

Report: Elements of a Successful Financial Disclosure Program

March 2009



Introduction

The United States Office of Government Ethics (OGE) has conducted a focused assessment of select agencies' processes and procedures for collecting, reviewing, and certifying financial disclosure reports, including reports filed by nominees for Presidentially-appointed, Senate-confirmed (PAS) positions. The assessment consisted of two parts: The first part was an on-line questionnaire. The second part was an on-site follow-up.

The assessment focused on internal controls. It was also intended to underscore the importance of ensuring accuracy, consistency, and timeliness in the processing of PAS nominee reports.

The assessment was the first in a series of focused assessments that OGE plans to conduct to address agencies' processes and procedures for administering the ethics program.

Results

An effectively managed financial disclosure program addresses the following elements:

- Leadership Support
- Tracking Systems
- Proper Filing
- Reviewer Efficiency, Experience, and Training
- Accountability
- Nominee Training
- Succession Planning
- Ethics Agreements

Effective actions for successfully implementing these elements are discussed in the following pages.

Leadership Support Commitment and action by agency leadership is the keystone for ensuring the integrity of an agency's ethical culture and for fostering public confidence in the decision-making processes of Government. In particular, leadership support is vital to underscoring the importance of financial disclosure.

Leadership actions that agencies may undertake to support the financial disclosure program are:

- Including in the notification materials provided to filers a memorandum from agency leadership that stresses the importance of financial disclosure;
- Ensuring that agency leaders' financial disclosure reports are filed, reviewed, and certified in a timely manner and are free of conflicts; and

- Developing a practice or written procedure for involving agency leadership in obtaining information from non-responsive filers, including:
 - Sending escalating e-mail reminders that culminate in sending an e-mail to the non-responsive filer's supervisor and
 - Informing agency leadership at the highest levels about non-responsive filers.

For additional actions that agency leadership can take to support the financial disclosure program, as well as the ethics program as a whole, please see the *Leadership Initiative: Concrete Actions* document located in the Agency Model Practices section of OGE's Web site at:

http://www.usoge.gov/ethics_docs/agency_model_prac/li_concrete_actions.pdf

Tracking Systems

Financial disclosure tracking systems aid in the timely collection, review, and certification of financial disclosure reports. Minimally, an effective system should track:

- Receipt of report
- Initial review of report
- Contacts with filer
- Contacts with OGE
- Contacts with White House (for PAS nominees)
- Certification of report
- Submission of final report to OGE (for PAS filers)
- Compliance with ethics agreements

Tracking systems may vary in format, complexity, and capability, depending on the needs of the agency. For example, an agency with a large number of financial disclosure filers requires a more detailed system than a small board or commission with a few filers.

Proper Filing

Failure by financial disclosure report filers to provide timely and accurate information erodes public confidence in Government processes, diminishes employee respect for the ethics program, and may lead to the embarrassment of filers and the agency.

Agencies should develop written policies and procedures to ensure compliance. It is particularly important that filers provide timely and accurate information at all stages of the financial disclosure process. Effective practices should include steps to ensure compliance among initially non-responsive filers.

Some actions that agencies may implement to ensure timely and accurate filing are:

- Dedicating a portion of initial ethics orientation and annual ethics training to the history and purpose of financial disclosure and its role in preventing conflicts of interest and promoting public confidence,

- Providing filers with real-life examples of situations where employees ran afoul of the ethics rules because of late or inaccurate financial disclosure reporting, and
- Notifying filers promptly when their reports have been certified to underscore that completing financial disclosure reports is not simply a paperwork exercise for which filers rarely receive any feedback.

**Reviewer
Sufficiency,
Experience, and
Training**

Consistent, timely, and accurate review of reports requires that agencies have a sufficient number of reviewers with necessary experience and expertise.

Agencies can enhance reviewer experience and expertise by providing specialized training for reviewers, especially for those who review PAS nominee public reports. PAS nominee reports can be difficult to review and the need to continually ensure that PAS employees are free from conflicts is crucial to ensuring public confidence.

