



Fiscal Year 2016

Agency Financial Report



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Chairperson's Message

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

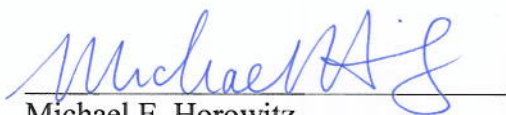
In this Agency Financial Report (AFR), we discuss CIGIE's fiscal year (FY) 2016 accomplishments in carrying out its mission and performance plan goals; provide the independent auditor's report regarding CIGIE's financial statements as of September 30, 2016; and highlight the work of CIGIE's Executive 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 Allmond and Company, LLC (Allmond). CIGIE is pleased to report that Allmond, 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. Allmond did find through their audit four material weaknesses in CIGIE's internal controls over financial reporting that existed during the year ended September 30, 2016. The material weaknesses identified were: 1) CIGIE is not reducing all of the advance and prepayments assets when good or services are received or progress is made under the contract; 2) CIGIE's note disclosure for undelivered orders included ending balances of accounts payable, which is not consistent with the Office of Budget and Management (OMB) Circular A-136, *Federal Financial Reporting Requirements*; 3) CIGIE's documentation to support payroll expenses recorded in the general ledger is not properly maintained; and 4) CIGIE did not disclose its future remaining operating lease payment as a note disclosure in its FY 2016 Financial Statements in accordance with OMB Circular A-136. Appropriate actions will be determined to address these findings during FY 2017.

Allmond'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 2016, 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 members of the inspector general community for the work they do every day to ensure the effectiveness and integrity of Federal programs that affect the lives of all Americans.



Michael E. Horowitz
Chairperson, CIGIE

11/14/16
Date

Table of Contents

	<u>Page</u>
Management’s Discussion and Analysis	1
Analysis of Entity’s Systems, Controls and Legal Compliance	16
Financial Statements	18
Independent Auditor’s Report.....	33
Other Information	41



Council of the
INSPECTORS GENERAL
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Management's Discussion and Analysis Fiscal Year 2016

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

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

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

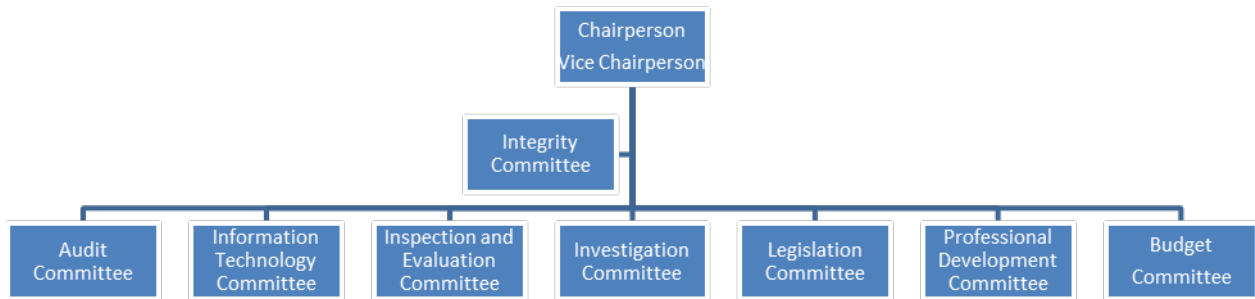
Organization: The Council is made up of 73 individual Inspectors General (IGs) from both the Executive and Legislative branches and 6 integrity-related senior officials: the Deputy Director for Management (DDM), Office of Management and Budget (OMB); the Deputy Director, Office of Personnel Management; the Special Counsel, Office of the Special Counsel; the Assistant Director of the Criminal Investigative Division, Federal Bureau of Investigation (FBI); the Director, Office of Government Ethics; and the Controller of the Office of Federal Financial Management, OMB. Mr. Andrew Mayock, Senior Advisor for Management at the Office of Management and Budget, is the Acting 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
Mary Mitchelson, Corporation for Public Broadcasting	Audit Committee Chair
Paul K. Martin, National Aeronautics and Space Administration	Budget Committee Chair
Kathleen S. Tighe, Department of Education	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
David Montoya, Housing and Urban Development	Professional Development Committee Chair
Phyllis K. Fong, U.S. Department of Agriculture	Past Chairperson
Lynne A. McFarland, Federal Election Commission	Past Vice Chairperson
Elizabeth Dean, Farm Credit Administration	At-Large Member

CIGIE Committees

CIGIE consists of eight (8) standing 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 is chaired by the FBI official who is a member of CIGIE. The committee consists of four CIGIE member IGs appointed by the Council Chairperson for four-year terms. In addition, the Special Counsel of the Office of Special Counsel and the Director of the Office of Government Ethics are members. The Chief of the Public Integrity Section of the Criminal Division of the Department of Justice, or designee, serves as legal adviser. In conjunction with the Council Chairperson, the Integrity Committee develops its own policies and procedures, which are submitted to the congressional committees of jurisdiction.

