



FY2005 Performance Accountability Report

November 15, 2005

U.S. OFFICE OF SPECIAL COUNSEL

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A Message from the Special Counsel



It is my pleasure to present the Office of Special Counsel's Performance and Accountability Report for Fiscal Year 2005.

This agency has a proud history of serving the federal workforce and the public through its tenacious defense of the merit system principles that continue to safeguard the integrity of the executive branch agencies of the United States.

Fiscal Year 2005 marks only the second year the Office of Special Counsel was required to have a financial audit. I am happy to report once again the agency's strong results, which include no reportable conditions and no material weaknesses.

To all of those who rely on our counsel, our service, and our protection, be assured that we will continue striving for excellence. Thank you for your continued trust and confidence.

Sincerely,

Scott J. Bloch
Special Counsel

Part 2: Management Discussion and Analysis

I. Agency at a Glance

The U.S. Office of Special Counsel (OSC) is an independent federal investigative and prosecutorial agency. Its primary mission is to safeguard the merit system in federal employment, by protecting employees and applicants from prohibited personnel practices (PPPs), especially reprisal for whistleblowing. In addition, the agency operates a secure channel for federal whistleblower disclosures of violations of law, rule or regulation; gross mismanagement; gross waste of funds; abuse of authority; and substantial and specific danger to public health and safety. OSC also has jurisdiction under the Hatch Act to enforce restrictions on political activity by government employees. Finally, OSC enforces federal employment rights secured by the Uniformed Services Employment and Reemployment Rights Act (USERRA).

OSC currently has approximately 110 FTE and three career staff vacancies.

II. Statutory Background

OSC was first established on January 1, 1979.¹ From then until 1989, it operated as an autonomous investigative and prosecutorial arm of the Merit Systems Protection Board (“the Board”). By law, OSC received and investigated complaints from current and former federal employees, and applicants for federal employment, alleging prohibited personnel practices by federal agencies; provided advice on restrictions imposed by the Hatch Act on political activity by covered federal, state, and local government employees; and received disclosures from federal whistleblowers (current and former employees, and applicants for employment) about wrongdoing in government agencies. The office also enforced restrictions against prohibited personnel practices and political activity by filing, where appropriate, petitions for corrective and/ or disciplinary action with the Board.

In 1989, Congress enacted the Whistleblower Protection Act. The law made OSC an independent agency within the Executive Branch, with continued responsibility for the functions described above. It also enhanced protections against reprisal for employees who disclose wrongdoing in the federal government, and strengthened OSC’s ability to enforce those protections.²

The Congress passed legislation in 1993 that significantly amended Hatch Act provisions applicable to federal and District of Columbia (D.C.) government employees, and enforced by OSC.³ Provisions of the act enforced by OSC with respect to certain state and local government employees were unaffected by the 1993 amendments.

In 1994, the Uniformed Services Employment and Reemployment Rights Act became law. It defined employment-related rights of persons in connection with military service, prohibited discrimination against them because of that service, and gave OSC new authority to pursue remedies for violations by federal agencies.⁴

OSC’s 1994 reauthorization act expanded protections for federal employees, and defined

new responsibilities for OSC and other federal agencies. It provided that within 240 days after receiving a prohibited personnel practice complaint, OSC should determine whether there are reasonable grounds to believe that such a violation occurred, exists, or is to be taken. The act extended the protections of certain legal provisions enforced by OSC to approximately 60,000 employees of what was then known as the Veterans Administration (now the Department of Veterans Affairs), and to employees of certain government corporations. It also broadened the scope of personnel actions covered under these provisions. Finally, the act made federal agencies responsible for informing their employees of available rights and remedies under the Whistleblower Protection Act, and directed agencies to consult with OSC in that process.⁵

In November of 2001, Congress enacted the Aviation and Transportation Security Act,⁶ which created the Transportation Security Administration (TSA). Under the act, non-security screener employees of TSA could file allegations of reprisal for whistleblowing with OSC and the MSPB. The approximately 45,000 security screeners in TSA, however, could not pursue such complaints at OSC or the MSPB.

OSC efforts led to the signing of a memorandum of understanding (MOU) with TSA in May 2002, under which OSC would review whistleblower retaliation complaints from security screeners, and recommend corrective or disciplinary action to TSA when warranted. The MOU did not (and could not), however, provide for OSC enforcement action before the MSPB, or for individual right of action (IRA) appeals by security screeners to the MSPB.

III. The Mission of the U.S. Office of Special Counsel

OSC's mission is to protect current and former federal employees, and applicants for federal employment, especially whistleblowers, from prohibited employment practices; promote and enforce compliance by government employees with legal restrictions on political activity, and facilitate disclosures by federal whistleblowers about government wrongdoing. OSC carries out this mission by:

- investigating complaints of prohibited personnel practices, especially reprisal for whistleblowing, and pursuing remedies for violations;
- providing advisory opinions on, and enforcing Hatch Act restrictions on political activity;
- operating an independent and secure channel for disclosures of wrongdoing in federal agencies;
- protecting reemployment and antidiscrimination rights of veterans under the USERRA; and
- promoting greater understanding of the rights and responsibilities of federal employees under the laws enforced by OSC.

IV. Organizational Structure of OSC

OSC maintains its headquarters office in Washington, D.C. Four field offices are located in Dallas, Oakland (known as the San Francisco Bay Area Field Office), Detroit (called the Midwest Field Office), and Washington, D.C.

After OSC's January 2005 reorganization, the agency components include the Immediate Office of the Special Counsel (IOSC), five operating units/divisions and six supporting offices explained in detail below.

Immediate Office of the Special Counsel. The Special Counsel and staff in IOSC are responsible for policymaking and overall management of OSC. They also manage the agency's congressional liaison and public affairs activities, and its outreach program, which includes promotion of compliance by other federal agencies with the employee information requirement at 5 U.S.C. § 2302(c).

Complaints Examining Unit. This is the intake point for all complaints alleging prohibited personnel practices and other violations of civil service law, rule, or regulation within OSC's jurisdiction.⁷ This Unit is responsible for screening up to 1,700 prohibited personnel practice cases per year. Attorneys and personnel management specialists conduct an initial review of complaints to determine if they are within OSC's jurisdiction, and if so, whether further investigation is warranted. The unit refers all matters stating a potentially valid claim to the Investigation and Prosecution Division for further investigation.⁸

Disclosure Unit. This unit is responsible for receiving and reviewing disclosures received from federal whistleblowers. It advises the Special Counsel on the appropriate disposition of the information disclosed (including possible referral to the head of the agency involved for an investigation and report to OSC; referral to an agency Inspector General; or closure). The unit also reviews agency reports of investigation, to determine whether they appear to be reasonable and in compliance with statutory requirements before the Special Counsel sends them to the President and appropriate congressional oversight committees.

Investigation and Prosecution Division. Formerly three parallel units, staffed primarily by investigators and attorneys, the reorganization includes one IPD comprising four field offices, which will conduct field investigations of matters referred after preliminary inquiry by the Complaints Examining Unit. Division attorneys conduct a legal analysis after investigations are completed to determine whether the evidence is sufficient to establish that a prohibited personnel practice (or other violation within OSC's jurisdiction) has occurred. Investigators work with attorneys in evaluating whether a matter warrants corrective action, disciplinary action, or both.

If meritorious cases cannot be resolved through negotiation with the agency involved, division attorneys represent the Special Counsel in any litigation before the Merit Systems Protection Board. They also represent the Special Counsel when OSC intervenes, or otherwise participates, in other proceedings before the Board. Finally, division investigators and attorneys also investigate alleged violations of the Hatch Act and the Uniformed Services Employment and Reemployment Rights Act. However, under a new pilot program, most USERRA functions will be housed in a new USERRA unit in the Special Projects Unit to assure uniformity of policy

regarding the new pilot.

Hatch Act Unit. The unit issues advisory opinions to individuals seeking information about Hatch Act restrictions on political activity by federal, and certain state and local, government employees. The unit is also responsible for enforcing the act. It reviews complaints alleging a Hatch Act violation and, when warranted, investigates and prosecutes the matter (or refers the matter to the Investigation and Prosecution Division for further action). It will also oversee Hatch Act matters delegated to the IPD.

USERRA/Special Projects Unit. The Special Projects Unit uses senior trial lawyers to work cases of high priority and has also been used by the Special Counsel to conduct internal research on the processes and procedures of the operational units at OSC. In addition, a subdivision of the SPU called the USERRA Unit handles the new special project assigned by P.L. 108-454 that requires OSC to investigate the re-employment rights of military service members under USERRA, which involves new functions, increased caseload, and new personnel.

SUPPORTING UNITS:

Alternative Dispute Resolution Program. In selected cases referred by the Complaints Examining Unit for further investigation, the agency contacts the complainant and the agency involved, and invites them to participate in OSC's voluntary Mediation Program. If mediation resolves the complaint, the parties execute a written and binding settlement agreement; if not, the complaint is referred for further investigation.

The mediation program for Alternative Dispute Resolution has been reorganized. Rather than have a single ADR specialist under the leadership of an SES employee, the agency has expanded the program through cross-training multiple individuals from each of OSC's operating units. As a result the agency now has a broad pool of trained mediators with different legal areas of expertise.

Legal Counsel and Policy Division. This division provides general counsel and policy services to OSC, including legal advice and support on management and administrative matters; legal defense of OSC in litigation filed against the agency; policy planning and development; and management of the agency ethics program.

Management and Budget Division. This division provides administrative and management support services to OSC, in furtherance of program, human capital, and budget decisions. Division also includes the Information Technology Branch (formerly Information Systems Branch), Human Resources Branch, Document Control Branch and Budget and Procurement branch. The purpose of this division is to put the administrative support functions under one authority.

Training Office. A training office has been created to train all new employees, cross train existing employees, and develop specialized training in areas such as litigation skills. Specifically, the Training Office will cross train attorneys and investigators to enable them to traverse organizational boundaries within the agency. They will develop sufficient expertise in

several areas of the law, giving management the ability to detail employees to address any potential backlogs that could form in the various units.

Customer Service Unit. In the past, this function has been handled by rotating OSC staff to answer inquiries from the public or help with filing complaints and/or filling out forms. This unit will provide enhanced assistance to the public and federal employees, while streamlining operations by removing the ‘Officer of the Week’ duty from the attorneys in CEU.

V. Performance Goals and Results

OSC has had a chronic problem of cases in backlog for years, and through tremendous effort by the entire agency, has succeeded in eliminating the backlogs from its Hatch Act unit, Disclosure unit, and Complaints Examining unit. The agency has been successful in hiring, and is now operating at a staff level as close to its approved FTE levels as possible, given the funding of the agency for FY 2006. OSC implemented a significant reorganization which is bearing fruit in the way the streamlined divisions and empowered individual employees accomplish the business of the agency. OSC now stands ready to exceed its goals of efficiency and expeditious justice.

During the backlog reduction, to ensure each claim received a full and fair resolution, the Special Counsel insisted that the agency’s referrals for further action in the investigation and prosecution division (IPD) remain at a high level and even be increased. During the SPU work on PPPs and Hatch Act cases, the referral rate increased 100% over historic levels.

While OSC received much credit for resolving the cases in the backlog with full and fair resolution, the agency became subject to some criticism that Disclosure Unit (DU) cases were closed without adequate review. The DU cases resolved were primarily cases that had been identified as likely closures during the last two to three years, but had not been resolved due to the focus on and volume of the several types of higher priority DU cases. These older DU cases received fresh review and the backlog was reduced through a tremendous effort. Nevertheless, to dissolve this criticism entirely, OSC invited a bipartisan group of Congressional staffers to visit OSC and review the case files and the processes used in resolving these cases, as well as PPP cases.

After this investigation, OSC’s successes in reducing the DU backlog and reducing the PPP backlog while increasing the internal rate of referral were commended in a congratulatory letter from the U.S. House of Representatives Committee on Government Reform.

It should be noted that the increase in the number of internal referrals carries with it the necessary placement of a heavy burden on the IPD, which is in the process of working through those cases currently.

OSC'S results in FY 2005 include:

1. OSC negotiated and implemented a memorandum of understanding (MOU) at the request of the U.S. Postal Service Office of Inspector General (USPS OIG) to investigate Section 2302(b)(8) whistleblower complaints from USPS OIG employees. OSC does not otherwise have jurisdiction to investigate these complaints.
2. The newly created Customer Service Unit is now up and running. This unit handles hotline calls from employees seeking advice regarding possible statutory violations under OSC's jurisdiction. This Unit replaces the former practice of having one CEU employee designated Officer of the Week (OW) each week, requiring that employee to answer all of the above inquiries for the week. It was determined that the OW function was having a significant impact on the case processing efficiency of CEU employees. The Customer Service Unit ensures that attorneys who can be processing cases are not tied up on the telephone answering questions for several weeks each year. As a result, each of these CEU attorneys can handle approximately 10 extra cases per year.
3. OSC changed the manner in which USERRA claims were internally processed by assigning them only to experienced attorneys. The change resulted in quicker processing times. Most significant, however, was the Special Counsel's willingness to prosecute federal agencies for violations of the law. Prior Special Counsels had never filed any USERRA enforcement actions with the U.S. Merit Systems Protection Board (since USERRA was passed in 1994). In 2005, OSC set a precedent by filing three USERRA cases in one year. Full corrective action was received in all three cases.
4. During FY 2005, the Special Counsel has again focused on raising the profile of the Uniform Services Employment and Re-employment Rights Act (USERRA), so that returning reservists and veterans are aware of their rights and of the existence of OSC. In early 2005, OSC's role in enforcing USERRA again expanded. Pursuant to a demonstration project established by the Veterans Benefits Improvement Act of 2004 (VBIA), P.L. 108-454, signed by President Bush on December 10, 2004, OSC, rather than the Department of Labor's Veterans Employment and Training Service (DOL VETS), has the authority to investigate federal sector USERRA claims brought by persons whose social security number ends in an odd-numbered digit. Under the project, OSC also receives and investigates all federal sector USERRA claims containing a related prohibited personnel practice allegation over which OSC has jurisdiction regardless of the person's social security number. By the end of FY 2005, OSC had already received 111 cases.
5. Referrals for full investigations of both PPP and DU cases significantly increased by lowering the hurdles employees need to get through to show that there is a reasonable possibility that a PPP has been committed against them, or that there is a substantial

likelihood that a federal employee is reporting agency waste, fraud, illegality or abuse. This helps both the merit system and federal employees.