OGE offers financial disclosure review training courses throughout the year. Information on upcoming OGE training courses can be found in the Training section of OGE's Web site at:

http://www.usoge.gov/training/training_workshops_seminars.aspx

Review aids can also facilitate effective analysis of financial disclosure reports by reviewers. OGE's review aid -- "Public Financial Disclosure: A Reviewer's Reference" -- can be found in the OGE Publications section of OGE's Web site at:

http://www.usoge.gov/ethics_docs/publications/reference_publications.aspx

Agencies may develop their own review aids that are tailored to their particular needs or that supplement other available review aids.

One review aid that should always be used in conjunction with financial disclosure report review is the filer's position description. Position descriptions can be invaluable to reviewers in identifying those interests reported on the financial disclosure form that may pose conflicts with the filer's official duties.

Other types of review aids that agencies may consider using are:

- Prohibited sources list
- Prohibited holdings list
- Contractor list

Accountability

Reviewers should be held responsible for conducting reviews that are accurate, consistent, and timely. Agencies can help to ensure accountability among reviewers by:

- Including review duties in performance plans,
- Rating review performance as part of performance appraisals, and

- Conducting routine assessments of the quality and timeliness of reviews and providing feedback.

Nominee Training The PAS nominee process is an opportunity to introduce PAS nominees to the ethics program, including aspects of the ethics program relating to financial disclosure.

Actions agency ethics officials can take during the PAS nominee process include:

- Conducting face-to-face meetings with new PAS employees,
- Preparing welcome videos to be shown to new PAS employees as part of the new employee orientation process, and
- Developing training that addresses ethics-related issues that are particularly relevant to PAS employees. For example, training could include an overview of the ethics rules and an explanation of how financial disclosure serves to help ensure compliance with the rules by PAS employees.

Succession Planning Succession planning serves to maintain the consistent administration of an ethics program, including the financial disclosure program, in the event of turnover in ethics staff. Succession planning is particularly relevant now as a large number of Government employees are expected to retire from Federal service in the near future.

An effective succession plan for an agency's financial disclosure program may include:

- Detailed written procedures for administering the program,
- Comprehensive position descriptions for the ethics staff that include their financial disclosure review responsibilities, and
- A "knowledge inventory" of the responsibilities of the ethics staff that can be accessed by new members of the staff. A knowledge inventory can consist of:
 - o Video- or audiotaped interviews with ethics officials in which their responsibilities are explained and discussed,
 - o Written transcripts of interviews with ethics officials, or
 - o Written summaries of the responsibilities of ethics officials.

Ethics Agreements Agencies should develop a process or written procedure to ensure timely compliance with the agreements. As with financial disclosure tracking systems, processes and written procedures for monitoring ethics agreements may vary in complexity depending on the needs of the agency.

Ethics agreements must conform to OGE's PAS Nominee Ethics Agreement Guide (OGE PAS Guide). The OGE PAS Guide can be found in the Miscellaneous Ethics Documents section of OGE's Web site at:

http://www.usoge.gov/ethics_docs/misc_docs.aspx

Conclusion

Financial disclosure serves to prevent conflicts of interest and to identify potential conflicts by providing for a systemic review of financial interests of both current and prospective employees. Financial disclosure is intended to promote public confidence in the integrity of the Federal Government by demonstrating that high-level officials are able to carry out their duties without compromising the public trust.

Through the effective administration of the financial disclosure program, agencies can help to ensure that Federal Government processes are free of conflicts. Implementing the elements discussed in this report can assist agencies in administering an accurate, consistent, transparent, and timely financial disclosure program.

As a follow-up to this assessment, OGE will be addressing elements related to successful financial disclosure programs in a series of workshops as part of OGE's Compliance Plus initiative. As other issues arise, OGE will also be addressing them via the Compliance Plus initiative.

If you would like further information about OGE's assessment, please contact Dale Christopher, Associate Director, Program Review Division, at 202-482-9224.