer Contributions and Payroll Taxes Payable		3,203.76	2,147.28
Unfunded Leave		248,513.47	190,938.73
<b>Total Liabilities</b>		\$ 1,346,664.36	\$ 1,261,571.30
<b>Net Position:</b>			
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		\$ 15,075,231.88	\$ 13,218,594.34
<b>Total Net Position - All Other Funds (Consolidated Totals)</b>		15,075,231.88	13,218,594.34
<b>Total Net Position</b>		\$ 15,075,231.88	\$ 13,218,594.34
<b>Total Liabilities and Net Position</b>		\$ 16,421,896.24	\$ 14,480,165.64

The accompanying notes are an integral part of these statements.

**The Council of the Inspectors General on Integrity and Efficiency**  
**STATEMENTS OF NET COST**

As Of And For The Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
<b>Program Costs:</b>		
<b>CIGIE:</b>		
<b>Gross Costs</b>	\$ 9,090,529.33	\$ 8,097,710.02
<b>Less: Earned Revenue</b>	<u>1,855,401.52</u>	<u>2,276,418.02</u>
<b>Net Program Costs</b>	7,235,127.81	5,821,292.00
 <b>Net Cost of Operations</b>	 <u>\$ 7,235,127.81</u>	 <u>\$ 5,821,292.00</u>

The accompanying notes are an integral part of these statements.

## The Council of the Inspectors General on Integrity and Efficiency

### STATEMENT OF CHANGES IN NET POSITION As Of And For The Years Ended September 30, 2018 and 2017

FY 2018 (CY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
<b>Cumulative Results from Operations</b>				
Beginning Balances		\$ 13,218,594.34		\$ 13,218,594.34
Beginning balances, as adjusted		13,218,594.34		13,218,594.34
<b>Budgetary Financing Sources:</b>				
Transfers-in/out without reimbursement (+/-)		8,986,503.97		8,986,503.97
<b>Other Financing Sources (Nonexchange):</b>				
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
<b>Cumulative Results of Operations</b>		<b>15,075,231.88</b>		<b>15,075,231.88</b>
<b>Net Position</b>		<b>\$ 15,075,231.88</b>		<b>\$ 15,075,231.88</b>

The accompanying notes are an integral part of these statements.

**The Council of the Inspectors General on Integrity and Efficiency**  
**STATEMENT OF CHANGES IN NET POSITION**  
**As Of And For The Years Ended September 30, 2018 and 2017**

FY 2017 (PY) (Restated)

	<b>Funds From Dedicated Collections (Consolidated Totals)</b>	<b>All Other Funds (Consolidated Totals)</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Cumulative Results from Operations</b>				
Beginning Balances		<b>\$ 13,202,297.57</b>		<b>\$ 13,202,297.57</b>
Beginning balances, as adjusted		<b>13,202,297.57</b>		<b>13,202,297.57</b>
<b>Budgetary Financing Sources:</b>				
Transfers-in/out without reimbursement (+/-)		5,782,337.00		5,782,337.00
<b>Other Financing Sources (Nonexchange):</b>				
Imputed Financing		55,251.77		55,251.77
Total Financing Sources		5,837,588.77		5,837,588.77
Net Cost of Operations		5,821,292.00		5,821,292.00
Net Change		16,296.77		16,296.77
<b>Cumulative Results of Operations</b>		13,218,594.34		13,218,594.34
<b>Net Position</b>		<b>\$ 13,218,594.34</b>		<b>\$ 13,218,594.34</b>

The accompanying notes are an integral part of these statements.

