

STATUTORY AND ADMINISTRATIVE RESPONSIBILITIES

The Inspector General Act of 1978 (Public Law 95-452), as amended, sets forth specific requirements for Semiannual Reports to be made to the Secretary for transmittal to the Congress. Other statutory and administrative reporting and enforcement responsibilities and authorities are listed below:

AUDIT AND MANAGEMENT REVIEW RESPONSIBILITIES

Public Law (P.L.) 97-177	Prompt Payment Act
P.L. 97-255	Federal Managers' Financial Integrity Act
P.L. 100-504	Inspector General Act Amendments of 1988
P.L. 101-576	Chief Financial Officers Act of 1990
P.L. 103-62	Government Performance and Results Act of 1993
P.L. 103-356	Government Management Reform Act of 1994
P.L. 104-106	Information Technology Management Reform Act of 1996 National Defense Authorization Act for Fiscal Year 1996
P.L. 104-208	Federal Financial Management Improvement Act of 1996

CRIMINAL AND CIVIL INVESTIGATIVE AUTHORITIES

Title 5	United States Code (U.S.C.), section 552a(i)
Title 18	U.S.C., sections on crime and criminal procedures as they pertain to the Office of Inspector General's oversight of departmental programs and employee misconduct
Title 31	U.S.C., section 3729 et seq., the Civil False Claims Act, and 3801 et seq., the Program Fraud Civil Remedies Act
Title 42	U.S.C., sections 1320a-7, 1320a-7a, 1320c-5, 1395l, 1395m, 1395u, 1395dd, and 1396b

FOREWORD

The Honorable Robert E. Rubin
Secretary of the Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

As Inspector General, it is my pleasure to report on the accomplishments of the Office of Inspector General (OIG) for the six-month period ending March 31, 1999. This report summarizes our significant audit and investigative efforts made during this period.

The OIG has continued to experience certain transitions, restructuring and staffing changes during this reporting period. In addition, the Internal Revenue Service Restructuring and Reform Act of 1998, signed into law on July 22, 1998, established within the Department a separate OIG for Tax Administration. This Office became operational on January 18, 1999.

Our recent reorganization efforts are focused on strengthening the Office of Investigations to rebuild our investigative capabilities, improve investigative response times, and enlarge the Office of Investigation's geographic presence. In addition, the reorganization is focused on concentrating auditing responsibilities to better integrate program, financial, and information technology audit capabilities and provide more comprehensive audit coverage within the Department. These technical realignments, which are proceeding on schedule, will allow the OIG to better focus on its mission, vision, and strategic goals, while improving internal coordination.

We continue to focus efforts on strengthening our implementation of the Government Performance and Results Act requirements. During this period, we revisited the OIG Strategic Planning Process to ensure alignment of strategic goals, objectives, and strategies; and updated the OIG Strategic Plan.

The OIG continues to concentrate on strengthening financial management at the Department and on accomplishing the audit requirements of the Chief Financial Officers Act and Government Management Reform Act (GMRA). The OIG audited the Department's FY 1998 financial statements, as required by GMRA. The Department-wide audit results reflect the cumulative results of audit work performed at the Department's bureaus, as well as the consolidation itself. The OIG rendered a qualified audit opinion on the FY 1998 financial statements of the Treasury Department.

More than ever, the OIG is dedicated to accomplishing its mission of conducting independent audits, investigations and reviews to help the Treasury Department accomplish its mission; improve its effectiveness; and prevent and detect fraud, waste and abuse. We look forward to successfully working together with the Department in our effort to achieve our strategic mission and goals.

Sincerely,

David C. Williams
Inspector General

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ACRONYM LIST

AD-CV	Antidumping and Countervailing	GTF	Government Trust Fund
APHIS	Animal and Plant Inspection Service	GTOP	Grand Treasury Offset Program
ATF	Bureau of Alcohol, Tobacco and Firearms	IDRS	Integrated Data Retrieval System
ATM	Automated Teller Machine	INOMS	Integrated Network and Operations Management System
AUO	Administratively Uncontrollable Overtime	INS	Immigration and Naturalization Service
BEP	Bureau of Engraving and Printing	IRS	Internal Revenue Service
BPD	Bureau of the Public Debt	ISC	Integration Support Contract
CFO	Chief Financial Officers	IT	Information Technology
CMIA	Cash Management Improvement Act of 1990	ITOP	Interim Treasury Offset Program
COBRA	Consolidated Omnibus Budget Reconciliation Act of 1985	MACS	Midwest Automated Compliance System
COTRs	Contracting Officer's Technical Representatives	Mint	United States Mint
CPAs	Certified Public Accountants	MOU	Memorandum of Understanding
CRA	Community Reinvestment Act of 1977	NBFIs	Non-Bank Financial Institutions
CSR&DF	Civil Service Retirement and Disability Fund	NCIC	National Criminal Information Center
Customs	United States Customs Service	OCC	Office of the Comptroller of the Currency
DCAA	Defense Contract Audit Agency	OIG	Office of Inspector General
DCIA	Debt Collection Improvement Act of 1996	OMB	Office of Management and Budget
DO	Departmental Offices	OTS	Office of Thrift Supervision
EARL	Electronic Audit Research Log	P.L.	Public Law
EBT	Electronic Benefits Transfer	Results Act	Government Performance and Results Act
EFTPS	Electronic Federal Tax Payment System	SCMC	Service Center Mainframe Consolidation
EIC	Earned Income Credit	SCR	Senior Customs Representative
EINs	Employer Identification Numbers	Secret Service	United States Secret Service
FDO	Fee Determination Official	SOT	Special Occupational Tax
FECA	Federal Employees' Compensation Act	SSA	Social Security Administration
FFMIA	Federal Financial Management Improvement Act of 1996	SSNs	Social Security Numbers
FFRDC	Federally Funded Research and Development Center Contract	SSP	Source Selection Plan
FLETC	Federal Law Enforcement Training Center	TBOR	Taxpayer Bill of Rights
FMS	Financial Management Service	TECS	Treasury Enforcement Communications System
FY	Fiscal Year	TINs	Taxpayer Identification Numbers
G&A	General and Administrative	TQ	Temporary Quarters
GAO	General Accounting Office	TRIS	Telephone Routing Interactive System
GFE/GFI	Government Furnished Equipment/ Government Furnished Information	U.S.C.	United States Code
GMRA	Government Management Reform Act	VOP	Violent Offender Program
GPMO	Government Project Management Office	Y2K	Year 2000
GSMB	Government Securities Management Branch		

OVERVIEW

The OIG issued 80 audit and evaluation reports during the reporting period which included recommended monetary benefits totaling \$19.7 million. Monetary benefits relating to investigations conducted by the OIG and Offices of Internal Affairs and Inspection at ATF, Customs, and Secret Service exceeded \$844,000. The following summaries represent major issues and concerns for the first half of Fiscal Year (FY) 1999.

FINANCIAL MANAGEMENT

■ The OIG rendered a qualified opinion on the FY 1998 Treasury Department's financial statements. The OIG's audit opinion was qualified because: (1) IRS was not able to provide sufficient evidence to support certain account balances in its financial statements, and (2) the Department did not eliminate certain transactions in the consolidation, as required by Federal accounting standards. The audit report identified two material weaknesses, three other reportable conditions, and three instances of reportable noncompliance with laws and regulations.

■ Customs' FY 1998 financial statements received an unqualified opinion. The report cited two material weaknesses related to improving and integrating core financial systems, and accelerating efforts to ensure the timely restoration of mission critical systems in the event business operations are disrupted. In addition, six reportable conditions were identified involving drawback controls, controls over bills of lading and in bond shipments, compliance measurement programs, computer systems access, systems development standards, and accountability controls over covert operations. The OIG noted two instances of reportable noncompliance with laws and regulations. (See pages 7 to 15.)

CUSTOMS' MITIGATION OF PENALTIES

■ An OIG audit of the Customs Penalties program found that during FY 1997 there were significant control weaknesses. The audit determined that there were no automated billing or operational reports for over 1 year. As a result, penalty collection, program management, and the corresponding internal controls were adversely affected. The OIG recommended that Customs issue outstanding bills, generate needed reports, and require better procedures for the approval of new systems. Customs agreed and corrective actions have been taken or are underway. (See page 18.)