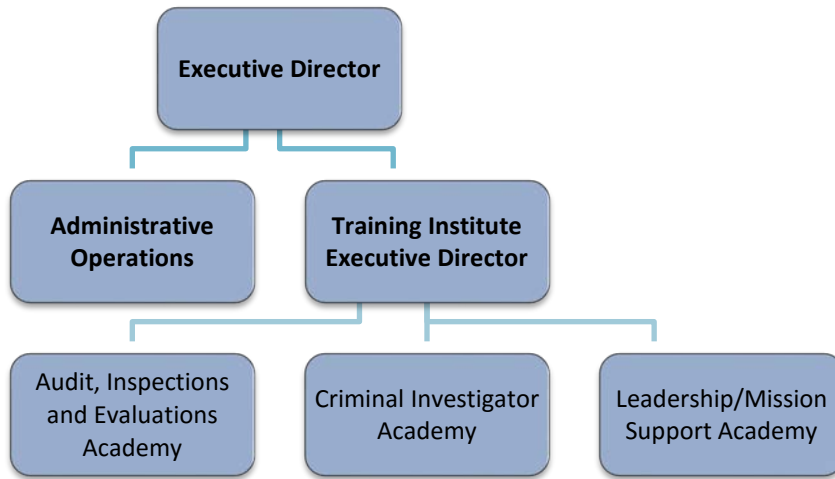
In addition to these eight standing committees, there are several councils, panels, roundtables, and work groups that are discipline-specific within the IG community or function under the auspices of CIGIE or the standing committees. A few examples of these and their purposes are:

- 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 three major business goals and supporting objectives. These goals are: 1) deliver timely, relevant products that identify and address cross-government vulnerabilities, opportunities for improvements, and best practices; 2) promote and improve professional development for the IG community; and 3) improve CIGIE capacity to carry out its mission and vision. The following information reflects CIGIE's accomplishments during fiscal year (FY) 2016 under each of these goals.

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

During FY 2016, the Council approved its annual performance plan associated with its 5-year Strategic Plan to track goals, objectives, and performance measures. In addition, during the year CIGIE commissioned or continued the following cross-cutting studies and projects:

- Assessment of the 2013 Disaster Relief Appropriation Act – A CIGIE working group established in 2015 compiled Federal participant entities' 2013 Disaster Relief Appropriation Act funding and expenditures and evaluated OIG oversight of the funds to identify common concerns and develop recommendations to improve oversight and enhance collaboration. The report, "Disaster Relief Appropriations Act, 2013 – Financial Status, Observations, and Concerns," was issued September 12, 2016.
- Security of Publicly Accessible Government Web Applications – The CIGIE IT Committee established a working group to examine the controls in place to manage and secure the Federal Government's publicly accessible web applications. Specifically, the working group will assess the effectiveness of efforts across the Federal Government to secure publicly accessible web applications to (1) determine the extent and efficacy of agencies' efforts to identify and assess vulnerabilities on publicly accessible web applications and mitigate the most severe vulnerabilities; and (2) where appropriate, assess efforts to control or reduce the number of publicly accessible web applications. Through survey's and collection of information from IGs participating directly in the project, CIGIE will be issuing a report at the end of the calendar year, with the goal of improving the security and management of the Federal Government's publicly accessible web applications and identifying opportunities to reduce vulnerability to breaches that could result in loss of sensitive data or seriously impair agency operations.
- Continuous Monitoring under the Federal Information Security and Management Act (FISMA) – Under the CIGIE IT Committee, the Federal Audit Executive Council working with the Department of Homeland Security and the Office of Management and Budget developed and issued on June 21, 2016, the 2016 OIG

FISMA metrics to be used by the OIGs in their FISMA reviews of agency programs. The metrics are organized around the five information security functions outlined in the NIST Cybersecurity Framework – Identify, Protect, Detect, Respond, and Recover. They also provide some guidance for OIGs on determining “effectiveness” of their agencies’ information security programs. Additionally, these metrics contain last year’s maturity model, developed by CIGIE, on Information Security Continuous Monitoring, as well as the new Incident Response and Reporting maturity model.

- Inspector General Law Enforcement Authority and Requirements – The CIGIE Investigations Committee formed a working group during 2016 to research and develop a summary of law enforcement authority and requirements for the OIG community. The goal is to provide OIG stakeholders and the public with the history and requirements of OIG’s law enforcement authority. The associated report is expected to be issued by December 2016.

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

In FY 2016, CIGIE continued to provide quality training to the IG community and finalized its annual training plans for FY 2017. In order to ensure its training programs continue to be of the highest quality and relevance, CIGIE maintains a robust training evaluation process. Evaluations received during the year indicate a 97 percent positive score from participants. Additionally, in an effort to build upon its successes in this area, CIGIE has begun its strategic planning for determining the future roadmap for providing professional development opportunities, as well as quality instruction, aligned with OIGs’ missions and that support emerging OIG community needs and Training Institute-wide professional development processes.

CIGIE continued to focus much of its training efforts on developing and providing leadership and management training programs, which were subsequently well received by the OIG community, whereas 18 training programs were attended by 369 participants. These programs were designed both to sharpen experienced managers’ skills and to equip new and future leaders with the vital tools they need to become effective public administrators. Further, CIGIE held its 2nd Annual Leadership Forum focusing on mentoring and succession planning within the IG community, with over 270 participants attending both in person and virtually.