6. The Special Counsel followed through on his promise to litigate more cases before the Merit Systems Protection Board (Board) to protect the merit system and federal employees. In FY 2005, OSC filed 13 cases before the Board, three more than in FY 2004.
7. OSC's Outreach Program efforts have succeeded in educating federal agency managers and employees concerning their responsibilities and rights. OSC also assisted federal agencies to fulfill their statutory obligation to consult with OSC concerning informing federal employees of their rights under the laws that OSC enforces.⁹ OSC formally launched its government-wide 2302(c) Certification Program in October 2002. Since that time, 47 agencies (including Cabinet-level agencies such as the Departments of Labor, Energy, State, Transportation, Education, Health and Human Services and Veterans Affairs) have registered for the program.
8. OSC is now participating in the federal GoLearn Project, which will increase outreach by up to 50,000 federal employees per year.
9. OSC's Alternative Dispute Resolution (ADR) Specialist continued to achieve a very high resolution rate for the cases in OSC's ADR Program, including several high profile whistleblower reprisal cases. OSC has enhanced its resources for conducting mediations. Instead of having one full time mediator, seven people from different parts of the agency have received training in conducting mediations. OSC now has a cadre of professionals with varied skills and legal expertise in multiple areas from which to draw.
10. The Employee Advisory Committee is comprised of eight staff members, elected by their colleagues, who meet monthly to provide recommendations and feed-back to the Special Counsel and the agency. The Special Counsel conceived of this idea and implemented it; the Employee Advisory Committee has been highly successful. The Student Loan Repayment / Employee Retention Program is one example of the agency responding directly to suggestions made to the Special Counsel in this forum.
11. A Government Accountability Office (GAO) March 2004 Report (GAO 04-36) was critical of OSC's chronic backlog problem. OSC provided a detailed response back to the GAO on May 17, 2005 and it is available on the OSC website GAO document. The response includes several strategies to reduce the backlogs in PPP and other cases that have already yielded results.
12. OSC continued to handle high-profile cases that received media attention, most of which resulted in corrective action.
13. The Special Counsel selected Anne Whiteman, an 18-year air traffic controller at Dallas Fort Worth International Airport (DFW), as a recipient of the 2005 Special Counsel's Public Servant Award. Ms. Whiteman disclosed to OSC that air traffic controllers and management at the DFW Terminal Radar Approach Control (TRACON) routinely

covered up serious operational errors, in violation of an FAA order. Ms. Whiteman is the fifth federal employee to receive such an award. The Public Servant Award program was established in 2001 to recognize the contributions that federal employees make to the public interest when – often at great personal risk – they make significant disclosures of violations of law, rule, or regulation; gross mismanagement; a gross waste of funds; an abuse of authority; or, as was the case here, a substantial and specific danger to public health and safety. The Public Servant Award is a non-monetary and merit-based award. Its purpose is to publicly recognize the most significant contributions made by federal whistleblowers who have either filed disclosures with OSC or who have sought relief from OSC on the grounds that they have suffered retaliation.

In spite of the successes, OSC faces continued challenges. It is clear that although the reduction of backlogged cases has helped OSC meet its strategic goals of protecting federal employees from PPPs, protecting the merit system, and guarding the public interest through its Disclosure Unit, there are other ways of measuring success. We must now improve the timeliness of OSC's review of PPP cases and whistleblower disclosures.

VI. OSC's Systems, Controls, and Legal Compliance

Management control activities carried out by OSC include periodic reviews of agency administrative and program elements to assure that obligations and costs comply with applicable laws; funds, property and other assets are safeguarded; revenues and expenditures are properly recorded and accounted for; and programs are efficiently and effectively carried out in accordance with law and management policy. During FY 2005, reviews were completed on the following agency administrative operations:

1. **Information Security Program.** OSC's Chief Information Officer conducts an annual security review. The results of this review were summarized in the agency's Federal Information Security Management Act (FISMA) Report, submitted to OMB in October, 2005. The review found no material weaknesses in the agency's information technology policies, procedures, or practices. Further, there were no security incidents affecting critical agency information systems.
2. **Reorganization – Agency Structure and Procedures.** After a lengthy and in-depth analysis, OSC reorganized structurally in January 2005. The second phase of the reorganization consists in procedural streamlining. Much of this streamlining has been accomplished through procedural changes in FY 2005, and the streamlining continues with an ongoing project to revise OSC's standard operating procedures. After this is accomplished, the agency will be more effective at processing cases.

Sources for the reorganization and procedural changes were the following:

- A General Accountability Office (GAO) report on OSC's caseload, case management processes, technology, and privacy protection policies published in March 2004, the main result of which was a recommendation that OSC develop a strategic plan to allow processing of more cases within the statutory time limits, and reduce case backlogs.
 - Input from OSC's Special Projects Unit, which the Special Counsel formed to focus solely on reducing the various backlogs in the agency. This unit provided in-depth analysis of the current case handling practices of the various operating units of the agency. The unit has also been very successful in reducing backlogs of prohibited personnel practice cases and OSC Disclosure Unit cases.
 - As an aid in addressing the strategic initiatives described in number 2 above, OSC contracted with a private sector management consulting firm to perform an agency-wide assessment. This assessment was delivered to OSC in September 2004. It addressed the procedural, structural and legal issues at the heart of the agency, and provided recommendations for change in each area.
3. GAO Report. On October 15, 2004, GAO produced a report entitled "U.S. Office of Special Counsel's Role in Enforcing Law to Protect Reemployment Rights of Veterans and Reservists in Federal Employment. GAO-05-74R, which analyzes how OSC carries out its responsibilities under USERRA, including processing times and changes made by OSC to handle current claims and any increase in claims.

This document reported favorably on OSC's processes and results, noting that OSC obtained corrective action from Federal Employers on all USERRA claims that had merit. It also outlined the possible benefits to service members from having OSC handle USERRA claims earlier in the process. This later became a reality with the passage of the Veterans Benefits Improvement Act of 2004, Pub. L. No. 108-454, § 204, 118 Stat. 3606, which requires DOL and OSC to carry out a three-year demonstration program under which certain federal sector claims under USERRA are to be referred to OSC for initial investigation and resolution.

4. Financial Audit. OSC is undergoing its second financial audit. The agency's first audit was in the summer and fall of FY 2004. The auditors reported no material weaknesses in FY 2004. The current audit addresses accounting and procurement procedures and operations, almost all of which are accomplished by the Bureau of Public Debt (BPD) at the Department of the Treasury under an interagency outsourcing agreement. The audit will not be completed until early December 2005. In the event that any material control weaknesses are identified during this year's audit, they will be discussed in the next FMFIA/IG Act report.
5. OSC Capitalization Policy. In November 2004, at the beginning of FY 2005, OSC created a capitalization policy for assets with purchase price over \$50,000. This policy is in place and being followed.

In FY 2005, several OSC financial management activities including procurement, budget accounting, financial accounting, reporting accounting, and travel services were administered by BPD. OSC personnel and payroll data entry transactions were processed by the Department of Agriculture's (USDA's) National Finance Center (NFC). These operations were administered under cross-servicing agreements with both departmental entities. For information on any significant management control issues related to services provided under these agreements, OSC relies on information received from BPD and NFC, and any audits or other reviews issued by the Treasury and USDA OIGs, their Offices of the Chief Financial Officer (OCFO), and the General Accounting Office (GAO).

On April 18, 2005, there was a GAO Report entitled "Bureau of the Public Debt: Areas for Improvement in Information Security Controls" GAO-05-467R, which pointed out that the FY 2004 audit at BPD identified six new general information security control issues. It also states that BPD informed GAO that it has taken corrective action to address these issues, and further notes that BPD has made significant progress in addressing open recommendations from prior years' audits. Additionally, the report points out that none of these findings pose significant risk to the BPD financial systems. These GAO conclusions lead OSC to conclude that the objectives of its management control program for its transactions handled by BPD were met for FY 2005.

Reports on NFC operations have identified internal control or other problems detailed in USDA OIG and/or OCFO reports required by law to be submitted to the President and Congress. These include OIG Report No. 11401-20-FM, "Fiscal Year 2004- Review of the National Finance Center General Controls" (October 2004). The report identifies eleven technical control issues. However, OSC transactions processed by NFC during FY 2005, however, do not appear to have been affected by the problems reported. OSC will, however, follow up on findings when warranted.

VII. Future Effects of Known Demands, Risks, Uncertainties, Events, Conditions, and Trends

In the past several years, the agency has experienced an increase in caseload level. There are a number of factors which have contributed to this level of complaint filings with OSC:

- There has been a heightened awareness of the Hatch Act due to the 2004 elections, and increased filing of disciplinary action cases by OSC. Several of these cases have involved high-profile employees and significant national press coverage. Hatch Act cases are projected to be 9% above the number of cases in FY 2004 by the end of the fiscal year.
- Congress passed a statute intended to decrease the processing time for USERRA complainants from members of our armed forces. Under the pilot program created by

Congress, which began in February, 2005, OSC recently began processing half of the USERRA cases that would typically be processed by the Department of Labor. OSC looks forward to the decision that Congress will make after the Demonstration Project ends, when OSC may be asked to handle all USERRA cases.

- In recent years, OSC has had a large number of high-profile whistleblower cases, leading to increased national press coverage of OSC. FY 2005 continued this trend.
- OSC continues to investigate whistleblower retaliation complaints from Transportation Security Agency (TSA) security screeners under OSC's Memorandum of Understanding (MOU) with TSA. This MOU remains viable despite the Merit System Protection Board's decision that the Board does not have jurisdiction to adjudicate these matters.
- During FY 2005, OSC continued to certify more agencies through its outreach program. Moreover, new agencies continue to sign up for the certification program. As agencies implement the certification process, agency employees who might previously have been unaware of their rights and remedies through OSC are becoming informed.
- In addition to OSC's certification program, OSC continues to provide outreach programs to agencies requesting them, or as part of OSC settlements in particular matters.

The effect of these conditions, events, and trends is that caseloads will continue their overall upward trend for the foreseeable future. OSC must therefore continue to ensure its workforce has the skill to meet these needs.

The Special Counsel stressed the importance of further development of OSC's agency-wide cross training program. This is an important initiative, which provided for unprecedented efficiency at OSC by developing the agency's employees to the point where they have sufficient expertise to operate in more than one of OSC's highly specialized units, and can therefore cross organizational boundaries to address the case backlogs in their initial stage. The mediation program for Alternative Dispute Resolution has been reorganized. Rather than have a single ADR specialist under the leadership of an SES employee, the agency has expanded the program through cross-training multiple individuals from each of OSC's operating units. As a result the agency now has a broad pool of trained mediators with different legal areas of expertise.

The Special Counsel has highlighted the importance of the Veterans Benefits Improvement Act mentioned above. Effective February 8, 2005, pursuant to this statute, OSC began investigating certain federal sector USERRA claims under the demonstration project. Specifically the act gives OSC, rather than the Department of Labor's Veterans Employment and Training Service (VETS), the authority to investigate federal sector USERRA claims brought by persons whose social security number ends in an odd-numbered digit. Under the project, OSC also receives and investigates all federal sector USERRA claims containing a related prohibited personnel practice allegation over which OSC has jurisdiction regardless of the person's social security number. The demonstration project ends on September 30, 2007, and Congress will determine whether OSC will continue to have investigative responsibility over federal sector USERRA claims.

VIII. Comments on Final FY 2005 Financial Statements

- OSC's Asset Capitalization Policy has been in place for one year. It pertains to assets with initial purchase price over \$50,000. The agency's phone system falls under this policy, and was initially capitalized in the amount of \$108,650. Net book value is now \$67,371, down from \$89,101 at the end of FY 2004.
- An ongoing trend is that salaries, benefits, rent and utility payments tend to take precedence over major productivity-enhancing Information Technology projects. Salaries, benefits, rent and utility payments are over 86% of the agency's expenditures. So any increases such as pay raises or rent increases have an impact on the agency's ability to fund the IT projects. OSC continues to find ways to implement IT enhancements at low costs.
- OSC, like all other federal government agencies, has been asked to implement a comprehensive Continuity of Operations Plan (COOP) to safeguard vital records and databases, establish an alternate operating site, and validate capability through tests, training, and exercises. OSC's COOP plan will be very limited in scope, since it was unfunded in FY 2004 and FY 2005 and is unfunded in FY 2006.
- **Limitations of the Financial Statements:** The principal financial statements have been prepared to report the financial position and results of operations of OSC, pursuant to the requirements of 31 U.S.C. 3515 (b).