ATF RESULTS ACT PERFORMANCE MEASURES

■ The OIG analyzed firearms formulas used by ATF in calculating two performance measures that appear in the Bureau's strategic plan. The OIG expressed concerns with the sources of information ATF used in its formulas and the way that the information had been applied. ATF indicated that it will use this analysis to refine its performance measures. *(See pages 26 to 27.)*

DEPARTMENTAL SECURITY OPERATIONS

The OIG conducted a management assessment to examine Departmental security operations and identify areas where management needs to focus attention and institute improvements. The review found that current differences in security approaches, as well as fragmentation of management responsibilities, raised questions regarding the Department's ability to protect its critical infrastructures from various security threats. The OIG suggested that the Department make improvements in assessing security risks to program operations, promoting security awareness and understanding, assessing security compliance and control effectiveness, and determining what policies, standards and controls are worth implementing to reduce security risks. The Department concurred with the basic findings of the report and plans to implement some of the OIG's suggested changes. *(See pages 24 to 25.)*

INVESTIGATIONS RESTRUCTURING AND REORGANIZATION

■ Over the past several months, the OIG's Office of Investigations (OI) has been undergoing a major restructuring and reorganization effort. This effort has focused on improving investigative response time and providing an OI presence in areas critical to Treasury's mission. Within the OI, the Treasury Integrity Directorate was established to oversee agency investigations and investigate criminal and administrative complaints of high level Treasury officials. Field Offices were relocated to better respond to the investigative needs of the volume of work. The OI increased its staffing level, hiring experienced supervisors and senior special agents. In addition, with the creation of the Treasury Inspector General for Tax Administration (TIGTA), all collateral investigations being conducted by OI were transferred to the TIGTA as mandated by Congressional legislation. *(See pages 31 to 32.)*

**SENATE FINANCE COMMITTEE REQUESTS
CUSTOMS INTERNAL AFFAIRS REVIEW**

■ The Chairman of the Senate Committee on Finance requested that the OIG OI conduct an independent review of allegations outlining mismanagement and inappropriate disciplinary practices at Customs. Congress is concerned about certain Customs practices reported in the media and is contemplating action. (See page 35.)

INTRODUCTION

Under the provisions of the Inspector General Act of 1978, as amended, Treasury's Office of Inspector General (OIG) reports to the Congress semiannually on its activities. This report, which covers the first half of Fiscal Year (FY) 1999, describes major issues and concerns identified during reviews, audits, evaluations, and investigations, along with recommendations for corrective action. **Because the report describes selected significant reviews and investigations, the conditions should not be considered as representative of overall conditions in the Department of the Treasury and its bureaus.**

Treasury's OIG consists of the following components:

- The **Audit Directorate**,
- The **Investigations Directorate**, and
- The **Management Services Directorate**.

In accordance with the Government Performance and Results Act (Results Act), the OIG is engaging in a strategic planning process with the goals of achieving the greatest impact from available resources and ensuring mission accomplishment and customer satisfaction. The **OIG's** mission is to conduct independent audits, investigations, and reviews to help the Department accomplish its mission; improve the Department's programs and operations; promote economy, efficiency, and effectiveness; and prevent and detect fraud and abuse.

In addition to Treasury OIG operations, the report covers the activities of the Offices of Internal Affairs and Inspection at ATF, Customs, and Secret Service. The Inspector General is responsible for oversight of, but does not supervise, the conduct of internal investigations by the Offices of Internal Affairs and Inspection at ATF, Customs, and Secret Service.

The **ATF Office of Inspection** plans, directs, and coordinates ATF's inspection and internal affairs activities. Those activities include: office and program inspections; shooting reviews; and investigations into allegations of employee misconduct (both administrative and criminal). In addition, the Office of Inspection executes ATF's personnel security program.

The **Customs Office of Internal Affairs** investigates allegations of misconduct; reports investigative results; screens potential Customs employees for character and suitability; educates Customs employees regarding ethics and integrity; evaluates physical security threats; and conducts management assessments.

The **Secret Service Office of Inspection's** responsibilities include internal special investigations, policy compliance reviews, ethics awareness, reviews of operational programs, and confirmation of career development and training programs.

The Internal Revenue Service Restructuring and Reform Act of 1998, signed into law on July 22, 1998, established within Treasury an OIG for Tax Administration, in addition to the existing OIG. The Act transferred the functions of the IRS Chief Inspector to the Treasury Inspector General for Tax Administration (TIGTA) in January 1999. The TIGTA will exercise all duties and responsibilities of an Inspector General on all matters relating to IRS and will have sole authority to conduct an audit or investigation of the IRS Oversight Board and the Chief Counsel for IRS. As of this reporting period, the OIG for Tax Administration will report its work on IRS in its own Semiannual Report.

TREASURY FUNCTIONS AND ORGANIZATION

Treasury is organized into 12 bureaus and offices. Treasury's mission is to formulate and recommend economic, fiscal, and tax policies; serve as the financial agent of the United States Government; enforce the law; protect the President and other officials; and manufacture coins and currency.

The OIG and Offices of Internal Affairs and Inspection perform reviews of Treasury's many roles, which include such diverse functions as striking commemorative medals, enforcing national firearms and explosives laws, and investigating financial institution fraud. Today, over 140,000 full-time Federal employees work for the Department of the Treasury throughout the world. Treasury, as one of the oldest Federal agencies, performs some of the most fundamental governmental activities, including collecting and borrowing the money to run the United States Government, and enforcing Federal laws.

FINANCIAL MANAGEMENT

The Chief Financial Officers (CFO) Act and Government Management Reform Act (GMRA), which are intended to strengthen Federal financial management, require audited financial statements. The CFO Act, as amended by GMRA, requires an annual audit of the Department of the Treasury and any OMB designated components. OMB currently designates IRS, Customs, and ATF.

The process of preparing and auditing financial statements has resulted in the identification of areas for financial management improvements. Implementation of corrective actions in these areas will enable Department and bureau managers to more effectively manage their operations throughout the year, as well as provide an audited annual reporting of their financial activities.

FINANCIAL AUDITS

Financial statements audit work at the Department is primarily based on CFO Act and GMRA requirements. However, other statutory financial statement audit requirements, and audits performed pursuant to Treasury management initiatives, also are incorporated into the overall audit plan. The OIG must perform sufficient audit work to opine on the Department-wide financial statements. Stand-alone audited financial statements must be submitted for three Departmental entities, IRS, Customs, and ATF, which are designated by the Office of Management and Budget (OMB) under GMRA. The Federal debt managed by the Bureau of Public Debt and the Federal operating cash managed by the Financial Management Service are also audited. Financial statements audits required by other statutes or management initiatives, which are incorporated into the overall audit plan, include the Bureau of Engraving and Printing, Federal Financing Bank, Office of the Comptroller of the Currency, the Mint, Treasury Forfeiture Fund, Office of Thrift Supervision, Exchange Stabilization Fund, Financial Management Service, Treasury International Assistance Programs, Departmental Offices, and the Community Development Financial Institutions Fund. The "Department of the Treasury Audited Financial Statements" table at the end of this section provides a three-year summary of financial statements audit results for the Department and its component entities.

A combination of OIG, GAO, and contractor audit resources were utilized to meet the financial statements audit requirements at the Department. For FY 1998, the OIG audited the Department of the Treasury's financial statements, Customs, the Exchange Stabilization Fund, and the Mint gold and silver reserves. The GAO audited the IRS financial statements, Bureau of the Public Debt schedule of Federal debt and the operating cash of the Federal Government managed by the Financial Management Service. The OIG provided contract oversight and performed quality control reviews for audits performed by Independent Public Accountants (IPAs) at ATF, Departmental Offices, the Federal Financing Bank, Treasury Forfeiture Fund, Bureau of Engraving and Printing, the Mint, Office of the Comptroller of the Currency, Office of Thrift Supervision, the Community Development Financial Institutions Fund, eleven Government Trust Funds, the Schedule of Loans Receivable Serviced by the Bureau of the Public Debt, Treasury International Assistance Programs, and the Financial Management Service.

New Federal accounting standards and reporting requirements were effective in FY 1998. These standards significantly expanded the Federal Government's financial accounting and reporting requirements, and posed significant challenges to the Department and its bureaus in preparing financial statements that could be successfully audited.

Department-wide Financial Statements

The OIG audited the Department's Consolidated Balance Sheet as of September 30, 1998; its Consolidated Statements of Net Cost, Changes in Net Position, and Custodial Activity for the year then ended; and its Combined Statements of Budgetary Resources and Financing for the year then ended (the "financial statements"). This audit is required by the GMRA, which expanded the CFO Act. These financial statements are incorporated into the Department of the Treasury Accountability Report for Fiscal Year 1998.