In broadening professional development opportunities within the IG community, CIGIE developed and launched a pilot interagency fellowship program for the OIG community in FY 2016. Fellows in the program participate in a 6 month detail with another OIG office that is designed to enhance specific leadership skills, skills which align 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.

In FY 2016, CIGIE delivered six 7-day introductory audit training programs to 175 new auditors from OIGs throughout the government. This program covered topics ranging from government

auditing standards to writing skills. Additionally, CIGIE delivered four I&E Fundamentals training programs to 122 I&E personnel, designed to teach the fundamentals of inspection and evaluation (I&E) work in the federal Inspector General community. CIGIE provided several other training programs to IG members' audit and inspection and evaluation personnel, including critical thinking skills classes, writing-related training Programs, and several other training programs. In total, these programs trained nearly 1,100 OIG personnel and prepared new staff for their professional responsibilities. All of these audit, inspection and evaluation programs were National Association of State Boards of Accountancy certified programs.

CIGIE also provides training to OIG investigators. In FY 2016, 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 30 training programs that were attended by over 940 students that represented nearly every Federal OIG, in addition to agents from State and local entities. Further, CIGIE worked closely with the Federal Law Enforcement Training Center, U.S. Department of Homeland Security, in developing and completing a major applied research project on "blue-on-blue" shootings that is designed to provide training that strives to prevent and mitigate police-on-police shootings that involve situations with plainclothes law enforcement officials.

Drawing from historical lessons learned as well as current challenges facing today's leaders, the Training Institute provided a total of 90 training programs that were attended by over 2,400 OIG professionals in FY 2016.

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

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

In FY 2016, 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 established various working groups of specialists and practitioners within the OIG community to exchange information on effective practices in the areas of their specialty. Examples of these working groups include a suspension and debarment working group, data analytics options working group, inspections and evaluations roundtable, and a disaster

assistance working group. These working groups shared information across the OIG community that contributed to advancing effective operations.

CIGIE implemented additional information security policies and procedures in FY 2016. Additionally, CIGIE continued to work with member IG offices towards implementing an OIG community-wide collaborative website that will be incorporated into the CIGIE web presence. Further, CIGIE has begun the development of a web presence that when fully implemented will provide all OIG publically available reports in an easy to use website. These web presences are expected to be deployed by the second quarter of FY 2017.

CIGIE continued its efforts in planning for its next 5-year Strategic Plan. Throughout the year, CIGIE evaluated its current program and responsibilities to assist in formulating its plan forward. With this information, CIGIE will continue its planning and subsequently develop a 5-year strategic plan that will succeed its first 5-year strategic plan that carries CIGIE through fiscal year 2017.

Additionally, CIGIE continues to efficiently administer its financial resources as reflected through its FY 2016 Financial Statement audit, in which an unmodified opinion was received.

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

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

Analysis of CIGIE's Financial Statements and Stewardship Information

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

CIGIE obtained its funding in FY 2016 from the carry-over balance of non-expended/non-obligated funds from FY 2015 in its no-year revolving fund. In FY 2016, 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 2016:

Financial Condition	FY 2016 Balance	FY 2015 Balance	Increase/ (Decrease)	Percentage Difference
Total Assets	\$14,842,931	\$13,509,781	\$1,333,150	9.9%
Total Liabilities	\$1,632,279	\$1,714,931	(\$82,652)	-4.8%
Net Position	\$13,210,652	\$11,636,170	\$1,574,482	13.5%
Net Cost of Operations	\$70,270	\$451,246	(\$380,976)	-84.4%
Budgetary Resources	\$19,781,376	\$17,735,096	\$2,046,280	11.5%

As of the close of FY 2016, CIGIE had obligated \$2,177,413 to continue building the necessary infrastructure to fully support these activities. Additionally, CIGIE had obligated \$4,951,103 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 2016, the gross obligations for CIGIE were \$7,128,516. Additionally, \$1,798,801 in unpaid obligations from FY 2015 were brought forward to FY 2016, of which \$440,687 were recovered. With these total obligations, CIGIE’s gross outlays for FY 2016 amounted to \$6,712,347. The table below summarizes CIGIE’s budgetary resource outlays and obligations and identifies our initial projections for FY 2016.

**Summary of Budgetary Resources
For the Year Ending September 30, 2016**

Funding:	
FY 2015 Carry Over Balance	\$ 11,170,733
Recoveries of Prior Year Obligations	\$ 440,687
Contributions Received	<u>\$ 8,169,956</u>
Total Budgetary Resources	<u>\$ 19,781,376</u>
Status of Budgetary Resources:	
Obligations Incurred	
Reimbursable	\$ 7,128,515
Unobligated Balances	
Apportioned	\$ 4,844,850
Unobligated Balances – not available	<u>\$ 7,808,011</u>
Total Status of Budgetary Resources	<u>\$ 19,781,376</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 2016, where the CIGIE members determine the carry-over balance of non-expended/non-obligated funds available in its no-year revolving fund is to be used to fund the year.

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%

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

This AFR provides timely information for CIGIE's stakeholders and the public to better understand CIGIE's program and operations. As always, CIGIE is committed to continuing its efforts in bettering its internal controls and maintaining an unqualified audit opinion in future years.