The statements have been prepared from the books and records of the Review Commission in accordance with generally accepted accounting principles (GAAP) for Federal entities and formats prescribed by the Office of Management and Budget (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. These statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

Endnotes:

¹ Reorganization Plan Number 2 of 1978. See 5 U.S.C.A. App.1, § 204. The Civil Service Reform Act of 1978 (Public Law No. 95-454, 92 Stat. 1111) enlarged OSC's functions and powers.

² Public Law No. 101-12 (1989). Provisions setting forth OSC authorities and responsibilities were codified at 5 U.S.C. § 1211, *et seq.*

³ Public Law No. 103-94 (1993), codified in scattered sections of 5 U.S.C. and 12 U.S.C.

⁴ Public Law No. 103-353 (1994), codified at 38 U.S.C. § 4301, *et seq.* The Veterans' Employment Opportunities Act of 1998 (Public Law No. 103-424) also expanded OSC's role in protecting veterans. The act made it a prohibited personnel practice to knowingly take, recommend, or approve (or fail to take, recommend, or approve) any personnel action, if taking (or failing to take) such action would violate a veterans' preference requirement. See 5 U.S.C. § 2302(b)(11). (The former § 2302(b)(11) was re-designated as § 2302(b)(12).)

⁵ Public Law No. 103-424 (1994), codified in various sections of title 5 of the U.S. Code. The provision making federal agencies responsible, in consultation with OSC, for informing their employees of rights and remedies under the Whistleblower Protection Act appears at 5 U.S.C. § 2302(c).

⁶ Public Law 107-71 (2001).

⁷ Unless noted otherwise, all references after this to prohibited personnel practice complaints include complaints alleging other violations of civil service law, rule, or regulation listed at 5 U.S.C. § 1216, except for alleged violations of the Hatch Act.

⁸ When the Complaints Examining Unit makes a preliminary determination to close a complaint without further investigation, it must by law provide complainants with a written statement of reasons, to which they may respond. On the basis of the response, if any, the unit decides whether to close the matter, or refer it to the Investigation and Prosecution Division.

⁹ "The head of each agency shall be responsible for the prevention of prohibited personnel practices, for the compliance with and enforcement of applicable civil service laws, rules, and regulations, and other aspects of personnel management, and for ensuring (in consultation with the Office of Special Counsel) that agency employees are informed of the rights and remedies available to them under this chapter and chapter 12 of this title." 5 U.S.C. 2302(c).

Part 3: Performance

Goal 1: Prohibited Personnel Practices

ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)
To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing
FY 2005 Performance Goals – 1. <u>Quality standards review</u> . Conduct quality review of sampling of closed FY 04 PPP, HA and DU complaint files, under established standards, no later than 7/30/04. Direct improvements based on reviews.
FY 2005 Targets Make sure that all aspects of investigation comply with results of quality standards review.
FY 2005 Results The new customer service unit tracked complaints for better service. The new training unit tailored course material to quality review standards. Monitored the changes in unit SOPs and changes implemented under the assessment team and SPU and determined if the changes complied with quality standards. Continued to monitor cases before the MSPB and Federal Circuit in which OSC was not a party and circulated relevant cases to staff. Held employees accountable for failure to meet quality standards. Authorized the Training Office to draft relevant course material based on results of quality review. Authorized Customer Service unit to occasionally poll incoming callers concerning how well their needs were met by OSC.
FY 2004 Results - New Special Counsel began quality review with the Complaints Examining Unit (CEU) which is complete. CEU is the screening “intake” unit for prohibited personnel practices complaints (PPPs). CEU implemented new procedure for case referrals to IPDs and a new procedure to streamline the referral memo. Devised new OSC Complaint Form 11. Devised new CEU investigative standard so more cases will be referred for further investigation. New CEU discovery process for complaint filing.
FY 2003 Results - First quality standards review conducted on random sample of case files. Results sent to senior management for review. Further action awaiting review of review program and process by new Special Counsel.
FY 2002 Results - Standards incorporated in new or revised policy and procedural issuances (<i>e.g.</i> , directives and manuals). Employees required to adhere to standards in policy and procedural issuances. Standards distilled in program review guide. Quality review process developed.

ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)

To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing

FY 2005 Performance Goals - 2. Improve quality and productivity through increased teamwork. Continue to identify changes to enhance investigator/attorney consultation, sharing of best practices, productivity, and overall quality of investigations and legal analyses. Consider options, including but not limited to, workforce restructuring consistent with the initiatives to reduce managers and organizational layers, speed decision-making, and re-direct positions to front-line staff.

FY 2005 Targets - Make sure that information available to any one individual is shared by all team members.

FY 2005 Results - Where and when appropriate eliminated unnecessary layers of management and repetitious review of documents and meetings. Aggressively enforced USERRA to protect service members from discrimination in employment in the federal sector. Accomplished organizational changes that more fully utilize field offices and better serve customers. Further developed a succession plan that will improve knowledge, skills, and abilities of potential leaders for the agency. Implemented changes to procedures and began measuring effects of the changes. Continued measuring effects of procedures and processes changed in previous fiscal years. Improved quality of investigations and legal analyses by promoting intra and inter-divisional consultation between attorneys and investigators, by developing and sharing best practices, and avoiding duplication of effort. Established new guidelines that set specific deadlines for case handling, and remove impediments to timely resolution of cases in the IPD. Authorized the training office to monitor quality review and use the information to draft relevant course material for cross training OSC personnel.

FY 2004 Results - Caseload completion goal met or exceeded. Encouraged employees to review Significant Case Activity Reports of other IPD divisions to determine if cases can be processed more efficiently by consulting with other Division attorneys or investigators with similar cases. New Special Counsel established a SPU in March 2004 to eliminate the historic backlog of cases in Agency. SPU project resolved 288 PPP cases with a referral rate of 28% further investigation by the IPDs. Assessment team evaluated Agency for several months (April 04-Aug 04) and issued a report with recommendations that was shared with all staff. Required employees assigned research projects to check Intranet to determine if research has already been done or is in the process of being done. This action is pending the results of IOOSC's evaluation and implementation of outside assessment recommendations. Meetings discontinued as of April 2004 due to backlog reduction efforts and pending SPU's report on improvements for case processing. Best practices continue to be shared between divisions through informal discussions and consultations.

FY 2003 Results - Reduced managerial staff by not filling Supervisory Investigator vacancy created by incumbent's retirement. Position to be allocated to non-supervisory work on program (case-related) matters. Team Leaders initiated monthly meetings to share best practices, discuss legal and administrative issues, and increase quality and productivity of IPD work. Associate Special Counsels (ASCs) continued to attend selected investigator/attorney interviews and listen to interview tapes to monitor quality and provide feedback on interviewing skills.

FY 2002 Results - Restructuring implemented in FY 2001. Directive issued on authentication, organization, and maintenance of records in complaint and investigation files after FY 2001 case file protocol pilot test.

ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)

To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing

FY 2005 Performance Goals - 3. Develop and communicate consistent agency policies. Continue to communicate agency policies to all relevant staff as developed.

FY 2005 Targets) Make sure materials outlining internal policies are distributed and assimilated by all staff.

<p>FY 2005 Results - Monitored amount and length of legal memoranda for compliance to new procedures. Monitored changes to investigative and legal memoranda by managers to ensure compliance to new procedures. Monitored case administrative procedures to ensure uniform case handling in all IPD teams. Reviewed case handling numbers to ensure that new procedures increase efficiency. Pursuant to reorganization directive, drafted standard operating procedures that delay management and give more autonomy to lower level employees. Pursuant to reorganization directive, drafted operating procedures and administrative case handling procedures that are consistent for each unit within the IPD To measure efficiency of operating procedures.</p>
<p>FY 2004 Results - Continued to communicate agency policies to all relevant staff as developed. Formal Intranet Task Group not convened, but assigned staff updated Intranet as needed to keep program staffs updated on agency policies and novel legal issues. Staff has been re-trained by Division directors and supervisors on important policies. Staff survey of knowledge of OSC policies and procedures is pending IOOSC and SPU review and/or revision of existing policies and procedures. In general the new policies will “power down” activity and decentralize review procedures to lower level workers to eliminate bureaucratic delays.</p>
<p>FY 2003 Results - Continued to communicate agency policies to all relevant staff as developed (e.g., manual updates).</p>
<p>FY 2002 Results - Agency intranet and/or shared network drives used to communicate new and revised policies and procedures to staff on timely, consistent basis; (e.g., directives, manuals, policy statements, legal analyses, model correspondence with complainants, style guidance, interagency memoranda; forms); policy statements posted on web site. Training conferences / sessions conducted by each IPD, along with periodic meetings for division employees. Bi-weekly meetings of senior program staff and management (including Special Counsel) held to ensure consistency and effectiveness of program and administrative policies and procedures. Hatch Act training provided to IPD employees.</p>

<p>ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)</p> <p>To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing</p>
<p>FY 2005 Performance Goals - 4. <u>Case priority system/resource allocation.</u> Continue to implement policy for case handling by priority (according to particular types of PPP complaints and complexity level, including consideration of resource allocation). Set targets for FY 05 productivity within individual case categories according to productivity reported in first 3 quarters of FY 04.</p>
<p>FY 2005 Targets – Make sure that each new case fits into the priority system that has been developed.</p>
<p>FY 2005 Results – Since previously established case priority system began to yield counterproductive results, it is now being revised to a simpler system of first in first out, barring managerial intervention in particular cases. Once approved, this change will be reflected in next year’s performance goals and targets.</p>
<p>FY 2004 Results - Priority case-handling policy continued for PPP cases. New evaluation of case priority system not performed pending SPU and outside third party assessment team evaluation of case-handling processes and procedures. New procedures may be developed in early FY 2005. Division directors measure productivity and review progress against targets and staff resources on a continuing basis.</p>
<p>FY 2003 Results - Priority case-handling policy continued for PPP cases. Informal goals set for numbers of cases processed by investigators and attorneys, while continuing to use the priority system as an integral tool to reduce the backlog. 85% of the PPP complaints received processed within 240-day timetable established by Congress – 13.33% improvement over prior year.</p>
<p>FY 2002 Results Directive on IPD case priority and resource allocation issued. Automated case allocation system implemented. Employees required to adhere to case priority and resource allocation directive. CEU testing application and utility of IPD case priority and resource allocation procedures.</p>

<p>ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)</p> <p>To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing</p>
<p>FY 2005 Performance Goals - 5. <u>Identify and Implement Case Processing Improvements</u>. Increase frequency of smaller informal staff gatherings in CEU to discuss case processing and garner staff input for improvements.</p>
<p>FY 2005 Targets - Ensure policy changes implemented to increase productivity are carried out by all employees.</p>
<p>FY 2005 Results - Monitored new operating procedures to determine if goals and efficiencies become part of the IPD structure. Monitored the length and review system of legal and investigative memoranda to comply with new operating procedures to power decision making to lower levels. Implemented incentive program for suggestions that improve case processing efficiency. Continued to ensure that employees, especially new employees, review sample work product posted on Intranet and work product guidelines when drafting CEU and IPD work product. Continued to maintain current work product samples on Intranet, including legal research, preliminary determination letters, final closure letters, PPP Reports, litigation documents, CEU referral and closure memoranda, CEU referral and closure letters. Required staff to post all approved work product in selected categories. Assigned staff to monitor whether work product being posted. Held employees accountable for failure to post work product. Continued to assign staff to determine which work product samples should remain on Intranet as "model" work product on a quarterly basis. Monitored whether work product selected is appropriate. Continued to hold agency-wide training conferences.</p>
<p>FY 2004 Results - IPD Directors have attempted to discuss practices to improve consistency of the three IPDs. Ongoing review and discussion with Special Counsel underway. Re-educated employees regarding Awards Program that provides for incentives for suggestions that increase case processing efficiency. An attorney is assigned to ensure that current work product samples are included on the intranet and collects approved work product from staff for posting to the Intranet. Division Directors and supervisors consult regularly with attorneys and investigators regarding ways to improve correspondence. Attorneys and investigators hold telephone conferences when appropriate.</p>
<p>FY 2003 Results - "Open Forum" lunches discontinued because newly established monthly Team Leader meetings provided productive forum for exchange of ideas and best practices.</p>
<p>FY 2002 Results - Directive issued on case priority and resource allocation gave IPDs guidance and discretion to take identified actions to reduce duplication, eliminate unnecessary steps, and appropriately allocate resources. Training conferences for two IPDs and all supervisors included exchange of best practices and ideas for improvement of case work quality and quantity. Employees required to adhere to policy and procedural issuances.</p>

<p>ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)</p> <p>To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing</p>
<p>FY 2005 Performance Goals - 6. <u>ADR</u>. Offer mediation option in appropriate cases, and track results.</p>
<p>FY 2005 Targets - Ensure mediation is offered in all cases where it is appropriate.</p>