Our audit opinion was qualified because: (1) IRS was not able to provide sufficient evidence to support certain account balances in its financial statements, and (2) the Department did not eliminate certain intra-entity transactions in the consolidation, as required by Federal accounting standards.

Our report discusses two material weaknesses and three other reportable conditions identified during the audit. The two material weaknesses relate to financial management and reporting at IRS, and electronic data processing general controls at certain bureaus. The other reportable conditions address financial management improvements needed at the Financial Management Service, Departmental Offices, and certain other component entities.

We noted three instances of noncompliance with applicable laws and regulations. The Department is not in compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996. We concur with this assessment. Also, IRS' installment agreements are not in compliance with the Internal Revenue Code. In addition, Customs did not conduct a biennial review of reimbursable fees and charges, as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and the CFO Act.

The overall FY 1998 audit results clearly reflect the progress the Department has made during the past year in meeting its financial management objectives. All of the individual component entity audits resulted in unqualified opinions, except for IRS. Also, significant improvements have been made in the internal control structures at certain component entities. This resulted in significantly fewer material weaknesses reported in connection with the FY 1998 financial statements audits. Finally, for the most part, the Department was able to successfully implement significant new Federal accounting standards which became effective for FY 1998.

A key challenge for the Department in FY 1999 is to firmly address the continuing financial management and reporting issues at IRS. This will require the strong commitment and direct involvement by IRS' executive management to develop and implement effective corrective action plans. The Department should continue to be actively engaged with IRS in this effort.

The Department also should work closely with its other component entities to address remaining material weaknesses, other reportable conditions, and noncompliances with laws and regulations. Resolution of these matters would enable accurate, useful and timely financial information throughout the year for informed decision making, in addition to facilitating successful annual audits.

Departmental Component Entity Financial Statement Audits

The Department-wide audit report reflects the cumulative results of audit work performed at 11 Departmental bureaus, as well as the consolidation itself. Highlights of the individual bureau and component entity audits for which final reports have been issued appear below.

■ The OIG worked with GAO on the audit of the **IRS** Fiscal Year 1998 financial statements by participating in testing accounts and cycles that were material to the Treasury consolidated financial statements. Specifically, the OIG was involved with testing internal controls and account balances related to payroll, taxes receivable, tax refunds, revenue, and excise tax certifications.

The GAO rendered an unqualified opinion on the Statement of Custodial Activity for the Fiscal Year ended September 30, 1998, a qualified opinion on the Balance Sheet as of September 30, 1998, and disclaimers of opinion on the Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing for the year then ended.

GAO's audit identified six material weaknesses in the internal controls related to IRS' (1) financial reporting process, (2) supporting subsidiary ledger and documentation for unpaid assessments, (3) controls over refunds, (4) controls over its fund balance with Treasury, (5) controls over property and equipment, and (6) computer security. GAO's audit also identified two reportable conditions related to weaknesses in internal controls over manually processed tax receipts and taxpayer information, and revenue reporting and distribution of tax receipts to trust funds.

GAO identified two instances of noncompliance with laws and regulations. Installment agreements did not fully satisfy outstanding tax liabilities prior to the expiration of the statutory collection period. As a result, IRS was not in compliance with Internal Revenue Code Section 6159. In addition, financial management systems did not substantially comply with the requirements of the FFMIA.

■ The OIG issued an unqualified opinion on **Customs'** Balance Sheet as of September 30, 1998, and the related Statements of Net Cost, Changes in Net Position, Budgetary Resources, Financing, and Custodial Activity for the year then ended. The report cited two material weaknesses related to improving and integrating core financial systems, and accelerating efforts to ensure the timely restoration of mission critical systems in the event business operations are disrupted.

The report also cited six reportable conditions. Three involved strengthening drawback controls, controls over bills of lading and in bond shipments, and comprehensively implementing compliance measurement programs. The remaining conditions related to addressing issues of unauthorized access to computer systems, adhering to systems development standards, and strengthening accountability controls over covert operations.

The OIG noted two instances of noncompliance with laws and regulations. Customs' financial management systems did not substantially comply with the requirements of the FFMIA.

Customs also did not comply with the requirements of the CFO Act and the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, as they apply to biennial review of fees for services provided.

■ An Independent Public Accountant (IPA) rendered an unqualified opinion on the Balance Sheets of the **Treasury Forfeiture Fund** as of September 30, 1998 and 1997, and the Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing for the year ended September 30, 1998. The Treasury Forfeiture Fund (TFF) consolidates all Treasury law enforcement organizations under a single forfeiture fund program administered by the Department. Treasury Forfeiture Fund participants include Customs, IRS, ATF, Secret Service, the Financial Crimes Enforcement Network, and FLETC, as well as the United States Coast Guard. An important purpose of the TFF is to encourage state and local law enforcement involvement through the equitable sharing of forfeited assets. The fund is used to centralize the accounting for property or currency seized during Treasury law enforcement operations and to share this property with Federal, state, and local law enforcement agencies that directly participated in the seizure and forfeiture.

Although the TFF's FY 1998 financial statements received an unqualified opinion, the IPA reported four material weaknesses, three of which previously had been identified. Accounting records primarily continued to be maintained on a cash basis of accounting, rather than the accrual basis, and the general ledger did not include all balances and transactions reflected in the financial statements. Customs' Seized Assets and Case Tracking System did not contain accurate and sufficient data that could be relied upon to prepare the analysis of changes in forfeited and seized currency and property. Finally, for the FY 1998 reporting period, the IRS Criminal Investigation Division did not adequately account for and report seized and forfeited property transactions at year end.

There were six other reportable conditions. Four repeat conditions involved (1) the use of different inventory tracking systems to analyze changes in seized and forfeited property, (2) the valuation of forfeited property, (3) inadequate monitoring of property placed with the national property contractor, and (4) inadequate monitoring of the sale of property by the property contractor. In FY 1998, the IPA identified two additional conditions associated with property management functions. The auditors noted that TFF could not ensure that funds, property, and other assets were safeguarded against loss from unauthorized use or disposition, and transactions were properly recorded and accounted for to maintain accountability over assets and to permit the preparation of reliable financial statements.

The IPA's Report on Compliance with Laws and Regulations cited one repeat instance of noncompliance with applicable laws and regulations exclusive of the Federal Financial Management Improvement Act. The Budget and Accounting Procedures Act of 1950, as amended, requires Federal agencies to establish an internal control structure that ensures the safeguarding of assets and the proper recording of revenues and expenditures. As noted above, the TFF's internal control structure had certain material weaknesses that resulted in noncompliance with the Act. Most of the material weaknesses require significant computer system improvements to be corrected.

The Report on the Audited Fiscal Year 1998 Financial Statements of the Treasury Forfeiture Fund (Report #OIG-99-076) was issued on April 5, 1999.

■ An IPA rendered an unqualified opinion on the Balance Sheets of **BEP** as of September 30, 1998 and 1997, and the related Statements of Operations and Cumulative Results of Operations, and Cash Flows for the years then ended. No material weaknesses were noted, and the auditors identified no instances of reportable noncompliance with applicable laws and regulations.

■ An IPA rendered an unqualified opinion on **Departmental Offices'** Consolidated Balance Sheet as of September 30, 1998 and the related Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources, Statement of Financing, and Statement of Custodial Activity for the year ended September 30, 1998. The Report on Compliance with Laws and Regulations identified no instances of noncompliance. However, the Report on Internal Control over Financial Reporting noted one reportable condition, which is a repeat condition, related to the property capitalization and the accountability process.

■ An IPA rendered an unqualified opinion on the **Federal Financing Bank's** Statements of Financial Position as of September 30, 1998 and 1997, and the related Statements of Operations and Accumulated Deficit, and Cash Flows for the years then ended. The reports on internal controls and compliance with laws and regulations disclosed no material weaknesses or instances of noncompliance. The IPA noted that the Bank received an appropriation from Congress in FY 1999 to eliminate its accumulated deficit as of September 30, 1998. It is unlikely that the Bank's net interest earnings will be sufficient to fund any future yearly losses.