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

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

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

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

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

Control Activities	<ul style="list-style-type: none"> 10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys through policies and procedures
Information & Communication	<ul style="list-style-type: none"> 13. Uses relevant information 14. Communicates internally 15. Communicates externally
Monitoring	<ul style="list-style-type: none"> 16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies

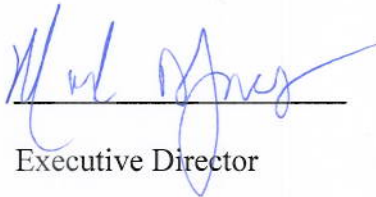
CIGIE operated during Fiscal Year 2016 with 24 employees, inclusive of permanent and detailed employees. CIGIE performs internal control reviews on financial, management, and information systems, and conducts fact finding activities to support decisions impacting revisions to the Council's accounting and financial reporting systems. For example, CIGIE initially developed its financial policies and procedures in FY 2010 to ensure internal controls were established to meet the objectives of OMB Circular A-123. Subsequently, CIGIE updated its policies and procedures on a few occasions, the latest update was June 23, 2016, to address matters identified through prior financial statement audits, as well as matters identified through its internal controls. Annually, we review our internal controls to see if there is any need for improvement. Additionally, we seek feedback from those intimately involved in the day-to-day financial operations of CIGIE to determine if any matters have arisen that reflect a potential weakness in these controls, and during FY 2016, our financial statement auditors identified four material weaknesses in our internal controls that we will consider and determine what corrective action is necessary to address such matters. The material weaknesses identified were: 1) CIGIE is not reducing all of the advance and prepayments assets when good or services are received or progress is made under the contract; 2) CIGIE's note disclosure for undelivered orders included ending balances of accounts payable, which is not consistent with the Office of Budget and Management (OMB) Circular A-136, Federal Financial Reporting Requirements; 3) CIGIE's documentation to support payroll expenses recorded in the general ledger is not properly maintained; and 4) CIGIE did not disclose its future remaining operating lease payment as a note disclosure in its FY 2016 Financial Statements in accordance with OMB Circular A-136.

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. 16 (SSAE 16), Reporting on Controls at a Service Organization, issued by the American Institute of Certified Public Accountants (AICPA). An unqualified opinion was issued by USDA/OCFO's independent public accounting firm for the period July 1, 2015 through June 30, 2016, 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 2016 report presents fairly the operating effectiveness of USDA/OCFO controls that were in place as of September 30, 2016, 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 16 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 2016 by the Certified Public Accounting firm of Allmond and Company, LLC, which reviewed the FY 2016 financial records and internal controls of the Council and submitted an unmodified audit opinion. The audit found four material weaknesses surrounding the Council's internal controls related to financial reporting, which are identified above. 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. 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, 2016, was operating effectively, with exception of the material weaknesses identified through the audit, specifically: 1) CIGIE is not reducing all of the advance and prepayments assets when good or services are received or progress is made under the contract; 2) CIGIE's note disclosure for undelivered orders included ending balances of accounts payable, which is not consistent with the Office of Budget and Management (OMB) Circular A-136, Federal Financial Reporting Requirements; 3) CIGIE's documentation to support payroll expenses recorded in the general ledger is not properly maintained; and 4) CIGIE did not disclose its future remaining operating lease payment as a note disclosure in its FY 2016 Financial Statements in accordance with OMB Circular A-136.


Executive Director

11-14-16
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.



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 and 2015

The Council of the Inspectors General on Integrity and Efficiency

BALANCE SHEET

As Of September 30, 2016 and 2015

		2016	2015
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 12,434,716.34	\$ 12,766,625.80
Accounts Receivable	(Note 3)	1,891,574.30	202,908.48
Other:			
Advances and Prepayments	(Note 4)	399,683.04	465,197.55
Total Intragovernmental		14,725,973.68	13,434,731.83
Assets With The Public:			
Accounts Receivable, net	(Note 3)	75,793.30	11,237.92
General Property, Plant and Equipment, Net	(Note 5)	32,809.84	63,810.76
Total Assets		\$ 14,834,576.82	\$ 13,509,780.51
Liabilities:			
Intragovernmental:			
Accounts Payable	(Note 6)	\$ 1,283,624.14	\$ 1,203,568.86
Other:			
Employer Contributions and Payroll Taxes Payable	(Note 7)	12,918.98	9,570.30
Liability for Advances and Prepayments		5,400.00	5,400.00
Total Intragovernmental		1,296,543.12	1,218,539.16
Liabilities With the Public:			
Accounts Payable		111,057.76	256,862.68
Other:			
Accrued Funded Payroll and Leave	(Note 7)	42,116.80	32,664.57
Employer Contributions and Payroll Taxes Payable		1,766.58	1,499.49
Unfunded Leave		180,794.99	205,364.96
Total Liabilities		\$ 1,632,279.25	\$ 1,714,930.86
Net Position:			
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		\$ 13,202,297.57	\$ 11,794,849.65
Total Net Position - All Other Funds (Consolidated Totals)		13,202,297.57	11,794,849.65
Total Net Position		13,202,297.57	11,794,849.65
Total Liabilities and Net Position		\$ 14,834,576.82	\$ 13,509,780.51

The accompanying notes are an integral part of these statements.