FY 2005 Results - Continued to offer mediation option in appropriate cases, and track results. Reviewed performance during FY 04, and determined to use more in-person mediation in FY 2006. Continued with effective initial communications with complainants and agencies to better explain the advantages of mediation, including the possible expeditious resolution of the conflict and the avoidance of a time and resource-consuming investigation. Anticipated that this effort will increase the acceptance rate from agencies and complainants and lead to more mediated resolutions. Determined to use the Director as a co-mediator where appropriate to assure quality control and consistency in the program. Continued training of OSC staff in mediation skills. Enrolled Mediation Unit Director in the "sharing neutrals" (SN) program at HHS, which will result in the Director developing further mediation skills by conducting mediations in other agencies. It also will make outside mediators available to participate in the OSC program where appropriate.
FY 2004 Results - The ADR Unit exceeded the mediation offer goal by increasing mediation offers from 31 % of CEU-referred cases in FY '03 to 40% in FY '04. Broadening the criteria for offering mediation to parties had an adverse affect on complainant and agency acceptance rates. Nevertheless, the 68% complainant acceptance rate came within reach of the 75-85% goal. Similarly, the agency acceptance rate of 55% came within reach of the goal . The number of mediations conducted (21) met the target. The resolution rate goal was exceeded in FY '04 with an 86% rate.
FY 2003 Results - ADR option offered in 100% of mediation-appropriate cases and results tracked. ADR program met or exceeded all goals set for FY 2003. Targets set for FY 2004.
FY 2002 Results - ADR offered in 100% of mediation-appropriate cases.1 Mediation offers: 32% of CEU-referred complaints (goal - 20%). Acceptance rates: 78% of complainants (goal - 65%), 66% of agencies (goal - 60%). Mediations held: 20 cases (goal 26). Resolution rate: 65% (goal 40%)

ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)
To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing
FY 2005 Performance Goals - 7. Early settlement. Continue to adhere to OSC's policy of early settlement of meritorious cases; monitor settlement of such cases.
FY 2005 Targets - Ensure that early settlement efforts are applied to all appropriate cases.
FY 2005 Results - IPD - Continued to adhere to OSC's policy of early settlement of meritorious cases; monitored settlement of such cases. Fully implemented "best practice" guidelines for identifying cases for early settlement, and for negotiating settlements with agencies. Monitored compliance with "best practice" guidelines and held employees accountable for failure to adhere to guidelines. Permitted CEU personnel to identify possible early settlement cases, and allowed CEU opportunities to settle meritorious cases. Assigned staff to develop "best practice" guidelines for identifying cases for early settlement, and for negotiating settlements with agencies and complainants; posted guidance on Intranet and held Division meetings to encourage implementation of the guidance.
FY 2004 Results - Division Directors and supervisors guide staff on a case by case basis as to whether early settlement is appropriate and should be attempted. Division Directors and supervisors also review draft settlement agreements prior to implementation of those agreements.
FY 2003 Results - Early settlement of meritorious cases policy continued. (see Goal 9 results). Settlements monitored as needed to ensure agency implementation.
FY 2002 Results - Early settlement of meritorious cases policy continued (see Goal 9 results). Settlements monitored as needed to ensure agency implementation.

<p>ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)</p> <p>To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing</p>
<p>FY 2005 Performance Goals - 8. <u>Case-tracking capability</u>. Continue to modify and enhance capability of case tracking system as needed.</p>
<p>FY 2005 Targets – Continue to enhance case-tracking system based on user and management needs.</p>
<p>FY 2005 Results – Continued to enhance case tracking system. Formed plans to develop specialized litigation screen in case tracking system.</p>
<p>FY 2004 Results - Continued to hold OSC 2000 users' group meetings to exchange ideas and seek feedback from users, and to make changes as necessary to the system; submitted report to Deputy Special Counsel on changes made to systems.</p>
<p>FY 2003 Results - ISB implemented OSC 2000 changes as needed to monitor new case actions and priorities. Periodic OSC 2000 users' group meetings held. Report submitted to Deputy Special Counsel on OSC 2000 changes made/projected prior to 7/30/03.</p>
<p>FY 2002 Results - ISB implemented automated case priority and resource allocation system and other changes needed to ensure that case tracking system can monitor and track new case actions and priorities. ISB held bi-monthly OSC 2000 users' group meetings to exchange ideas. Litigation tracking system developed and piloted.</p>

<p>ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)</p> <p>To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing</p>
<p>FY 2005 Performance Goals - 9. <u>Favorable Actions</u> - Obtain voluntary corrective action; prosecute MSPB cases where voluntary action not forthcoming; and obtain disciplinary action where appropriate.</p>
<p>FY 2005 Targets – Obtain corrective or disciplinary action in all cases where it is appropriate. In order to avoid presupposition of the existence of violations, and to eliminate the possibility of creating bias towards prosecuting non-meritorious cases, quantified goals concerning Favorable Actions are not used.</p>
<p>FY 2005 Results – Tracked the trial techniques courses and attendees to determine if the new emphasis on filing cases is successful. Reorganized the IPD into multiple Field Offices to foster healthy competition and filing of prosecutable cases.</p>
<p>FY 2004 Results - Policies in full force; continue to track results. Continued to obtain voluntary corrective and disciplinary actions when appropriate. MSPB cases filed when voluntary action was not taken. 68 favorable actions (including nine stays of personnel actions and ten disciplinary actions) obtained in 67 matters. Four complaints were filed with the MSPB during FY 04.</p>
<p>FY 2003 Results - Continued to obtain voluntary corrective and disciplinary actions when appropriate. MSPB cases filed when voluntary action was not taken. 115 favorable actions (including 12 disciplinary actions, and seven stays of personnel actions) obtained in 83 PPP matters. Complaints involving allegations of reprisal for whistleblowing accounted for 75 of the 83 matters. Two complaints seeking disciplinary action filed with MSPB. Suspension (45 days) obtained in settlement of complaint filed with MSPB in prior year, charging personnel director with commission of a PPP. Policies maintained in full force and results tracked.</p>
<p>FY 2002 Results - 126 favorable actions, including 13 disciplinary actions, by agencies (78% of matters involved alleged reprisal for whistleblowing). 1 disciplinary action complaint (alleging reprisal for whistleblowing) filed with MSPB.</p>

<p>ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)</p> <p>To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing</p>
<p>FY 2005 Performance Goals - 10. <u>Case-tracking capability</u>. Continue to ensure that OSC 2000 has the capability to monitor and track all voluntary corrective actions obtained, all MSPB petitions filed, and all disciplinary actions obtained.</p>
<p>FY 2005 Targets - Make sure OSC data screens meet all internal requirements.</p>
<p>FY 2005 Results - Continued to convene bi-monthly OSC 2000 users' group meetings to exchange ideas and seek feedback from users if necessary. Began planning to integrate OSC 2000 with future Document Management System</p>
<p>FY 2004 Results - Ensure that OSC 2000 is able to capture litigation data from all programs, and enhance user-friendliness of litigation data entry system.</p>
<p>FY 2003 Results - Litigation case tracking system implemented. Continued to convene bi-monthly meetings of OSC 2000 users group. Submitted report of changes accomplished.</p>
<p>FY 2002 Results - Further management evaluation determined that tracking "reasonable grounds" determinations was not needed / useful.</p>

<p>ANNUAL RESULTS: STRATEGIC GOAL 1 (PROHIBITED PERSONNEL PRACTICES)</p> <p>To fulfill congressional intent that OSC use its investigative and prosecutorial authority to protect the merit system and federal employees from prohibited personnel practices (PPP's), especially retaliation for whistleblowing</p>
<p>FY 2005 Performance Goals - 11. <u>Improve quality of correspondence with complainants</u>. Continue use of standard on quality of written correspondence in annual quality review process. Review sampling of closed PPP FY 03 complaint files under established standards. Measure results and compared to baselines established by FY 02 and FY 03 reviews. Incorporate compliance with directed improvements into employees' performance plans.</p>
<p>FY 2005 Targets - Ensure that correspondence complies with all established policies concerning quality standards.</p>
<p>FY 2005 Results - Because annual reviews of closed cases have been held in abeyance, this strategy has not been implemented.</p>
<p>FY 2004 Results - Because annual reviews of closed cases have been held in abeyance, this strategy has not been implemented.</p>
<p>FY 2003 Results - See Goal 1. Division management continued to review written work-product and to provide guidance as needed improvement of quality of written work.</p>
<p>FY 2002 Results - Model correspondence samples circulated and posted on agency intranet and/or shared network drives. Substantive letters reviewed by a supervisor or ASC. Correspondence quality standard incorporated in program review guide.</p>

GOAL 2: HATCH ACT

ANNUAL RESULTS: STRATEGIC GOAL 2 (HATCH ACT)

To fulfill congressional intent that federal and covered state and local employees comply with the Hatch Act's (HA's) restrictions when they engage in political activity.

FY 2005 Performance Goals - 1. Advisory Opinions. Use tracking report to establish a timeliness baseline for setting a timeliness response time target. (Note: due to staff constraints and increasing intake, specific targets may be unrealistic.) Pursue additional FTEs for the Unit.

FY 2005 Targets - Make sure internal practices yield results desired for increased productivity.

FY 2005 Results - Continued to index advisory opinions. Continued to ensure that established productivity targets are met by tracking individual productivity, meeting with staff to discuss advisory processing and gathering staff input for improvements

FY 2004 Results - Determined unnecessary with current staffing levels.

FY 2003 Results - Developed computerized system to organize data entries into report for use in tracking average response times.

FY 2002 Results - Completed by end of FY 2002 (or start of FY 2003).

ANNUAL RESULTS: STRATEGIC GOAL 2 (HATCH ACT)

To fulfill congressional intent that federal and covered state and local employees comply with the Hatch Act's (HA's) restrictions when they engage in political activity.

FY 2005 Performance Goals - 2. Information Dissemination. Work with Outreach Director to enlist the assistance of identified federal agencies in disseminating Hatch Act information to state and local agencies receiving federal grants.

FY 2005 Targets - Reach as many individuals as possible with our various sources of information concerning OSC.

FY 2005 Results - Continued to conduct outreach programs.

FY 2004 Results - Continued to conduct Hatch Act outreach programs especially at federal agencies that disburse large numbers of grants to state and local agencies. Conducted 33 Hatch Act outreach programs for federal agencies.

FY 2003 Results - Conducted one Hatch Act outreach program for state and local government employees. Created PowerPoint presentation for use in training state and local government employees

FY 2002 Results - Working with outreach specialist, developed HA fact sheet for state and local employees, disseminated fact sheet to targeted state and local groups and associations, and placed fact sheet on OSC web site. Wrote article on HA for National League of Cities newsletter. Worked with National Organization of Counties on newsletter article about the HA. Addressed annual conference of National Association of Secretaries of State on HA. Featured HA news on OSC web site banner

ANNUAL RESULTS: STRATEGIC GOAL 2 (HATCH ACT)

To fulfill congressional intent that federal and covered state and local employees comply with the Hatch Act's (HA's) restrictions when they engage in political activity.

FY 2005 Performance Goals - 3. Publication of Advisory Opinions. Review current postings of selected Hatch Act advisory opinions on OSC web-site, and revise and update as necessary.

FY 2005 Targets - Make sure all Advisory Opinions which can be, are published.

FY 2005 Results - Continued to revise web-site text re: Hatch Act, as needed. Continued to issue press releases.

FY 2004 Results - Issued 8 Hatch related press releases in FY 2004.

FY 2003 Results - Reviewed and revised postings as needed.

FY 2002 Results - Reviewed postings to ensure appropriate revisions made when necessary; 39 HA advisory opinions posted include seven posted in FY 2002. Created internal indexing system for HA advisory opinions, integrated with Word, to facilitate indexing as opinion is written.

ANNUAL RESULTS: STRATEGIC GOAL 2 (HATCH ACT)

To fulfill congressional intent that federal and covered state and local employees comply with the Hatch Act's (HA's) restrictions when they engage in political activity.

FY 2005 Performance Goals - 4. and 5. Quality and timeliness in investigations. Continue to conduct review of sampling of closed HA complaint files, under established quality standards. Measure results from work of experienced attorneys and compare earlier review results (conducted in FY 03). Direct improvements based on reviews. Incorporate compliance with directed improvements into employees' performance plans. Improve productivity through teamwork. Continue to meet with staff to discuss case processing and gather staff input for improvements. Implement case priority system by the beginning of the FY and measure backlog reduction results in each case category. Baseline productivity reported for FY 04 will be used to set targets for backlog reduction within individual case categories at the beginning FY 05. However, due to staff constraints and increasing intake, specific targets may be unrealistic.

FY 2005 Targets - Make sure steps are taken to increase quality and timeliness of investigations.

FY 2005 Results - Created and used a new Hatch Act violation complaint form. Continued to identify and resolve over-age cases. Developed new Standard Operating Procedures. Continued to ensure that established productivity targets are met by tracking individual case productivity, meeting with staff to discuss case processing and gathering staff input.

FY 2004 Results - Standards not finalized nor did review occur based on pending review of PPP review process after recommendations made by SPU on case processing.

FY 2003 Results - Finalized quality standards, and developed proposed case priority system. Case processing improvements identified in meetings with staff. Review on hold pending evaluation of PPP program and process.

FY 2002 Results - Began drafting written quality and timeliness standards as basis for initial quality review of HA matters.

ANNUAL RESULTS: STRATEGIC GOAL 2 (HATCH ACT)

To fulfill congressional intent that federal and covered state and local employees comply with the Hatch Act's (HA's) restrictions when they engage in political activity.

FY 2005 Performance Goals 6 and 7. Enforcement: Issue warning letters or seek appropriate penalties where Hatch Act violation revealed.

FY 2005 Targets - Make sure penalties are applied when necessary.

FY 2005 Results - In FY 2005, we issued 18 "cure" letters asking individuals to come into compliance with the Hatch Act. Issued 87 "warning" letters advising individuals not to engage in prohibited political activity again.