■ An IPA rendered an unqualified opinion on **ATF's** Balance Sheets as of September 30, 1998 and 1997, and the related Statements of Net Cost, Changes in Net Position, Budgetary Resources, Financing, and Custodial Activity for the period ended September 30, 1998. The IPA found no material weaknesses in internal controls and no instances of reportable noncompliance with laws and regulations. Despite some progress by ATF, four areas noted in last year's audit report continue to have weaknesses requiring further corrective actions. These reportable conditions pertain to improving access control software, evaluating telecommunications security risks, accelerating efforts to implement ATF's program change control process, and improving controls over segregation of duties in the areas of system security and system administration.

■ An IPA rendered an unqualified opinion on the **Mint's** Statements of Financial Position as of September 30, 1998 and 1997, and the related Statements of Operations and Changes in Net Position, and Cash Flows for the fiscal years then ended. However, the Report on Internal Control repeated one continuing material weakness. The primary financial management system was comprised of diverse mainframe, manual and personal computer based systems. These systems did not provide management with useful, timely information. Consequently, management relied upon extensive manual cost accumulation and reconciliation procedures for reporting financial information. The Mint is implementing a new system, the Consolidated Information System, which was brought on line during October and November 1998, but was not yet being used for routine financial reporting.

The Report on Compliance with Laws and Regulations cited one instance of noncompliance with laws and regulations. The Mint's financial management system did not substantially comply with the requirements of the FFMIA.

The Report on the Audited Fiscal Years 1998 and 1997 Financial Statements of the United States Mint (Report #OIG-99-078) was issued on April 7, 1999.

■ An OIG audit of the **Mint's Statements of Custodial Gold and Silver Reserves** as of September 30, 1998 and 1997 resulted in an unqualified opinion. There were no material weaknesses and no instances of reportable noncompliance with applicable laws and regulations.

■ An IPA issued an unqualified opinion on the FY 1998 financial statements of the Department's **International Assistance Programs** Accounts. These financial statements, prepared by the Office of International Affairs, report on the United States' participation in the International Monetary Fund and international financial institutions as well as on certain loans between the United States and foreign countries. The IPA found no material weaknesses in the internal controls related to these programs and no instances of reportable noncompliance with laws and regulations. The IPA identified one reportable condition, which related to program management having little or no involvement in financial matters affecting the International Assistance Programs.

■ An IPA issued an unqualified opinion on **FMS' Salaries and Expense Appropriation and Miscellaneous Accounts** FY 1998 financial statements. The IPA found two material weaknesses in internal controls, four other reportable conditions, and one instance of noncompliance with laws and regulations. The material weaknesses involved controls over property and equipment and the Fund Balance with Treasury reconciliations. The reportable conditions related to information and planning for financial management and reporting, reconciliation of Judgment Fund payments, Electronic Data Processing access controls, and business continuity planning. The IPA also reported that the weakness in information protection was an instance of substantial noncompliance with the Federal Financial Management Systems Requirements under the FFMIA.

■ An IPA rendered an unqualified opinion on the **Community Development Financial Institutions (CDFI) Fund's** Statements of Financial Position as of September 30, 1998 and 1997, and the related Statements of Operations and Changes in Net Position, and Cash Flows for the years then ended. No material weaknesses or reportable instances of noncompliance were identified. The CDFI Fund was created by the Riegle Community Development and Regulatory Improvement Act to promote economic revitalization and community development.

■ An IPA rendered an unqualified opinion on the **Schedule of Loans Receivable** from Federal Entities and Related Interest Receivable Serviced by BPD at September 30, 1998. The schedule represents intragovernmental receivables that arise from certain Federal entities which borrow from the Department of the Treasury. These entities then make loans to various non-Federal borrowers such as students and farmers. BPD is responsible for the accounting and servicing of loans made to Federal entities.

The IPA identified one reportable condition related to the interest recalculation process for Federal Credit Reform Act (FCRA) loans. The Report on Compliance with Laws and Regulations contained one instance of noncompliance related to monitoring the borrowing authority limits for FCRA loans.

■ An IPA audited eleven Government Trust Fund custodial financial statements prepared by the **BPD Trust Fund Management Branch** ("Management Branch") for the year ended September 30, 1998. These financial statements report the accounting and investment activity performed by the Management Branch as custodian of trust fund monies and investments. The IPA issued unqualified opinions on these financial statements. While the Management Branch provides these custodial services, the program agencies are responsible for administering, regulating, and monitoring program activities financed through Government Trust Funds.

The IPA's Reports on Internal Control over Financial Reporting contained no material weaknesses related to the internal controls for the Trust Funds. The Reports on Compliance with Laws and Regulations noted that BPD did not use an integrated financial management system that eliminates unnecessary duplication of transaction entries, as required by OMB Circular A-127.

The IPA also examined general computer and investment/redemption processing controls related to the BPD Federal Investment Branch and the Office of Information Technology, a division of BPD that provides security administration, application processing, and network support for the Federal Investment Branch. This review was performed in accordance with American Institute of Certified Public Accountants Statement of Auditing Standards (SAS) No. 70, "Reports on the Processing of Transactions by Service Organizations" and SAS No. 78 "Consideration of Internal Control in a Financial Statement Audit."

The IPA concluded that the Federal Investment Branch and Office of Information Technology controls, placed in operation as of September 30, 1998, provided reasonable assurance that specified control objectives would be achieved. There were no instances of noncompliance with laws and regulations.

■ The OIG issued an unqualified opinion on the **Exchange Stabilization Fund's** FY 1998 and FY 1997 financial statements. The auditors identified no material weaknesses in the internal control structure, and no instances of reportable noncompliance with laws and regulations.

■ The OIG published the audit results at **Secret Service** for the period ended September 30, 1997, during this 6 month reporting period. The OIG issued a qualified opinion on Secret Service's FY 1997 financial statements. The qualification pertained to the Seized Currency and Other Monetary Instruments asset, its offsetting liability, and omission of the related footnote disclosure. Secret Service was unable to ensure that the \$9.5 million reported as genuine non-entity seized currency and other monetary instruments was complete. Additionally, for Fiscal Year 1997, the Bureau was unable to produce the analysis of changes in seized and forfeited property disclosure for valued property seized under Title 18 as required by Statement of Federal Financial Accounting Standards. Secret Service also did not produce the analysis of changes in seized and forfeited property disclosure for non-valued property.

The OIG identified two material weaknesses, six reportable conditions, and three instances of material noncompliance with laws and regulations. The material weaknesses related to (1) the valuation, completeness, and disclosure of property seized under Title 18, and (2) controls over property and equipment.

The other reportable conditions identified by the audit included the need to improve procedures to record accounts receivable, controls over operating materials and supplies, and cut-off procedures for year-end closing. In addition, management needed to evaluate resources assigned to support information security, implement standard software change control policies and procedures, and improve controls over administering information systems access.

We noted that the Bureau did not substantially comply with the FFMIA. Specifically, Secret Service did not fully adhere to (1) the Federal Financial Management Systems Requirements and Federal accounting standards related to seized and forfeited property, and (2) the United States Government Standard General Ledger at the transaction level for certain accounts. The Bureau also was in noncompliance with OMB Circular A-130 as it relates to re-authorization of major computer systems and Section 516 of the Treasury, Postal Service, and General Government Appropriations Act of 1997 as it relates to travel.