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

As Of And For The Years Ended September 30, 2016 and 2015

		2016	2015
Program Costs:	(Note 9)		
CIGIE:			
Gross Costs		\$ 6,701,986.72	\$ 6,250,750.63
Less: Earned Revenue		6,631,716.38	5,799,504.72
Net Program Costs		70,270.34	451,245.91
Net Cost of Operations		\$ 70,270.34	\$ 451,245.91

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, 2016 and 2015

FY 2016 (CY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances		\$ 11,794,849.65		\$ 11,794,849.65
Corrections of errors	(Note 13)	(93,463.74)		(93,463.74)
Beginning balance, as adjusted		11,701,385.91		11,701,385.91
Budgetary Financing Sources:				
Nonexchange revenue		66,435.00		66,435.00
Transfers-in/out without reimbursement		1,440,907.61		1,440,907.61
Other Financing Sources (Non-Exchange):				
Imputed financing		63,839.39		63,839.39
Total Financing Sources		1,571,182.00		1,571,182.00
Net Cost of Operations		70,270.34		70,270.34
Net Change		1,500,911.66		1,500,911.66
Cumulative Results of Operations		13,202,297.57		13,202,297.57
Budgetary Financing Sources:				
Net Position		\$ 13,202,297.57		\$ 13,202,297.57

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, 2016 and 2015

FY 2015 (PY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances		\$ 11,636,170.16		\$ 11,636,170.16
Budgetary Financing Sources:				
Transfers-in/out without reimbursement		556,373.41		556,373.41
Other Financing Sources (Non-Exchange):				
Imputed financing		53,551.99		53,551.99
Total Financing Sources		609,925.40		609,925.40
Net Cost of Operations		451,245.91		451,245.91
Net Change		158,679.49		158,679.49
Cumulative Results of Operations		11,794,849.65		11,794,849.65
Budgetary Financing Sources:				
Net Position		\$ 11,794,849.65		\$ 11,794,849.65

The accompanying notes are an integral part of these statements.

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

As Of And For The Years Ended September 30, 2016 and 2015

	<u>2016</u> <u>Budgetary</u>	<u>2015</u> <u>Budgetary</u>
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 11,170,732.97	\$ 11,176,600.22
Recoveries of prior year unpaid obligations (unobligated balances)	440,686.57	204,483.24
Unobligated balance from prior year budget authority, net	11,611,419.54	11,381,083.46
Spending authority from offsetting collections	8,169,956.32	6,354,011.85
Total budgetary resources	<u>\$ 19,781,375.86</u>	<u>\$ 17,735,095.31</u>
 STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	(Note 10) \$ 7,128,515.55	\$ 6,564,362.34
Apportioned	4,844,849.74	10,955,425.49
Unapportioned	7,808,010.57	215,307.48
Unobligated balance brought forward, end of year	12,652,860.31	11,170,732.97
Total budgetary resources	<u>\$ 19,781,375.86</u>	<u>\$ 17,735,095.31</u>
 CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 1,798,801.31	\$ 985,045.03
New obligations and upward adjustments	7,128,515.55	6,564,362.34
Outlays (gross) (-)	(6,712,347.25)	(5,546,122.82)
Recoveries of prior year unpaid obligations (-)	(440,686.57)	(204,483.24)
Unpaid obligations, end of year	1,774,283.04	1,798,801.31
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(202,908.48)	(189,834.46)
Change in uncollected pymts, Fed sources	(1,789,518.53)	(13,074.02)
Uncollected pymts, Fed sources, end of year (-)	(1,992,427.01)	(202,908.48)
Obligated balance, start of year (net)	1,595,892.83	795,210.57
Obligated balance, end of year (net)	<u>\$ (218,143.97)</u>	<u>\$ 1,595,892.83</u>
 BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 8,169,956.32	\$ 6,354,011.85
Actual offsetting collections (discretionary and mandatory) (-)	(6,380,437.79)	(6,340,937.83)
Change in uncollected payments from Federal Sources (discretionary and mandatory) (+ or -)	(1,789,518.53)	(13,074.02)
Outlays, gross (discretionary and mandatory)	6,712,347.25	5,546,122.82
Actual offsetting collections (discretionary and mandatory) (-)	(6,380,437.79)	(6,340,937.83)
Outlays, net (discretionary and mandatory)	331,909.46	(794,815.01)
Agency outlays, net (discretionary and mandatory)	<u>\$ 331,909.46</u>	<u>\$ (794,815.01)</u>

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

Basis of Presentation

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

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

Basis of Accounting

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

Use of Estimates

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

Revenues and Other Financing Sources

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

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

Personnel Compensation and Benefits

Salaries and wage 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.