FY 2004 Results - In FY 2004, we issued 24 "cure" letters asking individuals to come into compliance with the Hatch Act. Issued 93 "warning" letters advising individuals not to engage in prohibited political activity again.

FY 2003 Results - Policy remained in full force. Results tracked on OSC2000.

FY 2002 Results - OSC reports created to track warning letters, cure letters, and actions taken in response to such letters (e.g., withdrawal from race).

Goal 3: Whistleblower Disclosures

ANNUAL RESULTS: STRATEGIC GOAL 3 (WHISTLEBLOWER DISCLOSURES)
To fulfill congressional intent that OSC promote the public interest in the disclosure of violations of law, rule or regulation, gross waste of funds, gross mismanagement, abuse of authority, or substantial and specific dangers to the public health and safety, by serving as a secure channel for federal employees, former employees and applicants (“whistleblowers”) to blow the whistle in accordance with 5 U.S.C. § 1213.
FY 2005 Performance Goals - 1, 4, and 7. <u>Quality standards review</u> . Conduct quality review of FY 04 cases, no later than 6/30/04.
FY 2005 Targets - Make sure all actions conform to results of quality standards review.
FY 2005 Results - Where possible, streamlined management review of documents. Drafted and implemented new standard operating procedures in response to organizational changes to fully better serve customers.
FY 2004 Results - (Based on strategy 1, 5, 7, 9): If annual reviews are kept, complete Disclosure Unit standards for conducting such reviews. Staff drafted quality measurement standards but not implemented. Project put on hold pending Special Counsel review of SPU report on recommendations for revising policies and procedures. Agency established a Special Projects Unit (SPU) to work DU cases and draft procedures to comply with statutory deadlines. Retain an independent organization to assess policies and procedures and human capital management issues within the DU.
FY 2003 Results - Review on hold pending evaluation of PPP program and process.
FY 2002 Results - Drafting begun on quality standards.

ANNUAL RESULTS: STRATEGIC GOAL 3 (WHISTLEBLOWER DISCLOSURES)
To fulfill congressional intent that OSC promote the public interest in the disclosure of violations of law, rule or regulation, gross waste of funds, gross mismanagement, abuse of authority, or substantial and specific dangers to the public health and safety, by serving as a secure channel for federal employees, former employees and applicants (“whistleblowers”) to blow the whistle in accordance with 5 U.S.C. § 1213.
FY 2005 Performance Goals - 2. <u>Disclosure priority system</u> . Continue to implement policy for case handling by priority (according to particular types of disclosure matter and complexity level, including consideration of resource allocation). At beginning of FY 04, measure FY 03 productivity and set targets for increased productivity within individual categories according to baseline productivity reported in FY 02, and FY 03 productivity. Work to meet productivity targets by end of FY. Evaluate whether realistic backlog reduction targets can be established, given the unrealistic statutory definition of backlog and the unknown number of complaints received annually.
FY 2005 Targets - Make sure all cases are handled according to internal rules for case priority.
FY 2005 Results - Continued “3b” project to quicken review and processing of minor cases. Processed cases to prevent return of backlog, to the extent possible given the intake of the Disclosure Unit, staffing levels, and competing priorities of referral cases. Given Disclosure Unit staffing and intake levels, maintained Disclosure Unit docket so that no case was more than 6 months old and there were no more than 100 cases on the docket, excluding those referred for investigation.
FY 2004 Results - Target Implemented modifications designed in FY 2002 to the disclosure case priority report in the case tracking system to include number of cases in each priority category. 100.25/person/year or between 9-10 cases per staff attorney per month (based on a work year, not calendar year): Continued to implement case priority policy. Assigned staff to monitor on quarterly basis whether appropriate progress is being made to meet productivity targets. This is currently under review.
FY 2003 Results - Priority system proved effective in tracking cases, but high intake and lack of adequate staff resources prevented setting realistic backlog reduction targets in any individual category.

FY 2002 Results - Draft Disclosure Manual includes written standards and procedures for disclosure handling by priority, formalizing and improving procedures used and priorities applied by unit personnel. Implemented and continued to test effectiveness of priority case tracking system.

ANNUAL RESULTS: STRATEGIC GOAL 3 (WHISTLEBLOWER DISCLOSURES)

To fulfill congressional intent that OSC promote the public interest in the disclosure of violations of law, rule or regulation, gross waste of funds, gross mismanagement, abuse of authority, or substantial and specific dangers to the public health and safety, by serving as a secure channel for federal employees, former employees and applicants (“whistleblowers”) to blow the whistle in accordance with 5 U.S.C. § 1213.

FY 2005 Performance Goals - 3. Disclosure manual. Continue to revise and update Disclosure Manual to include new policies and procedures.

FY 2005 Targets – Make sure changes are made to disclosure manual.

FY 2005 Results - Updated SOP portion of Disclosure manual and added new definition of “substantial likelihood.”

FY 2004 Results - This is on hold pending backlog reduction process and reassessment of DU procedures.

FY 2003 Results - Disclosure Unit training manual, substantive memoranda, and sample correspondence placed on shared network drive.

FY 2002 Results - Completed initial draft of Disclosure Manual, updating and adding new policies and procedures including case priority system and including criteria for referral of matters from CEU to disclosure.

ANNUAL RESULTS: STRATEGIC GOAL 3 (WHISTLEBLOWER DISCLOSURES)

To fulfill congressional intent that OSC promote the public interest in the disclosure of violations of law, rule or regulation, gross waste of funds, gross mismanagement, abuse of authority, or substantial and specific dangers to the public health and safety, by serving as a secure channel for federal employees, former employees and applicants (“whistleblowers”) to blow the whistle in accordance with 5 U.S.C. § 1213.

FY 2005 Performance Goals - 5. Education of Federal Agency Staff. Assess effectiveness of education initiative in FY 02 and FY 03 by anecdotal evaluation of interactions with agency OIG and OGC staffs by DU staff. Determine if training of staffs of additional agencies is warranted, or if turnover in agency staffs warrants retraining in some agencies.

FY 2005 Targets – Ensure that educational efforts cover all those who request it.

FY 2005 Results - Continued informal discussion with IG staff to explain OSC referral system in an effort to improve agency compliance with statutory deadline and improve report quality. Maintained informal discussions and outreach with staff of IG offices. Targeted specific agencies that would particularly benefit from such discussions.

FY 2004 Results - Develop informational materials for use by agency OIG and OGC staffs on §1213, and place materials on the OSC web page.

FY 2003 Results - Disseminated information during contacts with agencies and Offices of Inspector General on disclosure matters.

FY 2002 Results - Information on agency investigation and reporting obligations under §1213 disseminated in training sessions/meetings with 20 (approx.) Offices of Inspector General on President’s Council on Integrity and Efficiency. □

ANNUAL RESULTS: STRATEGIC GOAL 3 (WHISTLEBLOWER DISCLOSURES)
To fulfill congressional intent that OSC promote the public interest in the disclosure of violations of law, rule or regulation, gross waste of funds, gross mismanagement, abuse of authority, or substantial and specific dangers to the public health and safety, by serving as a secure channel for federal employees, former employees and applicants (“whistleblowers”) to blow the whistle in accordance with 5 U.S.C. § 1213.

FY 2005 Performance Goals - 6. <u>Agency deadlines</u> . Continue to track agency deadlines through automated notification system. Evaluate effectiveness of automated notification system in improving agency compliance with DU deadlines.
FY 2005 Targets - Make sure all reports are written and submitted on time.
FY 2005 Results - Implemented new operational procedure which required Special Counsel approval for any agency request for an extension after one extension has been granted. Implemented new reports memorandum to the President and Congress.
FY 2004 Results - Modified automatic notification system for tracking agency reports.
FY 2003 Results - Done.
FY 2002 Results - Tested automatic system for tracking OSC actions when agencies fail to conduct investigation and report back to OSC within statutory time limits (modifications to increase systems effectiveness to be made based on test results).

ANNUAL RESULTS: STRATEGIC GOAL 3 (WHISTLEBLOWER DISCLOSURES)
To fulfill congressional intent that OSC promote the public interest in the disclosure of violations of law, rule or regulation, gross waste of funds, gross mismanagement, abuse of authority, or substantial and specific dangers to the public health and safety, by serving as a secure channel for federal employees, former employees and applicants (“whistleblowers”) to blow the whistle in accordance with 5 U.S.C. § 1213.

FY 2005 Performance Goals - 7. <u>Publicize agency findings</u> . Continue to adhere to policy of issuing press releases on a case-by-case basis when agency findings are transmitted to Congress and the President.
FY 2005 Targets - Ensure agency findings are appropriately published.
FY 2005 Results - Maintained policy.
FY 2004 Results - Press releases at the discretion of the Special Counsel. No press releases on DU cases issued in FY 04.
FY 2003 Results - Done.
FY 2002 Results - Continued policy of issuing press releases on a case-by-case basis when agency findings are transmitted to the President and Congress. Basic list of interested groups and associations for receipt of press releases in use and expanded as needed based on press release topic. System to track frequency of media reporting of agency findings not completed due to lack of staff resources.

GOAL 4: OUTREACH

ANNUAL RESULTS: STRATEGIC GOAL 4 (OUTREACH)**To raise government employees' and managers' awareness of their rights and responsibilities under chapters 12 and 23 of title 5.**

FY 2005 Performance Goals - 1. 2302(c) Certification Program. Continue implementation of agency certification program designed during FY 02. Using results from OPM survey and list of agencies participating in 2302(c) program, develop strategy to encourage compliance with 5 U.S.C. § 2302(c) (congressionally mandated training requirement) among agencies that are not yet in compliance. Facilitate implementation of agency-wide education programs on Title 5, Chapters 12 and 23 rights and remedies.

FY 2005 Targets – Certify at least fifteen additional agencies during FY 2005.

FY 2005 Results - Continued to promote 2302(c) certification program among the Federal Community; the program has 47 agencies registered and 47 certified. Continued to have OPM include OSC-related questions in OPM's FY 04 annual survey of federal employees. Assigned staff to monitor progress of agencies registered with program and to assist agencies in completing program. Reviewed progress and successes of this program and gave greater emphasis, to increase participation. Contracted with EEOC and the web-based GoLearn education project to train an estimated 50,000 federal executive employees on PPPs. Registered and certified all 19 of the subordinate organizations of the Department of Homeland Security.

FY 2004 Results - Assigned Outreach director and staff attorney to monitor progress of agencies registered with program and assist agencies in completing program. Certified 9 agencies. (This goal was exceeded, 47 registered and 26 certified during FY 2004.) Solicited participation of new agencies by issuing invitations to at least 10 unregistered agencies. Continued to have OPM include OSC-related questions in OPM's FY 04 annual survey of federal employees.

FY 2003 Results - Done in FY 2001. Certified 8 additional agencies under §2302(c) certification program. Registered 18 additional agencies for §2302(c) certification program participation.

FY 2002 Results - Done in FY 2001. Designed and implemented § 2302(c) certification program, using OPM as pilot. Initiated contacts with 10 large agencies to introduce and solicit participation in § 2302(c) program. 4 agencies certified under § 2302(c) program; 8 registered for program participation.

ANNUAL RESULTS: STRATEGIC GOAL 4 (OUTREACH)**To raise government employees' and managers' awareness of their rights and responsibilities under chapters 12 and 23 of title 5.**

FY 2005 Performance Goals - 3. Systemic Training. Continue policy of including systemic training as part of OSC's corrective and disciplinary action settlements.

FY 2005 Targets – Use training as part of corrective or disciplinary action settlements whenever appropriate.

FY 2005 Results - Three cases of training were part of a larger settlement. Asked for systemic training on 50% of all agency settlement negotiations.

FY 2004 Results - Developed and implemented guidelines with criteria for appropriate inclusion of systemic training in corrective action settlements, considering type of case, settlement terms, whether PPP is isolated incident, and other factors. Assigned staff to monitor corrective action settlements on a quarterly basis and report on whether guidelines are being appropriately complied with. Assign staff to monitor corrective action settlements on a quarterly basis and report on whether guidelines were appropriately complied with when corrective action settlements were obtained.

FY 2003 Results - 11 corrective actions included agency agreement to train employees on rights and remedies enforced by OSC.

FY 2002 Results - 40 corrective actions included agency agreement to train employees on rights and remedies enforced by OSC.

ANNUAL RESULTS: STRATEGIC GOAL 4 (OUTREACH)**To raise government employees' and managers' awareness of their rights and responsibilities under chapters 12 and 23 of title 5.**

FY 2005 Performance Goals - 2 and 4. Education/Training Materials. Continue to maintain and enhance training and education materials for use by OSC, employing agencies, and other trainers. Continue to publicize the use of OPM Computer-Based Training (CBT) program.

FY 2005 Targets - Make sure training materials are up-to-date.

FY 2005 Results - Drafted and disbursed materials to better educate federal agencies regarding the rights of service members under USERRA.

FY 2004 Results - Cooperated with OPM to implement CBT program if OPM has program available in FY 2004. Publicized the use of OPM CBT program to agencies as part of the 2302(c) Certification Program if available. Created link to OPM CBT module from OSC website if available. Continued to develop training materials for a few agencies where OSC has limited jurisdiction. Post training materials on OSC website. Continued to review and enhance website contents. Continued to design training materials for agencies where OSC has limited jurisdiction and post on OSC's website.

FY 2003 Results - Hatch Act Unit developed and published (on OSC web site) government-wide guidance on use of e-mail use and political activity. Hatch Act unit created PowerPoint presentation for use in training state and local government employees. Revised and updated Web site on continuing basis. Web site recorded 453,623 user sessions and 8,067,166 successful hits.