**DEPARTMENT OF THE TREASURY
AUDITED FINANCIAL STATEMENTS**

ENTITY	FY 98 Audit Results		FY 97 Audit Results		FY 96 Audit Results	
	Opinion	Material Weaknesses	Opinion	Material Weaknesses	Opinion	Material Weaknesses
Treasury Department (A)						
Department-wide	Qualified	2	-	-	-	-
Administrative	-	-	Unqualified	4	(B)	2
Custodial	-	-	Qualified		Not Audited	-
Internal Revenue Service (A)						
IRS Financial Statements	(C)	6	-	-	-	-
Administrative	-	-	Unqualified	2	(D)	5
Custodial	-	-	Unqualified	6	(D)	3
Headquarters						
Departmental Offices	Unqualified	0	Unqualified	0	Unqualified	0
Exchange Stabilization Fund	Unqualified	0	Unqualified	0	Unqualified	0
Federal Financing Bank	Unqualified	0	Unqualified	0	Unqualified	1
Treasury Forfeiture Fund	Unqualified	4	Unqualified	3	Unqualified	2
Community Development Financial Institutions Fund	Unqualified	0	Unqualified	2	Not Audited	-
International Assistance Programs (IAP)	Unqualified	0	(E)	-	Not Audited	-
Bureau of Alcohol, Tobacco and Firearms	Unqualified	0	Unqualified	0	Unqualified	0
Office of the Comptroller of the Currency	(H)	-	Unqualified	0	Unqualified	0
U.S. Customs Service	Unqualified	2	Unqualified	2	Unqualified	3
Bureau of Engraving and Printing	Unqualified	0	Unqualified	0	Unqualified	0
Financial Management Service (FMS)						
Financial Statements (F)	Unqualified	2	-	-	-	-
Salaries and Expenses	-	-	Unqualified	1	Unqualified	1
Miscellaneous Accounts	-	-	Disclaimer	4	Not Audited	-
Federal Government Cash	(G)	1	(G)	1	Not Audited	-
Bureau of Public Debt (BPD)						
Schedule of Public Debt	Unqualified	0	Unqualified	0	Not Audited	-
Schedule of Loans Receivable	Unqualified	0	Unqualified	0	Not Audited	-
Government Trust Funds	Unqualified	0	Unqualified	0	Unqualified	0
U.S. Mint						
Financial Statements	Unqualified	1	Unqualified	1	Unqualified	1
Custodial Gold and Silver Reserves	Unqualified	0	Unqualified	0	Unqualified	0
U.S. Secret Service	Not Audited	-	Qualified	2	Qualified	2
Office of Thrift Supervision	(H)	-	Unqualified	0	Unqualified	0

NOTES

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| <p>A. For FY 1998, administrative and custodial activities were reported in a single set of financial statements. For FY 1997 and FY 1996, administrative and custodial activities were reported in separate financial statements.</p> <p>B. The administrative financial statements were presented as five lines of business; four received unqualified opinions and one received a disclaimer of opinion.</p> <p>C. The IRS' FY 1998 Financial Statements audit resulted in (1) an unqualified opinion on the Statement of Custodial Activity, (2) a qualified opinion on the Balance Sheet, and (3) disclaimers of opinion on the Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing.</p> | <p>D. The FY 1996 administrative statements received a qualified opinion on the Statement of Financial Position and a disclaimer on the Statement of Operations. The custodial statements received a qualified opinion on the Statement of Custodial Activity and a disclaimer on the Statement of Financial Position.</p> <p>E. IAP was included in FMS Miscellaneous Accounts.</p> <p>F. FMS FY 1998 financial statements include Salaries & Expenses and Miscellaneous accounts, which were reported separately in the prior year.</p> <p>G. Audit procedures were performed to determine that cash balances managed by FMS were reliable in all material respects. Separate audit opinion was not issued.</p> <p>H. These bureaus have calendar year-ends. Audits are in progress; however, sufficient audit work has been performed for Department-wide reporting purposes.</p> |
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ECONOMY, EFFICIENCY, AND EFFECTIVENESS

The Inspector General Act of 1978 established OIGs to promote the efficiency, economy, and effectiveness of Federal programs and operations. At Treasury, the 1988 Amendments to the Act have resulted in a program of audits and evaluations that focuses on internal controls, management assessment, and program compliance and performance. This work enables the OIG to provide independent, objective assessments of programs and performance which help to improve the Department's operations and ensure that programs achieve desired results.

As the Department addresses critical changes affecting its bureaus and programs, the OIG believes that its work is helping by providing independent, objective information and recommendations for program improvements. The OIG has sought to provide products that its customers, departmental managers, and the Congress will find useful and relevant. One of the OIG's objectives is to assist decision makers in finding solutions to the problems they face in new or modified programs and with rapidly changing technology that affects all areas of business and finance.

PERFORMANCE REVIEWS

FMS Administration of the Cash Management Improvement Act of 1990

An OIG audit of FMS' administration of the Cash Management Improvement Act of 1990 (CMIA) found that FMS conducted an effective exchange of interest liabilities in FY 1996. However, FMS could provide only limited assurance that state-calculated interest liabilities were accurate. Although Federal program agencies reviewed the states' interest liability claims, the information the agencies provided to FMS to support their conclusions was too limited for FMS to assess. FMS also had not evaluated Federal program agency or state performance in complying with CMIA regulations.

In addition, FMS' reliance on audits conducted under the Single Audit Act may not be sufficient to ensure state compliance with CMIA regulations. In 1996, GAO reported that single audits lacked consistency and comprehensiveness, and reports were not routinely received by FMS. Following GAO's report, FMS took little action to improve the quality of single audit reports, or to obtain and review them. Despite their deficiencies, these reports could provide FMS with a better understanding of problems encountered in state administration of CMIA regulations. The OIG also found that FMS lacked detailed operating guidelines to ensure consistency in the processing of each state's CMIA annual report, and had not established standardized working files that could facilitate the periodic assessment of CMIA operations.

The OIG's report included seven recommendations to improve FMS' CMIA program, including that FMS perform independent assessments of individual Federal program agencies' CMIA program performance and compliance; improve data analysis to identify Federal program agencies and/or states that may not be practicing good cash management; and obtain and review Single Audit Act reports to gain a better understanding of problems encountered in state administration of CMIA regulations. FMS concurred and has completed corrective actions for all of the recommendations. (Report #OIG-99-027)

Customs' Mitigation of Penalties

The OIG audited the Customs Penalties program and found that during FY 1997 there were significant control weaknesses. The audit revealed that there were no automated billing or operational reports for over 1 year. As a result, penalty collection, program management, and the corresponding internal controls were adversely affected.

The purpose of the penalty program is to reduce penalties to amounts that are fair, encourage compliance, and provide consistent treatment of violators. Inherent risk in the program is high because it impacts revenue, consistent treatment of the public, and compliance with laws and regulations enforced by Customs.

In order to protect revenue, Customs requires importers to secure bonds for certain transactions. These bonds are issued by surety companies, who, under the conditions of the bond, must pay Customs in the event of a default by the principal. The law requires Customs to send three bills to the surety company before it can impose sanctions for nonpayment. Prior to November 1996, the Automated Commercial System Fines, Penalties and Forfeitures module issued automated bills to the surety companies and generated automated reports that were used to prompt case actions and manage the program. Customs replaced the module with the Seized Asset and Case Tracking System on November 12, 1996; however, the new system was incapable of generating automated reports or bills to surety companies. Field operations management did not have a backup plan and, as of November 1, 1997, \$586 million in bills to surety companies, including \$60 million outstanding for over 1 year, had not been issued.

The OIG recommended that Customs issue the outstanding bills, generate the needed reports, and require better procedures for the approval of new systems. Customs agreed and has begun to collect the outstanding amounts. In addition, Customs has corrected the billing report problems and now requires business sponsors and the Office of Information Technology to jointly develop proposals, identify risks, and establish associated backup plans. (Report #OIG-99-007)

Transfer Fees for Trading Treasury Securities

An OIG audit of BPD's fees for transferring Treasury Securities found that the fees were insufficient to recover BPD's costs. The OIG reviewed the costs and revenue for transferring the securities between Calendar Years 1995 and 1997, and found that BPD incurred transfer costs of \$58.25 million and recovered \$48.88 million in transfer fees. The difference of \$9.37 million, according to BPD personnel, was incurred during a period of unusually high costs due to major systems development and capital improvements. However, OMB Circular A-25 states that the user charge should be sufficient to recover the full cost to the Federal Government of providing services.

BPD has not raised the on-line transfer fee, which is assessed on 99 percent of the transfers and accounts for 97 percent of fee revenue collected, since 1989. BPD last raised its off-line fee in 1994. Additionally, BPD, which is responsible for setting the fees, and the Federal Reserve, which is responsible for performing the transfer and collecting the fees, do not always agree on fee amounts. While BPD believes that the Federal Reserve charges too much for costs to transfer or move funds, the Federal Reserve believes that the transfer fees for off-line transfers do not fully recover the costs.

The OIG found that all 12 Federal Reserve Banks are involved in transferring Treasury securities; yet approximately 74 percent of the transfer volume is generated by participants in the New York District. Further, 9 of the 12 banks recovered less than 50 percent of the reimbursable transfer costs in 1997. A reduction in the number of banks processing Treasury transfers could

reduce the cost of transfer services, thereby improving the revenue to cost outlook without raising fees.