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>2016</u>	<u>2015</u>
Revolving Fund	\$12,434,716.34	\$12,766,625.80
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	4,844,849.74	10,955,425.49
b) Unavailable	7,808,010.57	215,307.48
c) Unavailable - Accounts Receivable	(1,891,574.30)	(202,908.48)
d) Unavailable - Unfilled Customer Order Without Advance	(100,852.71)	0.00
2) Obligated Balance not yet Disbursed	<u>1,774,283.04</u>	<u>1,798,801.31</u>
Total	<u>\$12,434,716.34</u>	<u>\$12,766,625.80</u>

NOTE 3 – ACCOUNTS RECEIVABLE, NET

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

	<u>2016</u>	<u>2015</u>
Accounts Receivable - Non-Federal	\$75,793.30	\$11,237.92
Accounts Receivable - Federal	<u>1,891,574.30</u>	<u>202,908.48</u>
	\$1,967,367.60	\$214,146.40

NOTE 4 – OTHER ASSETS

CIGIE has obligations that involve the advancement of funds for services to be provided in the future with Department of the Interior, Department of Transportation, and Health and Human Services.

	<u>2016</u>	<u>2015</u>
Intragovernmental - Other Assets	<u>\$399,683.04</u>	<u>\$465,197.55</u>
Total Assets - Other	<u>\$399,683.04</u>	<u>\$465,197.55</u>

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

As of September 30, 2016, CIGIE shows leasehold improvements with a total cost of \$214,153.64 and a net book value of \$32,809.84. The accumulated depreciation to date shows a balance of \$181,343.80.

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.

2016	Leasehold	Equipment	Total
Cost	\$214,153.64	\$0.00	\$214,153.64
Accum. Depr.	(\$181,343.80)	\$0.00	(\$181,343.80)
Net Book Value	<u>\$32,809.84</u>	<u>\$0.00</u>	<u>\$32,809.84</u>

2015	Leasehold	Equipment	Total
Cost	\$214,153.64	\$17,704.00	\$231,857.64
Accum. Depr.	(\$150,342.88)	(\$17,704.00)	(\$168,046.88)
Net Book Value	<u>\$63,810.76</u>	<u>\$0.00</u>	<u>\$63,810.76</u>

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of CIGIE are classified as liabilities covered or not covered by budgetary resources. Liabilities not covered by budgetary resources consists of unfunded leave liability of \$180,794.99 and \$205,364.96 as of September 30, 2016 and 2015, respectively.

As of September 30, 2016, liabilities covered by budgetary resources of \$1,451,484.26 is composed of Accounts Payable \$1,394,681.90, Accrued Funded Payroll and Leave \$42,116.80, Employer Contributions and Payroll Taxes Payable \$14,685.56. As of September 30, 2015, liabilities covered by budgetary resources of \$1,509,565.90 is composed of Accounts Payable \$1,460,431.54, Accrued Funded Payroll and Leave \$32,664.57, Employer Contributions and Payroll Taxes Payable \$11,069.79, and Advances from Others \$5,400.00.

	2016	2015
With the Public		
Other (Unfunded leave liability)	180,794.99	205,364.96
Total liabilities not covered by budgetary resources	<u>180,794.99</u>	<u>205,364.96</u>
Total liabilities covered by budgetary resources	<u>1,451,484.26</u>	<u>1,509,565.90</u>
Total Liabilities	<u>\$1,632,279.25</u>	<u>\$1,714,930.86</u>

NOTE 7 – OTHER LIABILITIES

As of September 30, 2016, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$42,116.80, Unfunded Leave in the amount of \$180,794.99, and employer contributions and payroll taxes payable – TSP of \$1,766.58. Other

Intragovernmental liabilities consist of employer contributions and payroll taxes payable \$12,918.98. As of September 30, 2015, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$32,664.57, Unfunded Leave in the amount of \$205,364.96, and employer contributions and payroll taxes payable – TSP of \$1,499.49. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable \$9,570.30 and Advances from Others \$5,400.00.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2016	Other Liabilities	\$180,794.99	\$43,883.38	\$224,678.37
2015	Other Liabilities	\$205,364.96	\$34,164.06	\$239,529.02

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2016	Other Liabilities	\$0.00	\$12,918.98	\$12,918.98
2015	Other Liabilities	\$0.00	\$14,970.30	\$14,970.30

NOTE 8 – OPERATING LEASE

CIGIE’s lease for its office commenced on November 28, 2010 and extends through December 31, 2020. The future minimum lease payments required under this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	173,632.21
2018	175,697.35
2019	177,809.44
2020	179,969.90
Total	<u>707,108.90</u>

Rent expense for the years ended September 30, 2016 and 2015 was \$169,248.99 and \$166,096.04 respectively.

NOTE 9 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs are goods/services purchased from a federal entity. All other costs are associated with non-federal sources.

	Total 2016	Total 2015
Intragovernmental - Costs	\$3,829,786.67	\$3,455,393.75
Public - Costs	2,872,200.05	2,795,356.88
Total Costs	<u>6,701,986.72</u>	<u>6,250,750.63</u>
Intragovernmental earned revenue	(6,590,251.58)	(5,762,916.71)
Public earned revenue	(41,464.80)	(36,588.01)
Total earned revenue	<u>(6,631,716.38)</u>	<u>(5,799,504.72)</u>
Total Net Costs	<u>\$70,270.34</u>	<u>\$451,245.91</u>

NOTE 10 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

All obligations for CIGIE in fiscal year 2016 and fiscal year 2015 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>2016</u>	<u>2015</u>
Category B	\$7,128,515.55	\$6,564,362.34