FY 2002 Results - Issued: (a) new "Whistleblower Retaliation" poster; (b) new "Hatch Act for State and Local Employees" fact sheet; and (c) § 2302(c) Certification Program brochure. Assisted OPM with ongoing development of web-based training on § 2302(c).

ANNUAL RESULTS: STRATEGIC GOAL 4 (OUTREACH)**To raise government employees' and managers' awareness of their rights and responsibilities under chapters 12 and 23 of title 5.**

FY 2005 Performance Goals - 2 and 5. Outreach/Training. Continue to convene or participate in forums for practitioners and agency representatives, in conjunction with other federal agencies, unions, federal management associations, and private training sources to enhance awareness of employee rights and responsibilities. Systematically collect data on effectiveness of forums by emphasizing the importance of participants' completion of evaluation forms. Evaluate skills of presenters and provide training as indicated.

FY 2005 Targets - Provide requested training or materials to any interested outside agencies who request them.

FY 2005 Results - Implemented USERRA outreach, using a detailed power point presentation to educate federal agencies on the rights of service members. Conducted outreach events (34 conducted to date).

FY 2004 Results - OSC staff spoke or participated in 81 outreach events. Conducted formal analysis of evaluation forms and develop recommendations for improvement of forms and presentations, as indicated. Continued to provide raining by OSC employees when requested by agencies or agency components, when budget and other program activities allow.

FY 2003 Results - Provided OSC speakers for 72 events, including widely attended events such as the Judge Advocate General Annual Conference, the Office of Government Ethics Regional Symposium, the Federal Dispute Resolution Conference, and the new Inspectors General orientation. Evaluation data collected prior to departure of Outreach Director in the summer of 2003.

FY 2002 Results - Provided OSC speakers for 103 presentations at 95 events. Speaker evaluations reviewed and recommendations implemented as needed.

ANNUAL RESULTS: STRATEGIC GOAL 4 (OUTREACH)

To raise government employees' and managers' awareness of their rights and responsibilities under chapters 12 and 23 of title 5.

FY 2005 Performance Goals - 6. Press Releases. Issue press releases when OSC obtains stays, corrective or disciplinary actions, through settlements or litigation; files a complaint before the MSPB in a significant PPP or Hatch Act matter; transmits a disclosure report to Congress and the President; or in other situations in which issuance of a press release would further OSC's mission.

FY 2005 Targets - Make sure press releases are sent out in all appropriate cases.

FY 2005 Results - FY 05: Continued to issue press releases consistent with Agency policies.

FY 2004 Results - Issued 19 press releases

FY 2003 Results - 24 press releases on significant case and other developments (e.g., case settlements, litigation outcomes, and other OSC developments) issued and posted on agency Web site.

FY 2002 Results - 30 press releases issued.

Goal 5: Human Resources

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 1. Information and Feedback. Continue to include information to new employees in orientation packet. Continue post-hire follow-up with new employees. Continue to conduct exit interviews, using standard form, to elicit information from departing employees about their experiences with OSC, including suggestions for enhancing OSC's operations and internal policies, with emphasis on feedback on the unit from which they are separating. Continue to summarize exit interview responses and provide feedback to Special Counsel and Deputy Special Counsel.

FY 2005 Targets - Make sure new employees receive all appropriate information.

FY 2005 Results - Continued standardized methods of feedback, but also implemented an Employee Advisory Committee, whereby elected non-supervisory employees gave feedback and received information directly in monthly sessions with the Special Counsel.

FY 2004 Results - Procedure implemented to get feedback from new employees 4-months after their initial appointment.

FY 2003 Results - Exit interview process (questionnaire provided to all separating employees) continued. Feedback provided to Special Counsel and Deputy Special Counsel.

FY 2002 Results - Continued to provide information to new employees and continued to conduct exit interviews. Feedback was provided to Special Counsel and Deputy Special Counsel.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 2. Awards. Continue to use awards and employee recognition policy to provide greater flexibility for rewarding performance and special acts/service. Review awards program requirements to determine how documentation may be streamlined.

FY 2005 Targets - Ensure awards are considered on a regular basis.

FY 2005 Results - Encouraged use of OSC's flexible awards program, especially for adequate motivation of top employees.

FY 2004 Results - Awards policy reviewed following FY 03 and it was determined that there was inadequate funding budgeted to allow managers the flexibility to fully implement the award program and the type of awards that are outlined in our policy; e.g. on-the-spot cash awards, special act awards, etc. OSC needs to request and budget for additional funds for awards in FY 05.

FY 2003 Results - Employee recognition chapter of agency personnel manual revised and to be implemented in FY 2004 (to include provision reducing documentation required to support awards).

FY 2002 Results - Initiated re-draft of revised incentive awards and employee recognition policy to add new flexibilities.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 3. Recruitment. Enhance hiring and retention strategies by providing information on employee benefits such as retention bonuses, recruitment bonuses, relocation allowances, and tuition loan reimbursement. Encourage and publicize work-family initiatives. Develop automated databases for distributing vacancy announcements to enhance the diversity of OSC's workforce. Consider feasibility of offering recruitment incentives to current employees.

FY 2005 Targets - Fill open positions in a timely manner, up to maximum headcount approved by Congress and supportable by agency funding.

FY 2005 Results - Agency retention, recruitment bonus, and relocation allowance programs finalized, but subject to OPM rules. Conducted recruitment at local law schools to fill legal intern positions. The goal was to train these individuals for placement in permanent attorney positions following graduation from law school and receipt of bar membership. Unanimous praise from agency career management staff about quality & professionalism of the 05 intern group. Inaugurated Student Loan Reimbursement / Retention program. Began using as a marketing tool. It made the difference in at least two job offers being accepted. Successfully recruited disabled veteran.

FY 2004 Results - Drafted a Student Loan Repayment Program policy. Conducted a survey of current employees for the Student Loan Repayment Program to determine the level of interest.

FY 2003 Results - Retention and recruitment bonuses and tuition loan reimbursement policies developed and under legal review (implementation planned in FY 2004). Continued targeted recruitment of law clerks/legal interns. Several law clerks converted to permanent status as attorneys after passing the bar.) Flexible workplace policy implemented as pilot program (organizational impact to be assessed in FY 2004). Continued use of comprehensive recruitment mailing list data base developed in FY 2001.

FY 2002 Results - Developed polices for flexible workplace program, retention and recruitment bonuses, relocation allowance, and student loan repayment program. Presented information at job fairs and local colleges and universities to recruit for entry-level positions. Reviewed recruitment procedures for attorneys and other positions in the excepted service to determine how process can be streamlined.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 4. Retain Workforce. Continue to make work environment more challenging and rewarding. Increase number of upward mobility/trainee positions. Implement recommendations from FY 03 survey to make work more challenging and rewarding for program staff. Identify developmental and career-enhancing assignments and devise method for distributing them equitably.

FY 2005 Targets - Find ways to enhance desirability of work environment.

FY 2005 Results - : Qualified additional OSC personnel for higher security clearances. Designated a Continuity of Operations plan and Officer. Implemented an Occupant Emergency Plan and a Shelter in Place plan. Established and filled three entry level program positions using upward mobility program, career intern program, or outstanding scholar program. (an increase of 300% over 04). Inaugurated Student Loan Reimbursement / Retention program. 14 employees signed up, agreeing to stay with the agency for 3 years. Performed Security Review (IT Security, Physical Security, and SCIF plan development) with expert security contractor.

FY 2004 Results - Formal written training plans were developed for all trainees in upward mobility programs. One career Federal intern was hired. An employee/supervisor satisfaction survey was completed which included information on a telework pilot program. Overall response was very positive.
FY 2003 Results -Appropriate training (formal and informal) provided to employees. All employees surveyed to obtain feedback on agency performance management system, including about actions affecting performance – e.g., fairness of rewards system, challenge of assignments given. (Most managers, supervisors, and employees who responded indicated that the system met their needs.)
FY 2002 Results - Provided career development and enhancement opportunities for staff by delegating opportunities to participate in agency planning process, enhancing institutional knowledge and capacity of career staff. Filled two upward mobility positions. Continued use of part-time appointments, employee/family friendly policies, alternative work schedules, awards and bonuses to retain qualified staff. Provided orientation to new employees on agency mission and administrative activities. Continued to offer employees access to training and retirement planning classes through the Small Agency Council. Offered employees access to preventive health services. Surveyed IPD staff during evaluation of FY 2001 reorganization, and reported to management on results. Implemented staff suggestion box program, and reported to staff on suggestions implemented.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency’s mission.

FY 2005 Performance Goals - 5. <u>Training conferences</u> . Plan and hold at least two division team-building/training conferences.
FY 2005 Targets – Hold at least two training conferences during the fiscal year.
FY 2005 Results - : Qualified additional OSC personnel for higher security clearances. Designated a Continuity of Operations plan and Officer. Implemented an Occupant Emergency Plan and a Shelter in Place plan. Established and filled three entry level program positions using upward mobility program, career intern program, or outstanding scholar program. (an increase of 300% over 04). Inaugurated Student Loan Reimbursement / Retention program. 14 employees signed up, agreeing to stay with the agency for 3 years. Performed Security Review (IT Security, Physical Security, and SCIF plan development) with expert security contractor.
FY 2004 Results - A senior staff conference was held at the Airlie Conference facility and an “all hands” conference was held at an off-site location with the new Special Counsel. The purpose of both was strategic planning, team building and leadership development.
FY 2003 Results - OSC unable to conduct agency-wide training conference due to lack of funds.
FY 2002 Results - Initiated planning for FY 2002 all-staff conference (deferred to FY 2003 for budgetary reasons). Held management/supervisory staff teambuilding/training conference. Held two division-wide training conferences.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 6. Competency acquisition. Continue to provide training to address needed competencies. Develop a training plan of the three occupations analyzed in FY 03 using information from analysis.

FY 2005 Targets - Make sure adequate training is provided, especially to address any skills needed by new staff.

FY 2005 Results - Formed Training Unit to further develop in house cross training for CEU and other units, to work on special agency-wide training initiatives, and to advise employees of topical training available in the region. Held cross training classes for new attorneys from all units, on how to process CEU cases dealing with Prohibited Personnel Practices. Provided MSPB training for all attorneys.

FY 2004 Results - An outside consulting firm is being considered for conducting an audit of several agency positions to include the Human Resources specialist position. Audit to be conducted in FY 05.

FY 2003 Results - After consultation with Complaints Examining Unit (CEU) head on competency-building for staff through agency-developed training, delivered course on Senior Executive Service staffing to new and current CEU staff.

FY 2002 Results - Managers and supervisors identified individual competency needs and, as funds permitted, employees attended formal training to address identified needs.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 7. Consistency in policies and procedures. Continue to hold monthly meetings of senior program staff. NEW IN FY 2004

FY 2005 Targets - Ensure internal guidelines are judiciously applied.

FY 2005 Results - Continued to hold regular meetings of senior program staff.

FY 2004 Results - A senior staff meeting is held each Tuesday to discuss significant agency activities, to include policy and procedural changes.

FY 2003 Results - n/a

FY 2002 Results - n/a

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 8. ADR. Continue to communicate to OSC employees the benefits of ADR for internal conflict resolution.

FY 2005 Targets - Train our employees on benefits of internal ADR.

FY 2005 Results - Reorganized ADR program and structure in the agency. Sent at least 6 employees from various units to formal ADR training.

FY 2004 Results - No ADR discussions held in FY 04.

FY 2003 Results - Informed new employees about available ADR strategies (as well as EEO and administrative grievance procedures).
FY 2002 Results - Placed ADR information on OSC Intranet, and continued to provide all new employees with information about ADR processes. (Also placed agency grievance procedure on the Intranet, and provided new employees with information about the process.)

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)
To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 9. <u>Identify leadership needs.</u> Continually evaluate current inventory of leadership available and identify expected replacement needs for the future. Continue to gather data on projected retirements.
FY 2005 Targets - Identify timing of future leadership vacancies and begin succession planning and training.
FY 2005 Results - Identified personnel and training needs for succession planning.
FY 2004 Results - Full-time Equivalents (FTE) workload data provided to Special Counsel on a routine basis. Director of Human Resources retired on September 30, 2004.
FY 2003 Results - Data gathered for workforce analysis to be conducted in FY 2004.
FY 2002 Results - Continued to gather data on projected retirements and how vacancies would be filled.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)
To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 10. <u>Executive and Supervisory Development Opportunities.</u> Develop managerial/supervisory training; prepare development plans for current managers and supervisors and for employees interested in becoming first-time managers, supervisors or team leaders. Identify training courses for OSC employees who have expressed an interest in becoming first-time supervisors or team leaders. Develop criteria for participation in developmental program.
FY 2005 Targets - Give adequate managerial training.
FY 2005 Results - Sent new managers to outside managerial training classes. After identifying future leaders, drafted a succession plan, and then began conducting training and appropriate mentoring.
FY 2004 Results - No specific supervisory/training seminars held in FY 2004 because of budget constraints.
FY 2003 Results - Handbook not developed due to other priorities.
FY 2002 Results - Presented internal leadership development seminars for managers and supervisors (topic: occupational health and safety). Supervisory/Managerial Handbook deferred to FY 2003.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 11. Evaluate workforce. Continually evaluate deployment of workforce to maximize use of human capital.
Evaluate efficiency of other OSC Divisions, soliciting suggestions from staff for ideas to improve quality and productivity.