The OIG recommended that BPD develop a break-even analysis that estimates when BPD will recover the difference between the revenue and costs. Following this analysis, the OIG recommended that BPD implement a strategy to ensure that its costs are recovered. The OIG further recommended that BPD work with the Federal Reserve to reduce program costs for providing on-line and off-line transfer services and to reassess the funds movement fee to ensure it adequately represents the cost of providing this service. BPD agreed with the OIG and has planned actions to address the recommendations. (Report #OIG-99-025)

ATF's National Firearms Act Registration and Recordkeeping

The National Firearms Act (NFA), which was enacted in 1934, requires that the Secretary of the Treasury maintain a central registry of all NFA firearms in the United States that are not in the possession of or under the control of the United States. Examples of the types of weapons that must be registered include machine guns, silencers, and short barrel shotguns. ATF maintains the registry, which contains data on these weapons and provides record searches and certifications of a firearm's registration status for use in Federal court. Additionally, ATF responds to inquiries submitted by the general public and industry about the classification of firearms.

The OIG performed two reviews of these ATF activities. First, at the request of the Chairman of the Committee on Government Reform and Oversight, the OIG reviewed allegations of ATF mismanagement, misconduct, and improper record-keeping of the registry. The allegations specifically claimed that ATF deliberately destroyed firearm registration documents; improperly registered firearms; committed felony perjury about registration activity; registered firearms contrary to law; and listed deceased people in the registry as being in possession of NFA firearms. The review showed that ATF contract employees likely had destroyed certain registry documents in 1988. However, an accurate estimate as to the types and number of records destroyed could not be obtained. The OIG also determined that there probably were deceased persons listed in the registry as gun owners. The review did not substantiate any of the other allegations.

In the second review, the OIG focused on the effectiveness of controls over NFA records and activities. The review found that overall, ATF could strengthen its administration of the registry by: (1) determining the extent to which the registry lists weapons in possession of persons who are likely deceased; (2) improving its processing of checks, forms, and other correspondence; and (3) improving reference to examination or research reports which support ATF's decisions on weapon classifications.

ATF officials concurred with the OIG's findings about the allegations and the OIG's recommendations regarding its administration of the registry, and initiated steps to implement the recommendations. These actions included establishing a study group to examine options for handling data on older registrations. (Reports #OIG-99-009 and #OIG-99-018)

Treasury's Year 2000 Compliance Effort

For the past 12 months, the OIG has been conducting on-going evaluations of the Year 2000 (Y2K) conversion effort in many of Treasury's bureaus and offices. The current evaluations focus on the entities' project management, conversion and certification processes, and contingency plans for the new millennium. The OIG plans to perform additional reviews of selected bureaus'

progress relating to testing and contingency planning. In addition, the OIG will continue to monitor reported progress by the bureaus and the Department.

The success of Treasury's conversion effort is critical to mitigating the risk of an interruption in the Department's core business process due to a potential Y2K induced failure. Recognizing the importance of this effort, the OIG has worked closely with bureau officials and non-Treasury organizations. So far, the OIG's efforts have resulted in: leveraging resources with GAO and IRS' Chief Inspector's Office in performing work in bureaus of mutual concern; identifying and evaluating potential systemic problems; and promptly alerting bureau officials to issues which warrant their attention. The OIG also has briefed staffs from the House Ways and Means Committee, Subcommittee on Oversight, and the Senate Committee on Y2K on the results of its audits.

In addition to bureau specific concerns, the OIG made recommendations or suggestions to each bureau in which it identified three areas that would strengthen their Y2K efforts. The OIG recommended that the bureaus ensure:

- Data exchange procedures include the identification and coordination of "pivot"¹ dates with exchange partners. If pivot dates are not properly coordinated, systems could make false assumptions and cause inaccurate processing;
- The continued development, testing, and reevaluation of contingency plans for each core business function, as well as mission critical systems. Business continuity planning is essential to maintaining an acceptable level of core business processes in the event of an unanticipated failure; and
- A disciplined change management process continues to maintain Y2K conversion integrity. Once a system has been certified, steps need to be taken to ensure test integrity is maintained, and subsequent changes to the environment or application do not regress Y2K compliance.

While the OIG's findings and recommendations did not result in any measurable monetary benefits, they will have a direct impact on improving the Department's and its bureaus' chances for a successful Y2K conversion. Considering the economic and operational impact of an unsuccessful conversion, these benefits will be substantial. (Reports #OIG-99-020, OIG-99-021, OIG-99-022, OIG-99-023, OIG-99-024, OIG-99-026, OIG-99-029, OIG-99-036, OIG-99-038, and OIG-99-058)

OCC's Supervision of National Banks' Y2K Compliance Efforts

The OIG has planned a series of audits covering OCC's supervision of national banks' efforts to prepare for the Y2K problem. The OIG's first report covers OCC's Y2K readiness examinations through June 30, 1998. The report notes that OCC's initial Y2K supervisory efforts were proceeding on schedule and largely in line with the Federal Financial Institutions Examination Council's (FFIEC) Y2K examination guidance. The OIG reviewed OCC Y2K examinations covering a broad cross section of banks of differing sizes, geographic locations, and operations, and reported two favorable conditions. First, OCC's supervisory efforts were progressing as planned with only

¹ The term "pivot" is part of a Y2K data storage technique that allows a two-digit date field to represent a four-digit year. All values above a defined pivot date are understood to represent one century; while those values below the pivot date represent another century. For example, using a pivot date of 50 infers "19" as the century identifier for values 50 to 99, and infers "20" for values 0 to 49.

minor exceptions; and second, most national banks were aware of the Y2K problem, and had satisfactorily assessed and planned for taking remedial action in order to fix the Y2K problem.

However, OCC's and national banks' progress under the initial phases provides only a limited view of readiness. Most experts and regulators agree that the most critical and difficult phases lie ahead as banks must implement their plans to become Y2K compliant. The OIG pointed out added supervisory challenges due to the complexities associated with large banking organizations, international banking, and the added requirement of assessing bank credit risk due to customers' Y2K readiness. In addition, the OIG's analysis of Y2K "problem" banks through June 1998 provided some indications as to how extensively consumers may be impacted. For example, Y2K problem banks accounted for approximately 1.7 million retail accounts spread across roughly 390 branches.

The OIG's report includes several suggestions to assist OCC in its oversight and preparedness during the remaining Y2K phases. Foremost is the need to formally identify those banks and systems presenting the greatest Y2K risks to the banking system. In so doing, OCC will be better positioned to focus needed staffing and develop contingency plans on handling any non-compliant banks. To further enhance its oversight, the OIG also suggested that OCC consider developing component Y2K ratings to underlie the FFIEC's overall evaluation rating. Such a system would be similar to the FFIEC's uniform rating systems for Information Technology and the Safety and Soundness examinations. In response, OCC had already started an initiative or was still assessing the suggested areas. (Report #OIG-CA-99-001)

Secret Service Use of High Intensity Drug Trafficking Area Funds

The Anti-Drug Abuse Act of 1988 established the Office of National Drug Control Policy (ONDCP) and tasked it with developing a National Drug Control Strategy to address the reduction of illegal drug use and its consequences. The Act also established the High Intensity Drug Trafficking Area (HIDTA) Program as a joint effort of Federal, state, and local law enforcement for drug interdiction, investigation, prosecution, treatment, and prevention. The ONDCP provides resources to agencies participating in HIDTA task forces around the country beyond their general agency appropriations. Secret Service's involvement in these task forces generally pertains to money laundering, credit card and cellular phone fraud, and false identification investigations.

The OIG audited Secret Service's use of HIDTA funds, and found that it accurately accounted for and recorded HIDTA funds, and that source documents and expenditure reports could be easily traced and reconciled. However, the OIG also determined that HIDTA funds were not used exclusively for HIDTA purposes and ONDCP approved budgets were not always followed. It was difficult to track and locate equipment purchased with HIDTA funds through spending and inventory records, and the OIG further noted some instances of poor physical control and security over equipment. Program personnel often lacked the ONDCP and agency guidance necessary to help them operate in accordance with the requirements and intent of the program. In addition, there were questions among task force personnel about which operating expenses were allowable, and what equipment purchases could be made using HIDTA funds, as well as about who could use the equipment and how it should be stored.