NOTE 11 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of CIGIE’s budgetary resources obligated for undelivered orders was \$722,481.82 and \$759,832.96 as of September 30, 2016 and 2015, respectively.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
2016	<u>322,798.78</u>	<u>399,683.04</u>	<u>\$722,481.82</u>
2015	294,635.41	465,197.55	\$759,832.96

NOTE 12 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) 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 and explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2016	FY 2015
Budgetary Resources Obligated	\$7,128,515.55	\$6,564,362.34
Spending Authority from Recoveries and Offsetting Collections	(8,610,642.89)	(6,558,495.09)
Imputed Financing from Costs Absorbed by Others	63,839.39	53,551.99
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	132,803.85	(251,360.95)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations - Other	66,435.00	0.00
Resources that Finance the Acquisition of Assets	(64,555.38)	383.72
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	1,347,443.87	556,373.41
Financing Sources Yet to be Provided (see Note 11)	(24,569.97)	55,514.28
Components Not Requiring or Generating Resources	31,000.92	30,916.21
Net Cost of Operations	\$70,270.34	\$451,245.91

NOTE 13 – CORRECTIONS OF ADVANCED PAYMENT ERRORS

Advanced payments amounting to \$93,463.74 that were to be expensed in FY 2014 and FY 2015 were not recorded during that year. Therefore, this amount, \$93,463.74, was adjusted in the FY 2016 beginning balances and reflected on the Statement of Changes in Net Position, reducing the beginning balance for FY 2016 to \$11,701,385.91. This adjustment increased both the Gross Costs and Earned Revenue on the Statement of Net Cost by \$93,463.74 each, causing a net impact of zero to the Net Cost of Operations.

NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 11, 2016, which is the date the financial statements were available to be issued.

**COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY
AUDIT REPORT
SEPTEMBER 30, 2016**



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

**ALLMOND & COMPANY, LLC
Certified Public Accountants
8181 Professional Place, Suite 250
Landover, Maryland 20785
(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), which comprise the balance sheet as of September 30, 2016 and the related statement of net cost, changes in net position, and combined statement of budgetary resources for the year ended, and the related notes to the financial statements (hereinafter referred to as the financial statements). The financial statements of CIGIE as of September 30, 2015 were audited by other auditors whose report, dated November 6, 2015, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation 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 the fiscal year 2016 financial statements of CIGIE 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 OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council of the Inspectors General on Integrity and Efficiency as of September 30, 2016, and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Emphasis of Matter

CIGIE utilizes the Department of Interior –Acquisition Directorate (DOI/AQD) for its significant contracting services (e.g. IT contract, financial statement audit contract, etc.). CIGIE entered into a Memorandum of Understanding with the DOI/AQD that provides for the advancement of funds for the full contract amount. As invoices were received and approved for DOI/AQD to issue payment, CIGIE was not liquidating the advance/prepayments or recognizing expenses at that time which caused an overstatement of advances and understatement of expenses. This error caused Gross Costs, Earned Revenue, and Advances to Others reported in CIGIE'S FY 2015 financial statements to be misstated.

As stated in Note 13 to the financial statements, CIGIE adjusted the FY 2016 beginning balances of Cumulative Results of Operations to correct the error described above. The adjustments made did not change the predecessor auditor opinion on CIGIE's FY 2015 financial statements.

Other Information

The information in the *Chairperson's Message, Management and Discussion Analysis* section, and *Other Information* section of this report is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However we did not audit this information and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2016, we considered CIGIE's internal control over financial reporting by obtaining an understanding of CIGIE's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of control to determine auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide an opinion on the effectiveness of CIGIE's internal control over financial reporting. Accordingly, we do not express an opinion on CIGIE's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 15-02. We did not test all internal control relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control over financial reporting was for the limited purpose as described in the paragraph above and was not designed to identify all deficiencies in internal control over financial reporting that might be a control deficiency, significant deficiency, or material weakness.

A control 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 significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects CIGIE's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CIGIE's financial statements that is more than inconsequential will not be prevented or detected. In our fiscal year 2016 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be a significant deficiency, as defined above.

However, as described in Exhibit I, we identified certain deficiencies in internal control that we consider to be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Also, we noted an additional matter that we will report to CIGIE management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CIGIE's fiscal year 2016 financial statements are free of material misstatements, we performed tests of CIGIE's compliance with certain provisions of laws and regulations, with which noncompliance could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws specified in OMB Bulletin No. 15-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion.

The results of our tests of compliance as described in the preceding paragraph, disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 15-02.