Re-survey IPD staffs and compare results with FY 02 survey.

FY 2005 Targets - Ensure all personnel adequately evaluated.

FY 2005 Results - : Evaluated the strategic alignment of the agency and train employees to directly serve customer needs. Planned for changes in personnel and agency organization, to better respond to customers being serviced by the field offices. Reorganized the agency, creating a Customer Service Unit, combining 3 Investigations & Prosecution Divisions into 1, reorganizing the ADR function, and creating an additional field office in the area of the country that had no OSC presence.

FY 2004 Results - An outside assessment team from Military Professional Resources, Inc. (MPRI) was tasked by the Special Counsel to conduct an independent organizational assessment of the agency during the period April - July 2004. The results were provided to the staff to review and evaluate for future implementation as part of the agency reorganization plan.

FY 2003 Results - n/a

FY 2002 Results - Conducted a survey of IPD staff as part of evaluation of reorganization, and prepared a written report analyzing the productivity and survey results.

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 12. Manage Fiscal Resources. Continue to compete contracts for services among both private and federal sector providers.

FY 2005 Targets - Ensure finances are properly managed and internal controls are in place.

FY 2005 Results - Competed several large contracts for services. Hired an 8A firm for contract services.

FY 2004 Results - No cost comparison done for budgeting and accounting services in FY 04. (New Goal in FY2004).

FY 2003 Results - n/a

FY 2002 Results - n/a

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 13. GPRAs task assignment. Assign specific tasks identified in the annual plan to individuals and include tasks in individual performance standards; appraise performance on assignments.

FY 2005 Targets – Make sure goals that have been set are met by staff.

FY 2005 Results - Program Managers held meetings with staff to discuss how their performance plans are integrated with the agency's strategic and annual plans. Directive to staff outlined agency goals and progress made.

FY 2004 Results – n/a

FY 2003 Results – n/a

FY 2002 Results - n/a

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 14. Communicate Plan to Staff. Continue providing copies of the strategic and annual plans to all staff and to new employees. Continue to hold meetings with staff to communicate the goals and objectives in the plans.

FY 2005 Targets – Make sure copies of plans are distributed or available.

FY 2005 Results - Implemented plans for including agency components in planning, through regular Senior Staff meetings and off-site Senior Staff meetings.

FY 2004 Results - A senior staff conference was held at the Airlie Conference facility and an “all hands” conference was held at an off-site location with the new Special Counsel. The purpose of both was strategic planning, team building and leadership development.

FY 2003 Results – n/a

FY 2002 Results - n/a

ANNUAL RESULTS: STRATEGIC GOAL 5 (HUMAN RESOURCES)

To maintain a highly skilled, well-trained, customer-oriented workforce to carry out the agency's mission.

FY 2005 Performance Goals - 15. Coordinate and monitor implementation. Continue practice of assigning responsibility for planning and monitoring performance under plan. Evaluate effectiveness of strategy by assessing completion of tasks.

FY 2005 Targets – Make sure each section is involved in goal-setting and monitoring progress in reaching targets.

FY 2005 Results - Continued to assign responsibility for monitoring implementation of annual goals on a regular basis to program staff. Report progress in attainment of annual goals on regular basis to Special Counsel or designee.
FY 2004 Results - n/a
FY 2003 Results - n/a
FY 2002 Results - n/a

GOAL 6: INFORMATION TECHNOLOGY

ANNUAL RESULTS: STRATEGIC GOAL 6 (INFORMATION TECHNOLOGY)

To integrate current information technology into OSC business processes, in order to improve organizational performance and to comply with statutory mandates.

FY 2005 Performance Goals - 1. Continue to upgrade hardware and software as needed. Expand the use of video conferencing to improve scope of access and reduce costs .

FY 2005 Targets - Make sure software and hardware does not become obsolete prior to life-cycle deadlines.

FY 2005 Results - Phase 1 implementation of reduced document management system; procured basic software module; acquired training. As PCs reach the end of their life cycle, continued replacing with laptops and docking stations to support telecommuting

FY 2004 Results - FY 2004: Hardware: As PCs reached the end of their life cycle, replaced with laptops and docking stations to support telecommuting.
Software: Converted OSC 2000 applications to .Net. Migrated more than 50% of users to Windows XP. Procured additional software necessary to increase user capacity for telecommuting. Phone System: Converted to new phone/voice-mail system, with upgraded voice/data links. Document Management System: Developed plans, procured one server for it; benchmarked a document management system at DOJ. Personal Digital Assistant (PDA): Integrated PDA into the agency's enterprise architecture.

FY 2003 Results - Standardized on new flexible workstation architecture. Rolled out six pilot workstations based on the new architecture. Upgraded remote access server and procured additional laptops to support telecommuting. Replaced 50% of network printers. Procured high capacity tape backup drives to accommodate added storage capacity. Maintained 100% effective deployment rate on all equipment purchases. Achieved 100% system uptime for agency enterprise network. Maintained compliance with § 508 and government-wide security requirements.

FY 2002 Results - Procured new file server. All PCs upgraded to Pentium III 800 MHz or better; upgraded e-mail and database servers. Deployed H.320 and H.323 video conferencing system to improve communication with agency's field offices and customers. Installation performed in-house, saving over \$4300. Maintained close to 100% effective deployment rate on all equipment purchases. Achieved almost 100% system uptime for agency enterprise network; 100% uptime for all computer systems; and 99.85% uptime for internet server. Maintained compliance with § 508 and all government-wide security requirements.

ANNUAL RESULTS: STRATEGIC GOAL 6 (INFORMATION TECHNOLOGY)

To integrate current information technology into OSC business processes, in order to improve organizational performance and to comply with statutory mandates.

FY 2005 Performance Goals - 2. OSC 2000/Case-Tracking Capability. ISB to ensure that OSC 2000 case-tracking system has the capability to monitor and track data relevant to measure baselines, and progress towards meeting objectives. Continue to modify system to meet needs of program staff. Continue to convene bi-monthly meetings of OSC 2000 users group, to report progress and seek feedback from internal customers. Prepare a report on changes implemented by 7/30/04. Continue to maintain and update OSC web page and Intranet to ensure fast, efficient dissemination of OSC policies and procedures, both internally and externally, as appropriate.

FY 2005 Targets - Ensure all requirements collected are met within time frames set by agency management.

FY 2005 Results - Developed interoperability with proposed document management system. Re-wrote instructions and posted on Intra-net. Provided training to users.

FY 2004 Results - FY 2004: Convened task group including all program components to ensure litigation case tracking system can capture all program data. Determined how to make system more user-friendly.
FY 2003 Results - Made over 100 enhancements to OSC 2000 case tracking system, including case priority code tracking and enhanced reporting programs. Integrated e-filing system with the case tracking system. Continued to convene bi-monthly meetings of OSC 2000 users group. Submitted report on changes accomplished.
FY 2002 Results - Continued to convene bi-monthly meetings of OSC 2000 users group; submitted report of changes accomplished. Made almost 100 enhancements to OSC 2000 case tracking system including provisions to track case priority codes and enhance reporting programs. Developed litigation and FOIA tracking systems.

ANNUAL RESULTS: STRATEGIC GOAL 6 (INFORMATION TECHNOLOGY)
To integrate current information technology into OSC business processes, in order to improve organizational performance and to comply with statutory mandates.

FY 2005 Performance Goals - 3. <u>Electronic Filing</u> . Continue to monitor and support implementation of electronic filing system.
FY 2005 Targets - Take steps to increase number of forms which can be electronically filed.
FY 2005 Results - Enhanced capability of e-filing.
FY 2004 Results - FY 2004: Monitored implementation of electronic filing application.
FY 2003 Results - Developed Electronic Filing System implemented at start of FY 2004. Moved e-filing systems to a secured subnet.
FY 2002 Results - Based on written plan, infrastructure for electronic filing of complaints and disclosures, FOIA requests and OSC customer surveys (procure servers; install application software) in place, with planned implementation by October 2003.

ANNUAL RESULTS: STRATEGIC GOAL 6 (INFORMATION TECHNOLOGY)
To integrate current information technology into OSC business processes, in order to improve organizational performance and to comply with statutory mandates.

FY 2005 Performance Goals - 4. <u>IT Security Study</u> . Conduct annual information technology security and vulnerability assessment studies, in accordance with government-wide standards.
FY 2005 Targets - Ensure IT security is continually upgraded to address current security threats.
FY 2005 Results - Conducted annual information technology security and vulnerability assessment studies, in accordance with government-wide standards.
FY 2004 Results - Continued to monitor security strategies. . Secured telephone closet on the 3rd floor.
FY 2003 Results - Implemented recommendations outlined in FY 2002 assessment report.
FY 2002 Results - Completed external contractor's independent review of IT security.

Part IV Financial Section

OFFICE OF SPECIAL COUNSEL
Washington, D. C.

INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS
September 30, 2005 and 2004

OFFICE OF SPECIAL COUNSEL
INDEPENDENT AUDITOR’S REPORTS AND
FINANCIAL STATEMENTS
September 30, 2005 and 2004

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Independent Auditor's Report

To the Office of Special Counsel

We have audited the accompanying balance sheets of the Office of Special Counsel (OSC) as of September 30, 2005 and 2004, and the related statements of net cost, changes in net position, budgetary resources, and statement of financing for the years then ended (collectively the financial statements). These financial statements are the responsibility of OSC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of OSC as of September 30, 2005 and 2004 and its net cost; changes in net position; budgetary resources; and reconciliation of net cost to budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 27, 2005 on our consideration of OSC's internal control over financial reporting, and on our tests of OSC's compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audits performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Discussion and Analysis and Trading Partner Information are not a required part of the basic financial statements but are supplementary information required by OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures to such information, which consisted principally of inquiries of OSC management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Henderson LLP

Calverton, Maryland
October 27, 2005

Independent Auditor's Report on Compliance with Laws and Regulations

To the Office of Special Counsel

We have audited the financial statements of the Office of Special Counsel (OSC), as of and for the year ended September 30, 2005 and have issued our report thereon dated October 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of OSC is responsible for complying with laws and regulations applicable to OSC. As part of obtaining reasonable assurance about whether OSC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material affect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996 (as codified in 31 U.S.C. 3512). We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to OSC.

The results of our tests of compliance with laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether OSC's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements. The results of our tests disclosed no instances in which OSC's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of OSC, the Bureau of Public Debt, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
October 27, 2005

Independent Auditor's Report on Internal Control

To the Office of Special Counsel

We have audited the financial statements of the Office of Special Counsel (OSC), as of and for the year ended September 30, 2005, and have issued our report thereon dated October 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered OSC's internal control over financial reporting by obtaining an understanding of OSC's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect OSC's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above. We did note certain matters involving internal control and its operation that we have reported to management of OSC in a separate letter dated October 27, 2005.

Finally, with respect to internal controls related to performance measures reported in OSC's Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

This report is intended solely for the information and use of the management of OSC, the Bureau of Public Debt, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gundersen LLP

Calverton, Maryland
October 27, 2005

**OFFICE OF SPECIAL COUNSEL
FINANCIAL STATEMENTS
September 30, 2005 and 2004**

OFFICE OF SPECIAL COUNSEL

**FINANCIAL STATEMENTS
September 30, 2005 and 2004**

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**OFFICE OF SPECIAL COUNSEL
BALANCE SHEETS
September 30, 2005 and 2004**

	2005	2004
ASSETS		
Intragovernmental - Fund balance with Treasury (Note 2)	\$ 3,325,060	\$ 1,939,552
Accounts receivable	3,084	124
Property and equipment, net (Note 3)	67,371	89,101
Other	-	2,020
	\$ 3,395,515	\$ 2,030,797
TOTAL ASSETS		
 LIABILITIES		
Intragovernmental liabilities (Note 4)	\$ 177,011	\$ 123,838
Accounts payable (Note 4)	158,788	89,527
Other (Note 4)	1,021,919	1,203,133
Total liabilities	1,357,718	1,416,498
 NET POSITION		
Unexpended appropriations	2,683,745	1,293,682
Cumulative results of operations	(645,948)	(679,383)
Total Net Position	2,037,797	614,299
 TOTAL LIABILITIES AND NET POSITION	\$ 3,395,515	\$ 2,030,797

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

**OFFICE OF SPECIAL COUNSEL
STATEMENTS OF NET COST
Years Ended September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
PROGRAM COSTS		
Intragovernmental costs	\$ 4,017,863	\$ 3,871,558
Less intragovernmental earned revenue	<u>(184,272)</u>	<u>-</u>
	3,833,591	3,871,558
Costs with the public	<u>10,686,050</u>	<u>9,779,046</u>
Total Program Costs (Note 7)	14,519,641	13,650,604
COSTS NOT ASSIGNED TO PROGRAMS	<u>-</u>	<u>-</u>
NET COST OF OPERATIONS	<u>\$14,519,641</u>	<u>\$13,650,604</u>

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

OFFICE OF SPECIAL COUNSEL
STATEMENTS OF CHANGES IN NET POSITION
Years Ended September 30, 2005 and 2004