**The Council of the Inspectors General on Integrity and Efficiency**  
**STATEMENTS OF BUDGETARY RESOURCES**

As Of And For The Years Ended September 30, 2018 and 2017

	2018 Budgetary	2017 Budgetary
<b>Budgetary resources:</b>		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 12,832,754.10	\$ 12,905,959.55
Spending authority from offsetting collections (discretionary and mandatory)	10,748,119.17	8,100,598.86
<b>Total budgetary resources</b>	<b>\$ 23,580,873.27</b>	<b>\$ 21,006,558.41</b>
<b>Status of budgetary resources:</b>		
New obligations and upward adjustments (total)	(Note 9) \$ 8,841,898.98	\$ 8,690,004.76
Unobligated balance, end of year:		
Apportioned, unexpired account	14,730,608.67	3,879,995.24
Unapportioned, unexpired accounts	8,365.62	8,436,558.41
Unexpired unobligated balance, end of year	14,738,974.29	12,316,553.65
Unobligated balance, end of year (total)	14,738,974.29	12,316,553.65
<b>Total budgetary resources</b>	<b>\$ 23,580,873.27</b>	<b>\$ 21,006,558.41</b>
<b>Outlay, net:</b>		
Outlays, net (total) (discretionary and mandatory)	\$ (2,814,572.93)	\$ (403,129.26)
Agency outlays, net (discretionary and mandatory)	<b>\$ (2,814,572.93)</b>	<b>\$ (403,129.26)</b>

The accompanying notes are an integral part of these statements.

# COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

## REVOLVING FUND

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

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

#### **Basis of Presentation**

These financial statements have been prepared from the accounting records of the CIGIE in accordance with 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 with 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.

## **Revenues and Other Financing Sources**

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

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

## **Personnel Compensation and Benefits**

Salaries and wages of employees are recognized as payroll expenses and related liabilities as earned. These expenses are recognized as a funded liability when accrued.

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

CIGIE's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. CIGIE and its employees both contribute to these systems. Public Law 112-96, Section 5001, the "Middle Class Tax Relief and Job Creation Act of 2012" divided FERS participants into two categories, FERS employees and FERS-Revised Annuity Employees (FERS-RAE). Employees hired on or after January 1, 2013, with some exceptions, are required to contribute 2.3% more to FERS than FERS employees hired prior to January 1, 2013. Although CIGIE funds a portion of the benefits under CSRS and FERS and makes the necessary payroll withholdings, it does not report assets associated with these benefit plans in accordance with SFFAS 5.

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

### **Reclassifications**

Certain amounts presented in the prior year have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net position or budgetary resources.

### **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>2018</u>	<u>2017</u>
Revolving Fund	\$ 15,652,418.53	\$ 12,837,845.60
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	14,730,608.67	3,879,995.24
b) Unavailable	8,365.62	8,436,558.41
c) Unavailable - Accounts Receivable	(441,895.42)	(1,455,049.52)
d) Unavailable - Unfilled Customer Order Without Advance	(51,029.45)	(83,206.59)
2) Obligated Balance not yet Disbursed	<u>1,406,369.11</u>	<u>2,059,548.06</u>
Total	<u>\$ 15,652,418.53</u>	<u>\$ 12,837,845.60</u>

**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, 2018 and September 30, 2017.

	<u>2018</u>	<u>2017</u>
Accounts Receivable - Non-Federal	\$ 82,562.52	\$ 16,378.34
Accounts Receivable - Federal	<u>441,895.42</u>	<u>1,455,049.52</u>
	\$ 524,457.94	\$ 1,471,427.86

**NOTE 4 – OTHER ASSETS**

As of September 30, 2018, 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.

	<u>2018</u>	<u>2017</u>
Intragovernmental - Other Assets	<u>\$ 245,019.77</u>	<u>\$ 168,998.65</u>
Total Assets - Other	<u><u>\$ 245,019.77</u></u>	<u><u>\$ 168,998.65</u></u>

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

As of September 30, 2018, 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.