CIGIE's Response to Findings

CIGIE's response to the finding presented in Exhibit I. The CIGIE's responses were not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of CIGIE's management, OMB, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

Allmond & Company, LLC

November 14, 2016

CONDITION

CIGIE's internal controls over financial reporting are not sufficiently designed to detect and correct material errors in its financial statements. Based on our review of the financial statements and note disclosures, improvements are needed over reviewing the financial statements and note disclosures for completeness, accuracy, and consistency. Specifically, we noted the following:

- Note 11 Undelivered Orders at the End of the Period incorrectly included the ending balance of Accounts Payable of \$1,451,484 and \$1,504,165 in undelivered orders reported as of September 30, 2016 and 2015 respectively. Including Accounts Payable in Note 11 is not consistent with OMB Circular A-136 requirements as Accounts Payable reports the amount of goods and/or services that have been actually or constructively received.
- Note 11 Undelivered Orders at the End of the Period excluded Undelivered Orders, Paid (Account #4802) of \$408,037 and \$465,198 from FY 2016 and FY 2015 respectively, which is not consistent with OMB Circular A-136 requirements.
- CIGIE did not disclose its future remaining operating lease payment of \$707,109 as a footnote disclosure in its FY 2016 Financial Statements as required by OMB Circular A-136.
- CIGIE is not reducing the Advance and prepayments assets when goods or services are received or progress is made under the contract. During our substantive procedures over disbursements we noted that expenses of \$86 thousand that occurred between FY 2014 and FY 2015 were not recognized to reduce the Advance in the correct period. Consequently, CIGIE recorded an adjustment to its FY 2016 beginning balances and current year expenses. Subsequent to the correction made by CIGIE, we noted during our year-end testing over Advance balances 1 instance where expenses of \$8 thousand that were incurred in FY 2015 were not recognized to reduce the Advance balance.

CRITERIA

OMB Circular A-136, *Financial Reporting Requirements*, (issued October 2016), section II.4.9.32, *Note 32 Undelivered Orders at the End of the Period*, states, "Disclose the amount of budgetary resources obligated for undelivered orders at the end of the period."

Department of Treasury U.S. Standard General Ledger (USSGL) Section II Accounts Description, Undelivered Orders – Obligations, Unpaid (Account #480100), states, "The amount of goods and/or services order, which have not been actually or constructively received and for which amounts have not been prepaid or advanced."

Department of Treasury U.S. Standard General Ledger (USSGL) Section II Accounts Description, Undelivered Orders – Obligations, Paid (Account #480200), states, "The amount of goods and/or services order, which have not been actually or constructively received but have been prepaid or advanced."

Office of Budget and Management (OMB) Circular A-136, *Federal Financial Reporting*

Requirements, (issued October 2016), Section II.4.9.18., Note 18 Leases, states, “Future Payments Due: Enter future lease payments, by major asset category, for all non-cancellable leases with terms longer than one year. Disclosure of future payments for all non-cancellable leases is mandatory. Disclosure of future payments for cancellable leases is optional. Agencies opting to disclose future payments for cancellable leases should disclose them separately from future payments for non-cancellable leases.”

Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standard No.1, *Assets and Liabilities, Accounting for Selected Assets and Liabilities, Advances and Prepayments*, paragraph 59 states, “Advances and prepayments are reduced when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire.”

Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (issued September 2014), *Principle 10 – Design Control Activities*, 10.03, *Accurate and timely recording of transactions and events*, states, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

CAUSE

The issues noted above were caused by the following:

CIGIE does not perform a comprehensive review that includes comparing the financial statements with financial reporting requirements outlined in OMB Circular A-136 and the Department of Treasury’s USSGL crosswalks.

CIGIE does not have the required user considerations controls in place to assess whether the financial statements provided by the service provider were accurate, complete, and prepared in accordance with financial reporting requirements.

CIGIE did not notify the service provider in a timely manner or at all to recognize the expense and reduce the Advance upon approval of vendor invoices. Further, CIGIE does not have a policy or procedure design to timely monitor the overall status of contracts to confirm the validity and accuracy of un-liquidated balances.

EFFECT

The issues noted above effect the following:

- Undelivered Orders for FY 2016 and FY 2015 being overstated (*net*) by \$1,043,447 and \$1,038,967 respectively in Note 11 Undelivered Orders at the End of the Period. Further CIGIE’s note disclosure is potentially not prepared in accordance with OMB Circular A-136 financial reporting requirements.

- Future operating lease payments of \$707,109 being omitted from the financial statements and note disclosure. Further, CIGIE's note disclosure is potentially not prepared in accordance with OMB Circular A-136 financial reporting requirements.
- CIGIE accounting practice increases the risk that activities related to Advance transactions are not being recorded in accordance with generally accepted accounting principles. Further, continuing not to reduce the Advance when goods or services are received increases the risk that Advances, Gross Costs, Earned Revenue, and Undelivered Orders, Obligations Paid is misstated.

RECOMMENDATION

We recommend that CIGIE management:

1. Design and implement a policy or procedure to conduct a comprehensive review of the financial statements that includes comparing the financial information with financial reporting requirements such as OMB Circular A-136, the Department of Treasury's USSGL crosswalks, and other reporting requirements.
2. Design and implement the required user consideration controls to validate that the financial statements provided by the service provider were accurate, complete, and prepared in accordance with financial reporting requirements.
3. Notify the service provider within five business days of upon receipt and approval of vendor invoices. Also, design and implement a policy or procedures that compares on a quarterly basis the contracts and invoices received to the balances recorded in the general ledger.

Management's Response

CIGIE management concurs with the finding presented in Exhibit I. We will consider the proposed recommendations as we develop and execute corrective actions to remediate the root cause of each condition.

Other Information

Summary of the Financial Statement Audit and Management’s Assurances

Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	4	0	0	4

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	4	0	0	0	4

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 2016, 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.