The OIG recommended that Secret Service Headquarters officials take a more active role in the oversight of the HIDTA Program; ensure that ONDCP policies and guidance regarding the use of HIDTA funds be provided to each office; and ensure that program and agency support personnel, as appropriate, receive training on the proper use of HIDTA funds and the requirements relating to HIDTA equipment. Secret Service concurred with the OIG's findings and recommendations, and

has initiated corrective actions such as providing increased guidance to field personnel regarding HIDTA activities. (Report # OIG-99-015)

Treasury Oversight of IRS' Tax Systems Modernization Program

The Department has taken an active role in providing executive-level leadership and attention to IRS' Tax Systems Modernization (TSM) program. In particular, the establishment of a new oversight structure has improved the Department's ability to monitor this critical portion of IRS' total organization modernization concept. However, opportunities do exist for the Department to strengthen its role, particularly on a functional level, in continuing to assist IRS in planning and implementing a modernized computer systems environment.

One opportunity for improvement would be to focus in a central point the collection of documentation regarding the activities and accomplishments of the IRS Management Board (IRSMB). By having access to the Board's historical records, Congress and other stakeholders would be able to measure the progress of IRS' modernization effort. Oversight also could be strengthened by forming an IRSMB subcommittee comprised of technical advisers with information technology expertise, or by providing current staff of the Information Policy and Management Office with the training and resources necessary to better equip them for handling oversight of the TSM program.

The Assistant Secretary for Management/Chief Financial Officer agreed with both recommendations. All documentation related to the activities and accomplishments of the IRSMB will be collected and controlled by the Director of the IRSMB, and the IRSMB staff office will be the focal point for inquiries relating to the IRSMB. Management is in the process of establishing an IRSMB subcommittee, which will focus strictly on information technology issues, provide general oversight and guidance to IRS on TSM, and provide periodic reports on critical information technology issues to the IRSMB. (Report #OIG-99-012)

Treasury Communications System Automated Information System Security Program

The Treasury Communications System (TCS), a private wide-area communications network designed and operated under contract for the Department, is intended to provide cost-effective communications services, along with a full range of network and information technology products and services. Treasury and other Government agencies use TCS at more than 4,500 locations in the United States, in United States territories, and internationally. TCS is a general support automated information system (AIS), as defined by OMB Circular No. A-130, *Management of Federal Information Resources*, and provides mission critical support to the Department. Treasury's Corporate Systems Management (CSM) oversees the management of TCS.

Overall, the OIG found that CSM had not fully implemented an AIS security program for TCS as required by OMB Circular No. A-130. Due to the nature of the findings, the OIG's report was issued with a Limited Official Use designation. (Report #OIG-99-039)

Departmental Security Operations

The OIG conducted a management assessment to examine Departmental security operations and identify areas where management needs to focus attention and institute improvements. Given that the 21st century will present many difficult security threats to the Department, especially in ensuring the security of information systems and the continuity of operations, it is likely that

maintaining adequate security of information, property, and personnel will be increasingly dependent upon automated and highly interconnected systems.

The security responsibilities and functions within the Departmental Offices, as well as the Office of Intelligence Support within the Office of the Executive Secretary, were reviewed. An effective security management framework would contribute to the ongoing recognition and understanding among senior officials of enormous security risks and threats. The OIG reviewed policy and processes for emergency preparedness and security specific functions, and studied security operations within outside agencies that reflect the diverse security challenges facing Treasury. This management assessment approach enabled the OIG to identify options that could be applied to existing departmental security operations.

The OIG found that current differences in security approaches, as well as fragmentation of management responsibilities, raised questions regarding the Department's ability to protect its critical infrastructures from various security threats. The OIG suggested that the Department make improvements in assessing security risks to program operations, promoting security awareness and understanding, assessing security compliance and control effectiveness, and determining what policies, standards and controls are worth implementing to reduce security risks.

In addition, the IG suggested that departmental officials reorganize information systems security and emergency preparedness processes to more effectively address various threats. Furthermore, the Office of Security should be made responsible for physical security policy development and monitoring operations. By instituting an appropriate management framework, the Department can strengthen its security posture, facilitate future policy and process improvement efforts, and more confidently take advantage of technology changes. The Assistant Secretary for Management/Chief Financial Officer concurred with the basic findings of the report and plans to implement some of the OIG's suggested changes. (Report #OIG-98-E01)

TREASURY'S IMPLEMENTATION OF THE RESULTS ACT

The Results Act requires Federal agencies to more effectively plan, budget, execute, evaluate, and account for their programs and activities. A key challenge for Treasury will be to integrate the performance planning and reporting required by the Results Act with its budget formulation and execution, and the annual financial reporting under the CFO Act and GMRA. Another critical challenge will be for Treasury to develop effective cost accounting so that programs and operations can be effectively evaluated from a cost/benefit standpoint.

Completed Results Act Work

The OIG has played an active role in both assisting with and assessing Treasury's implementation of the Results Act. The OIG provided consultative support to the Department's Office of Strategic Planning and issued the *Implementation Assessment Guide* in October 1995. The guide was developed as a joint effort between the Office of the Assistant Secretary for Management and the OIG to assist the Department and its bureaus in evaluating their progress in strategic planning and Results Act implementation. The OIG also developed a guide to evaluate data used to support specific performance measures.

Since June 1995, the OIG has completed evaluations of BEP's strategic plan and planning process, assessed FMS' strategic planning process, and reviewed two ATF performance measures. In addition, in Fall 1998, part of the OIG's organizational restructuring included the devotion of its Evaluations staff to Results Act work.

The OIG's analysis of BEP's plan found that it was aligned with the basic requirements of the Results Act, with one notable exception. The Results Act requirement for a listing of program evaluations used to develop the strategic plan, along with a schedule of future program evaluations, was not strongly and completely addressed by the current BEP plan. The OIG's review assisted BEP in continuing to develop enhancements to its strategic plan.

The OIG's assessment of FMS' strategic planning process and its consistency with the Results Act placed specific emphasis on the extent to which FMS' strategic planning process: (1) involved consultations with Departmental, Congressional, and other important customers and stakeholders; and (2) addressed new legislative mandates, such as the CFO Act, GMRA, and the Debt Collection Improvement Act, including deadlines, agency leadership responsibilities, and requirements. The OIG recommended that FMS document its planning process and ensure strategic and tactical level plans are aligned.

ATF's firearms formulas, used for two of the performance measures that appear in the Bureau's strategic plan, also were analyzed by the OIG. The OIG expressed concerns with the sources of information ATF used in its formulas, and the way that the information had been applied. ATF indicated that it planned to use these analyses in restructuring its measures.

Planned Work

In its October 1, 1998 Annual Plan, the OIG developed a program to assess the appropriateness, reliability, and validity of Treasury's performance measures and the data and information supporting the measures. In support of this effort, in FY 1999, the OIG's Office of Audit is devoting approximately 12 percent of its audit resources to assess:

■ *Strategic Planning* - What are the strengths and weaknesses of the strategic planning processes at ATF, OCC, OTS, and the Financial Crimes Enforcement Network (FinCEN) relative to the Results Act's goals and requirements? To what extent are these bureaus' strategic planning processes meeting the needs of Treasury, Congressional, and other stakeholders and customers?

■ *Data Reliability* - Are sufficient systems in place for BEP, the Mint, Customs, ATF, OCC, Secret Service, and the Departmental Offices to accurately report their performance to Treasury, Congressional, and other stakeholders?

■ *Customer Satisfaction* - Can FinCEN management increase response rates for customer satisfaction surveys? How might FinCEN use customer satisfaction information to improve its operations and support its Results Act performance measures?

ATF Results Act Performance Measures

The OIG analyzed four formulas used by ATF in calculating two performance measures that appear in the Bureau's strategic plan, *Crime Related Costs Avoided* and *Future Crimes Avoided*. The first performance measure is the cumulative amount of dollars (crime costs) saved for the general public, as a result of ATF's prevention and solution of crimes. The second measure is the total number of crimes prevented through the incarceration of criminals and the elimination of sources of guns used in crime as a result of ATF's programs.

The OIG analyzed the four formulas that ATF reported would address its responsibilities for criminal misuse of firearms, explosives, and fire. However, the OIG determined that the formulas addressed only ATF's firearms responsibilities. ATF has not developed formulas to address the remaining three performance measures under its "Reduce Violent Crimes" activity or for the other two activities, "Collect Revenue" and "Protect the Public." In addition, the OIG expressed concerns with the sources of information that ATF has used in its formulas, and the way the information has been applied. ATF has indicated that it will use this analysis to refine its performance measures.