<u>2018</u>	<u>Leasehold</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 214,153.64	\$ -	\$ 214,153.64
Accum. Depr.	(214,153.64)	-	(214,153.64)
Net Book Value	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

<u>2017</u>	<u>Leasehold</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 214,153.64	\$ -	\$ 214,153.64
Accum. Depr.	(212,260.11)	-	(212,260.11)
Net Book Value	<u><u>\$ 1,893.53</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,893.53</u></u>

**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, 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. As of September 30, 2017, the CIGIE had liabilities covered by budgetary resources of \$1,070,632.57 and liabilities not covered by budgetary resources of \$190,938.73.

	<u>2018</u>	<u>2017</u>
<b>Intragovernmental</b>		
Accounts Payable	\$ 816,337.37	\$ 942,390.56
Employer Contributions and Payroll Taxes Payable	19,178.15	15,040.09
Liability for Advances and Prepayments	4,650.00	75.00
<b>Total Intragovernmental</b>	<u>840,165.52</u>	<u>957,505.65</u>
<b>With the Public</b>		
Accounts Payable	186,411.45	61,934.84
Accrued Funded Payroll and Leave	68,370.16	49,044.80
Employer Contributions and Payroll Taxes Payable	3,203.76	2,147.28
Unfunded Leave	248,513.47	190,938.73
<b>Total With the Public</b>	<u>506,498.84</u>	<u>304,065.65</u>
<b>Total Liabilities</b>	<u>\$ 1,346,664.36</u>	<u>\$ 1,261,571.30</u>
Total liabilities not covered by budgetary resources	\$ 248,513.47	\$ 190,938.73
Total liabilities covered by budgetary resources	<u>1,098,150.89</u>	<u>1,070,632.57</u>
<b>Total Liabilities</b>	<u>\$ 1,346,664.36</u>	<u>\$ 1,261,571.30</u>

#### **NOTE 7 – OTHER LIABILITIES**

Other liabilities with the public for the year ended September 30, 2018 and 2017 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.

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

	FY 2017		
	Non-Current	Current	Total
<b>Intragovernmental</b>			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 15,040.09	\$ 15,040.09
Liability for Advances and Prepayments		75.00	75.00
<b>Total Intragovernmental</b>	<b>-</b>	<b>15,115.09</b>	<b>15,115.09</b>
<b>Liabilities with the Public</b>			
Accrued Funded Payroll & Leave		49,044.80	49,044.80
Employer Contributions and Payroll Taxes Payable	-	2,147.28	2,147.28
Unfunded Leave	190,938.73		190,938.73
<b>Total Liabilities with the Public</b>	<b>190,938.73</b>	<b>51,192.08</b>	<b>242,130.81</b>
<b>Total Other Liabilities</b>	<b>\$ 190,938.73</b>	<b>\$ 66,307.17</b>	<b>\$ 257,245.90</b>

**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>
2018	\$ 227,800.81
2019	230,330.39
2020	232,920.87
<b>Total</b>	<b>\$ 691,052.07</b>

Rent expense for the years ended September 30, 2017 and 2016 was \$196,567.14 and \$169,248.99 respectively.

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

All obligations for CIGIE in fiscal year 2018 and fiscal year 2017 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:

	<u>2018</u>	<u>2017</u>
Reimbursable		
Category B - Administrative (Council Operations)	\$ 3,554,984.06	\$ 3,003,202.98
Category B - Audit/Inspections and Evaluations Training	964,100.71	1,114,488.71
Category B - Investigative Training	2,597,654.96	2,854,321.88
Category B - Leadership/Mission Support Training	743,212.03	816,049.18
Category B - Training HQ and Administrative	981,947.22	901,942.01
Total	<u>\$ 8,841,898.98</u>	<u>\$ 8,690,004.76</u>

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

The amount of CIGIE’s budgetary resources obligated for undelivered orders was \$557,887.99 and \$1,157,989.14 as of September 30, 2018 and 2017, respectively.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
2018	\$ 312,868.22	245,019.77	\$ 557,887.99
2017	\$ 988,990.49	168,998.65	\$ 1,157,989.14

**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 2018 actual budgetary execution information is scheduled for publication in February 2019, 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 2017 SBR and the related President’s Budget reflected the following:

FY 2017	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 21,006,558.41	\$ 8,690,004.76	\$ -	\$ 403,129.26
Budget of the U.S. Government	22,000,000.00	9,000,000.00	-	(1,000,000.00)
Difference*	\$ (993,441.59)	\$ (309,995.24)	\$ -	\$ 1,403,129.26

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

## **NOTE 12 – RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

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

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

	<b>FY 2018</b>	<b>FY 2017</b>
Budgetary Resources Obligated	\$8,841,898.98	\$8,690,004.76
Spending Authority from Recoveries and Offsetting Collections	(11,264,319.62)	(8,353,698.10)
Imputed Financing from Costs Absorbed by Others	105,261.38	55,251.77
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	572,499.01	(453,078.44)
Resources that Finance the Acquisition of Assets	(66,184.18)	59,414.96
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	8,986,503.97	5,782,337.00
Financing Sources Yet to be Provided	57,574.74	10,143.74
Components Not Requiring or Generating Resources	1,893.53	30,916.31
Net Cost of Operations	\$7,235,127.81	\$5,821,292.00

#### **NOTE 13 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 1, 2018, which is the date the financial statements were available to be issued.

#### **NOTE 14 – RESTATEMENT**

Management determined that the prior period financial statements were misstated in relation to earned revenue reported on the Statement of Net Cost. Management accounts for its assessment revenue as a nonexchange transaction from Inspectors General each year. However, a year-end adjustment was added during financial close that reclassified the assessment revenue from nonexpenditure transfers to earned revenue. As such, the earned revenue line on the Statement of Net Cost was overstated in the prior year in the amount of \$5,724,980.18. A corresponding understatement was also present on the Statement of Changes in Net Position on the line Transfers-in/out without reimbursement (+/-). The amounts presented below represent the total of the changes to the prior year financial statements.

*Statement of Net Cost, year ended September 30, 2017:*

<b><u>Line Item</u></b>	<b><u>Original Amount</u></b>	<b><u>Restated Amount</u></b>	<b><u>Difference</u></b>
Less: Earned Revenue	\$8,001,398.20	\$2,276,418.02	\$(5,724,980.18)

*Statement of Changes in Net Position, year ended September 30, 2017:*

<b><u>Line Item</u></b>	<b><u>Original Amount</u></b>	<b><u>Restated Amount</u></b>	<b><u>Difference</u></b>
Transfers-in/out without reimbursement (+/-)	\$57,356.82	\$5,782,337.00	\$5,724,980.18



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**Harper, Rains, Knight & Company**  
**1052 Highland Colony Pkwy, Suite 100**  
**Ridgeland, MS 39157**  
**(301) 918-8200**



## Independent Auditors' Report

Council Chairman, 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, 2018, and the related statements of net cost and changes in net position, and the statement of budgetary resources, for the fiscal year 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 audit. We conducted our audit 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 19-01, *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.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

**Certified Public Accountants • Consultants • [hrkcpa.com](http://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)***

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, 2018, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

The financial statements of CIGIE for the year ended September 30, 2017, before the restatement described in Note 14, were audited by another auditor whose reported dated November 8, 2017, expressed an unmodified opinion on those statements.

As part of our audit of the September 30, 2018 financial statements, we also audited the adjustments described in Note 14 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2017 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

### ***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 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 Statement of 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, 2018, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-01, *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 (FMFIA)*, 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 certain deficiencies 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 I to be a material weakness.

### ***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 19-01, *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 2018 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 19-01, *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 response to the findings identified in our audit are described in the accompanying Exhibit I. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### ***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.

*Harper, Rainis, Knight & Company, LLP*

November 14, 2018

## **I. Assessment Accounting and Financial Statement Presentation**

### **Condition:**

In FY 2017, the Financial Statements incorrectly classified assessments received from Inspectors General offices as earned revenue (i.e. exchange revenue) on the Statements of Net Cost (SNC), instead of as Transfers-in/out without reimbursement (i.e. nonexchange expenditure transfers-in from a Federal fund) on the Statements of Changes in Net Position (SCNP).