	<u>2005</u>		<u>2004</u>	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
BEGINNING BALANCES	\$ (679,383)	\$ 1,293,682	\$ (589,930)	\$ 708,964
BUDGETARY FINANCING SOURCES				
Appropriations received	-	15,449,000	-	13,504,000
Other adjustments (rescissions, etc.)	-	(209,580)	-	(127,197)
Appropriations used	13,849,357	(13,849,357)	12,792,085	(12,792,085)
OTHER FINANCING SOURCES				
Imputed financing from costs absorbed by others	<u>703,719</u>	<u>-</u>	<u>769,066</u>	<u>-</u>
TOTAL FINANCING SOURCES	<u>14,553,076</u>	<u>1,390,063</u>	<u>13,561,151</u>	<u>584,718</u>
NET COST OF OPERATIONS	<u>14,519,641</u>	<u>-</u>	<u>13,650,604</u>	<u>-</u>
ENDING BALANCES	<u>\$ (645,948)</u>	<u>\$ 2,683,745</u>	<u>\$ (679,383)</u>	<u>\$ 1,293,682</u>

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

OFFICE OF SPECIAL COUNSEL
STATEMENTS OF BUDGETARY RESOURCES
Years Ended September 30, 2005 and 2004

	2005	2004
BUDGETARY RESOURCES		
Budget authority - appropriations received	\$ 15,449,000	\$ 13,504,000
Unobligated balance - beginning of period	861,990	364,645
Spending authority from offsetting collections - collected	184,272	-
Subtotal	16,495,262	13,868,645
Recoveries of prior year obligations	118,268	437,968
Permanently not available:		
Cancellations of expired and no-year accounts	(85,988)	(47,523)
Pursuant to public law	(123,592)	(79,674)
Total Budgetary Resources	\$ 16,403,950	\$ 14,179,416
STATUS OF BUDGETARY RESOURCES		
Obligations incurred – Direct – Category A	\$ -	\$ (21,123)
Obligations incurred – Direct – Category B	15,437,418	13,338,548
Obligations incurred – Reimbursable – Category B	184,272	-
Unobligated balance apportioned	451,740	580,993
Unobligated balances not available (Note 2)	330,520	280,998
Total Status of Budgetary Resources	\$ 16,403,950	\$ 14,179,416
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS		
Obligated balance, net – beginning of period	\$ 1,077,561	\$ 735,426
Obligated balance, net – end of period:		
Undelivered orders	1,901,485	388,263
Accounts payable and accrued liabilities	\$ 641,314	\$ 689,298
Outlays:		
Disbursements	\$ 14,038,184	\$ 12,537,322
Less offsetting receipts	(184,272)	-
Net Outlays	\$ 13,853,912	\$ 12,537,322

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

**OFFICE OF SPECIAL COUNSEL
STATEMENTS OF FINANCING
Years Ended September 30, 2005 and 2004**

	2005	2004
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations incurred	\$ 15,621,690	\$ 13,317,425
Less: spending authority from offsetting collections and recoveries	(302,540)	(437,968)
Obligations net of offsetting collections and recoveries	15,319,150	12,879,457
Less offsetting receipts/collections	-	-
Net obligations	15,319,150	12,879,457
Other resources - imputed financing from costs absorbed by others	703,719	769,066
Total Resources Used to Finance Activities	16,022,869	13,648,523
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services and benefit orders not yet received	1,511,202	45,964
Resources that fund expenses recognized in prior periods	33,964	-
Resources that finance the acquisition of assets	-	128,199
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	1,545,166	174,163
Total Resources Used to Finance the Net Cost of Operations	14,477,703	13,474,360
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Period:		
Increase in annual leave liability	-	96,222
Other	23,166	41,733
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	23,166	137,955
Components Not Requiring or Generating Resources:		
Depreciation and amortization	21,730	39,098
Other	(2,958)	(809)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	18,772	38,289
Total Components of Net Cost of Operations That Will Not Require or General Resources in the Current Period	41,938	176,244
NET COST OF OPERATIONS	\$ 14,519,641	\$ 13,650,604

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

OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Office of Special Counsel (OSC) is an independent federal investigative and prosecutorial agency. OSC's authority comes from four federal statutes, the Civil Service Reform Act, the Whistleblower Protection Act, the Hatch Act and the Uniform Services Employment and Reemployment Rights Act. OSC's primary mission is to safeguard the merit system by protecting federal employees and applicants from prohibited personnel practices. OSC receives, investigates, and prosecutes allegations of prohibited personnel practices, with an emphasis on protecting federal government whistleblowers.

OSC is headed by the Special Counsel, who is appointed by the President, and confirmed by the Senate. As of September 30, 2005 the agency employs approximately 108 employees to carry out its government-wide responsibilities in the headquarters office in Washington, D.C., and in the Dallas, San Francisco, and Detroit field offices.

OSC has rights and ownership of all assets reported in these financial statements. There are no non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, status and availability of budgetary resources, and the reconciliation between proprietary and budgetary accounts of the Office of Special Counsel (OSC). The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Accountability of Tax Dollars Act of 2002 and the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. They have been prepared from, and are fully supported by, the books and records of OSC in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and OSC Accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control OSC's use of budgetary resources.

The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the Statement of Financing. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis.

**OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

D. Revenues & Other Financing Sources

Congress enacts annual and multi-year appropriations to be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from service fees and reimbursements from other government entities and the public.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

We recognize as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

E. Taxes

OSC, as a Federal entity, is not subject to Federal, State, or local income taxes, and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

F. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. OSC does not maintain cash in commercial bank accounts or foreign currency balances.

G. Accounts Receivable

Accounts receivable consists of amounts owed to OSC by other Federal agencies and the public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when either (1) based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay, or (2) an account for which no allowance has been established is submitted to the Department of the Treasury for collection, which takes place when it becomes 180 days delinquent.

**OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property and Equipment, Net

OSC's property, plant and equipment is recorded at original acquisition cost and is depreciated using the straight-line method over the estimated useful life of the asset. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. OSC's capitalization threshold is \$50,000 for individual purchases. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, plant and equipment. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Office Equipment	5
Computer Hardware	5
Computer Software	2

I. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

J. Liabilities

Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due.

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available Congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. Intragovernmental liabilities are claims against OSC by other Federal agencies. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as Components requiring or generating resources on the Statement of Financing. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

K. Accounts Payable

Accounts payable consists of amounts owed to other Federal agencies and the public.

**OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Sick leave is generally nonvested. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used.

M. Accrued Workers' Compensation

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The actual costs incurred are reflected as a liability because OSC will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

N. Retirement Plans

OSC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). The employees who participate in CSRS are beneficiaries of OSC's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 elected to join either FERS and Social Security, or remain in CSRS. FERS offers a savings plan to which OSC automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, OSC also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, OSC remits the employer's share of the required contribution.

OSC recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicates these factors to OSC for

**OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. OSC recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

OSC does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

O. Use of Estimates

Management has made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. Actual results could differ from these estimates. Significant estimates include year-end accruals of accounts payable.

P. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. OSC recognized imputed costs and financing sources in fiscal years 2005 and 2004 to the extent directed by OMB.

Q. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. OSC recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. OSC discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to OSC for agency operations. Payments from the Judgment Fund are recorded as an “Other Financing Source” when made. There are no contingencies that require disclosure.

R. Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure

**OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

NOTE 2 – FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2005 and 2004 were:

	<u>2005</u>	<u>2004</u>
Fund Balances:		
Appropriated Funds	<u>\$ 3,325,060</u>	<u>\$ 1,939,552</u>
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 451,740	\$ 580,993
Unavailable	330,520	280,998
Obligated Balance not yet Disbursed	<u>2,542,800</u>	<u>1,077,561</u>
Total	<u>\$ 3,325,060</u>	<u>\$ 1,939,552</u>

Restricted unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment (office) account balances as of September 30, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Acquisition Cost	\$ 108,650	\$ 108,650
Less Accumulated Depreciation	<u>41,279</u>	<u>19,549</u>
Net Book Value	<u>\$ 67,371</u>	<u>\$ 89,101</u>

**OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 4 – LIABILITIES

The accrued liabilities for OSC are comprised of program expense accruals, payroll accruals, and annual leave (funded and unfunded) earned by employees. Program expense accruals represent expenses that were incurred prior to year-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end but were not paid.

	September 30	
	2005	2004
Intragovernmental		
Accrued Liabilities	\$ 29,668	\$ 37,267
Payroll Taxes Payable	71,697	36,309
Post-Employment Benefits	10,747	8,528
Unfunded FECA Liability	64,899	41,734
Total Intragovernmental	\$ 177,011	\$ 123,838
Accounts Payable	\$ 158,788	\$ 89,527
Accrued Liabilities	16,355	133,753
Payroll Accrual	342,964	344,547
Payroll Taxes Payable	11,097	39,367
Unfunded Annual Leave	651,503	685,466
Total Other Liabilities	1,180,707	1,292,660
Total Liabilities	\$ 1,357,718	\$ 1,416,498

All liabilities are current liabilities.

NOTE 5 – LEASES

Operating Leases

OSC occupies office space under lease agreements in Washington, DC, Dallas, Oakland, and Detroit that are accounted for as operating leases. The DC lease term began on October 26, 1999 and expires on October 25, 2009. The Dallas lease term began on December 9, 2002 and expires on December 8, 2007. The Oakland lease term began on March 1, 2000 and expired on February 28, 2005. A new 60-month lease was entered into for the Oakland office commencing on February 1, 2006 and expiring on January 31, 2011. The Detroit lease began on March 20, 2005 and will expire on March 19, 2010. Total rent expense for the fiscal years ended September 30, 2005 and 2004 was \$972,977 and \$956,673, respectively. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. Below is a schedule of future payments for the terms of all the leases.

**OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 5 – LEASES (CONTINUED)

<u>Fiscal Year</u>	<u>Totals</u>
2006	\$ 1,048,220
2007	1,077,022
2008	1,022,105
2009	1,024,962
2010	153,392
2011	43,779
Total Future Payments	<u><u>\$ 4,369,480</u></u>

The operating lease amount does not include estimated payments for leases with annual renewal options.

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on OSC’s Balance Sheet as of September 30, 2005 and 2004, include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. There are no intragovernmental liabilities not covered by budgetary resources. Other liabilities not covered by budgetary resources consist entirely of unfunded leave. Unfunded leave balances are \$651,503 and \$685,466 as of September 30, 2005 and 2004, respectively.

NOTE 7 – OPERATING/PROGRAM COSTS

Costs by major budgetary object classification for the years ended September 30, 2005 and 2004 are as follows:

<u>Budgetary Object Classifications</u>	<u>2005</u>	<u>2004</u>
Personnel and Benefits	\$ 12,262,714	\$ 11,437,672
Travel and Transportation	254,622	151,023
Rents, Communication & Utilities	981,133	1,060,352
Printing and Contractual Services	672,325	574,813
Supplies and Materials	74,296	76,502
Equipment	458,810	343,220
Miscellaneous	13	7,022
Total	<u><u>\$ 14,703,913</u></u>	<u><u>\$ 13,650,604</u></u>

**OFFICE OF SPECIAL COUNSEL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 8 – CUSTODIAL ACTIVITY

OSC is an administrative agency collecting for another entity or the General Fund. As a collecting entity, OSC measures revenue based on cash collection and refunds. This revenue is reported as custodial activity on the “Statement of Custodial Activity”. Account 5990 “Collection for Others” is used to collect the cash. The type of cash collected is for fines, penalties and administrative fees. Collections and dispositions for fiscal years 2005 and 2004 were \$351 and \$0, respectively.

NOTE 9 – BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The 2007 Budget of the United States Government, with the Actual Column completed for fiscal year 2005, has not yet been published as of the date of these financial statements. The Budget is expected to be published and delivered to Congress in early February 2006. The 2006 Budget of the United States Government, with the Actual Column completed for 2004, has been reconciled.

NOTE 10 – IMPUTED FINANCING SOURCES

OSC recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, the Office of Personnel Management (OPM). For the fiscal years ended September 30, 2005 and 2004, respectively, imputed financing from OPM were \$703,719 and \$769,066.

This information is an integral part of
the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**OFFICE OF SPECIAL COUNSEL
REQUIRED SUPPLEMENTARY INFORMATION
TRADING PARTNER INFORMATION
As of and For The Year Ended September 30, 2005**

<u>Agency</u>	<u>ASSETS</u>			<u>LIABILITIES</u>			<u>FISCAL</u>
	<u>Treasury Financial Mgmt. Dept. Code</u>	<u>Fund Balance w/Treasury</u>	<u>Advances</u>	<u>Total</u>	<u>Accounts Payable & Accrued Liabilities</u>	<u>Payroll Taxes</u>	<u>2005 ACTIVITY</u>
						<u>Total</u>	<u>Gross Cost</u>
Library of Congress	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200
US Government Printing Office	4	-	-	-	-	-	11,891
US Dept. of Agriculture	12	-	-	-	-	-	11,644
Department of Labor	16	-	-	-	64,899	10,747	24,166
US Postal Service	18	-	-	-	-	-	7,151
Department of Treasury	20	3,325,060	-	3,325,060	7,371	-	409,943
Office of Personnel Management	24	-	-	-	-	53,291	2,000,733
General Services Administration	47	-	-	-	22,297	-	962,842
Dept. of Homeland Security	70	-	-	-	-	-	39,247
Dept. of Health & Human Services	75	-	-	-	-	-	3,343
National Archives and Records Administration	88	-	-	-	-	-	4,045
General Fund of the Treasury	99	-	-	-	-	18,406	541,658
Total		<u>\$ 3,325,060</u>	<u>\$ -</u>	<u>\$ 3,325,060</u>	<u>\$ 94,567</u>	<u>\$ 82,444</u>	<u>\$ 4,017,863</u>