### **Criteria:**

The Federal Accounting Standards Advisory Board's SFFAS 7 states:

"Nonexchange revenues are inflows of resources that the Government demands or receives by donation. Such revenue should be recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probably (more likely than not) and the amount is reasonably estimable."

The United States Standard General Ledger Bulletin No. 2018-08 (USSGL), *Section II: Accounts and Definitions*, defines account 57500, Expenditure Financing Sources – Transfers-In as:

"The amount of financing sources of a reporting Federal entity representing funds transferred in, or to be transferred in, occurring as a result of a nonexchange expenditure transfer-in from a trust or Federal fund (as defined by Office of Management and Budget). Transactions using this account will have a budgetary impact."

The USSGL, *Section II: Accounts and Definitions*, defines account 52000, Revenue From Services Provided, as:

"The amount of revenue earned from the sale of services provided, including sale of power, transportation, etc."

Office of Management and Budget (OMB) Circular A-136, revised July 30, 2018 identifies where varying types of revenues shall be presented as follows:

#### **"II.3.5.5 Budgetary Financing Sources**

**Transfers-in/out without reimbursement.** This includes intragovernmental non-appropriated balance transfers in or out during the current year."

#### **"II.3.4.4 Earned Revenues**

Material Weakness  
Exhibit I

Earned revenues or exchange revenues arise when an entity provides goods and services to the public or another Government entity for a price. The full amount of exchange revenue is reported on the Statement of Net Cost (SNC)...."

**Cause:**

CIGIE's position is that assessment revenue is not exchange revenue but rather nonexchange expenditure transfers-in from a Federal fund. CIGIE relied solely on its accounting service provider, USDA Pegasys Financial Services, to appropriately classify all exchange or non-exchange revenue. The Pegasys accountants correctly recorded all assessments in 575000 during the fiscal year and presented the assessments correctly on its quarterly financial statements on the SCNP as Transfers in/out without reimbursement. However, at year-end, the USDA accountants manually adjusted the assessment amount recorded in 575000 to 520000, which moved the presentation from the SCNP line item of Transfers in/out without reimbursement to the SNC line item of Less: earned revenue.

**Effect:**

The presentation of nonexchange expenditure transfers-in from a Federal fund are improperly presented as earned (i.e. exchange) revenues on the Statement of Net Cost in FY 2017.

**Recommendation:**

We recommend that the USDA Pegasys accountants not make the adjustment in FY 2018 and out years and restate the prior year Statements of Net Cost and Changes in Net Position. This material change will require additional disclosures in the FY 2018 financial statement notes.

We additionally recommend that all manual adjustments are provided to the CIGIE Executive Director and Administrative Officer for review and approval prior to those entries being finalized by the USDA Pegasys accountants.

**Managements' Response:**

CIGIE management agrees with this notice of finding and subsequent recommendation. As such, we have taken action to have our servicing finance office adjust the recording of the assessments we receive to reflect nonexchange expenditure transfers-in. Subsequently, we have restated our FY 2017 Statement of Net Costs to reflect the correct accounting of these assessments and ensured that these monies are correctly stated in FY 2018. Further, we have added disclosure information of this change for FY 2017 in our FY 2018 financial statement notes – Note 14.



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## **Other Information**

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

### Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	Yes - In FY 2017, the Financial Statements incorrectly classified assessments received from Inspectors General offices as earned revenue (i.e. exchange revenue) on the Statements of Net Cost (SNC), instead of as Transfers-in/out without reimbursement (i.e. nonexchange expenditure transfers-in from a Federal fund) on the Statements of Changes in Net Position (SCNP).				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	1	1	0	0

### Summary of Management Assurances:

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

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

Conformance with Financial Management Systems Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
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 2018, 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, 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.