At the time field work was completed, ATF was still awaiting new on-line database systems to replace its Criminal Enforcement Management Information System. It is anticipated that the new systems will be used to measure and track information, and the systems are intended to provide ATF agents with a standard record-keeping system. In addition, ATF anticipates that its new automated cost accounting system will become operational beginning in FY 1999 and should provide reliable information to support ATF's collection of data and costs related to its performance measures.

To focus management-level and program-level attention on the importance of developing effective measures under the Results Act, the OIG suggested that:

■ ATF needs valid and reliable information to support its four formulas in order to defend whether its activities are actually reducing violent crimes. ATF's activities do not produce much of the information that is required as input to its four formulas. The information that ATF cannot produce from its own activities will have to be obtained through special studies that must use accepted analytical methods and data collection techniques;

■ The information that ATF either internally collects or obtains from other sources needs to be current, accurate, and timely. In addition, the information must be properly analyzed in a timely manner. The availability and accuracy of information must be considered if ATF cannot produce its own data; ATF will have to rely on data from other sources or commission and pay for studies of its own. The collection costs for the required information must be weighed against the results that ATF needs to support; and

■ ATF needs to pay special attention to the proper interpretation of information, whether it is collected by ATF or obtained from external sources. Particular care needs to be taken with collection methods and interpreting external information. The sources of the information and the collection and interpretation methods must be identified for verification and/or future validation. (Report #OIG-97-E05)

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY JOINT REVIEW

Joint Review of the Federal Financial Institutions Examination Council's Training Program

When Congress established the Federal Financial Institutions Examination Council (FFIEC) in 1979, it directed the FFIEC to conduct schools for examiners and assistant examiners of the five member agencies, with such schools open to employees of state financial institution supervisory agencies. This training was mandated to help the FFIEC achieve its mission of promoting consistent and vigilant supervision of depository institutions. In 1989, the Financial Institutions Reform, Recovery, and Enforcement Act directed the FFIEC to provide risk management seminars for regulators and managers of financial institutions. The FFIEC was free to decide (1) the specific goals, objectives, and magnitude of the FFIEC's training effort relative to each member agency's examiner training programs and (2) how the training activity should be organized, staffed, managed, and funded.

We collaborated with the Inspectors General of the Board of Governors of the Federal Reserve System, National Credit Union Administration, and Federal Deposit Insurance Corporation (FDIC) to determine whether: (1) the goals of the FFIEC's training program are being met, (2) the Task Force on Examiner Education (TFEE) is an efficient and effective vehicle for guiding the FFIEC's training program, and (3) the current budget process adequately serves the goals and objectives of the FFIEC's training program.

The review team found that the FFIEC is meeting its legislative mandate by sponsoring the required risk management seminars and delivering seminars and training courses attended by examiners, assistant examiners, and state supervisory personnel. The team observed that the program consists primarily of conferences and seminars on specialized topics that are a supplement to, rather than an integral part of, the member agencies' own examiner education programs. While such a role may be appropriate, it has not been arrived at through an effective management planning process that would ensure that member agencies maximize the benefits of the FFIEC program in relation to their own programs.

The joint audit report contained four recommendations to improve program management and effectiveness and discussed options and considerations for implementation. The report recommended that FFIEC (1) implement a strategic planning process; (2) realign roles and responsibilities of its task forces; (3) encourage more information sharing among member agencies regarding course development activities; and (4) modify the current approaches to scheduling, budgeting, and cost sharing to encourage greater use of the programs.

Responding on behalf of the FFIEC, the Executive Secretary stated that the Council was generally receptive to these recommendations and that the Council had charged one of its members, the TFEE Chair, and the Executive Secretary to develop a recommended course of action for discussion at its next meeting. The Executive Secretary also indicated that the implementation process could be greatly enhanced with continued assistance and guidance from the interagency review team. The Inspectors General intend to provide appropriate assistance as requested. The FDIC Office of Inspector General, as the lead agency on this audit, will also periodically monitor the status of the recommended actions.

CONTRACT OVERSIGHT

Contract Costs Questioned

All Treasury bureau requests for preaward, cost incurred, and other contract audits are referred to the OIG. The OIG either performs the audits, refers the audits to the Defense Contract Audit Agency (DCAA) and other cognizant Government audit agencies, or contracts with an Independent Public Accountant.

The OIG performed or contracted for a total of 25 contract audits, which questioned \$417,524 in Treasury contractor costs. Contracting officers agreed to savings and disallowed costs of over \$5.1 million, including amounts which were questioned prior to September 30, 1998. An additional \$3.2 million in potential monetary benefits, including amounts which were questioned prior to September 30, 1998, are awaiting completion of negotiations with the contractors.

Preaward audits, which provide information on whether pricing proposals are fair and reasonable, are used by contracting officers in negotiating contracts. During the period, DCAA auditors questioned \$244,071 of costs included in a \$1,500,000 proposal submitted to Secret Service. Disposition of the questioned costs is pending future contract negotiations. The DCAA performed an audit of the proposal for paralegal support services.

The audit disclosed questioned direct labor rates. The questioned direct labor rates were attributed to the offeror's inability to support the Financial Analyst direct labor rate proposed. In

addition, the offer or could not support one of the eight Data Analyst I direct labor rates proposed, and one of the two Clerical I direct labor rates it proposed. (Report #OIG-99-048)

Incurring costs audits are used to determine the allowability of direct costs and indirect cost rates under flexibly priced contracts. In addition, incurred costs audits are used to establish audit determined indirect rates to facilitate contract close-out. During the period, the DCAA performed an audit of a Customs contractor's incurred costs submission. The audit disclosed questioned overhead and G&A rates which generated \$84,030 of questioned costs related to a Customs contract. The contract was for nationwide vessel maintenance services for the Customs fleet. The questioned costs were attributed to a variance between the contract's claimed and DCAA's audit determined Marine/Contractor Site overhead and G&A expense rates. Final acceptance of the questioned amount for the periods included in the audit report, has not yet been determined. (Report #OIG-99-010)

INVESTIGATIVE ACTIVITIES

Over the past several months, the OIG's Office of Investigations (OI) has been undergoing a complete restructuring and reorganization effort. The decision to accomplish this endeavor was brought about by several factors that are discussed in detail below.

INVESTIGATIONS RESTRUCTURING AND REORGANIZATION

During the Summer of 1998, several hearings were held by Congress to determine the need for a separate Inspector General for IRS. Legislation was enacted that created the TIGTA on January 18, 1999. With the establishment of a second Inspector General within the Department of the Treasury, the impact was felt throughout the entire OI.

In conjunction with the inception of TIGTA, changes relating to the work force within OI occurred, including the transfer of ten full-time special agent positions to TIGTA. These positions were eliminated from offices located in New York City, Los Angeles, Chicago, FLETC (in Brunswick, Georgia), and Headquarters (Washington, D.C.). Concurrently, investigations relating to IRS complaints and allegations ongoing by OI special agents were reviewed and interim Reports of Investigations to memorialize investigative inquiries previously accomplished by OI components were written. This was an extensive undertaking requiring the review of numerous pending IRS investigations.

Although TIGTA was established as a separate entity within the Department, during the ensuing months, complaints concerning IRS employees continued to be sent to the Treasury OIG. Due to the sensitivity of the issues involved, numerous employee work hours were utilized to forward the information in a timely fashion to TIGTA for its attention. Upon the transfer of personnel and workload to TIGTA, the New York and Brunswick, Georgia offices were closed and their responsibilities were transferred to other Field Offices. As part of the overall restructuring of OI, Field Offices in Marlton, New Jersey and Miami, Florida, and a sub-office in San Diego, California were established.

Throughout the Winter of 1998 and Spring of 1999, OI began an aggressive effort to hire special agents and supervisory personnel for all Field Offices and Headquarters components. By March 1999, staffing had risen from 57 personnel with 41 special agents to a total of 76 personnel with 62 special agents. In addition to increased staffing, a new organizational structure was put in place. Along with the opening and closing of certain Field Offices, Headquarters was divided into two elements: the Enforcement Operations Directorate (EOD) and the Treasury Integrity Directorate (TID). The Full Time Equivalents for this increase were mostly transferred from other organizational units in the OIG.

Within the EOD are the Field Offices and the Enforcement Operations Division. The Enforcement Operations Division is responsible for the day-to-day operation of the investigative aspect of OI. Included within this division are the Operations Control Unit, where hotline calls and letters are received, and special agent desk officers assigned to assist designated Field Offices in investigative related matters.

The TID consists of the Special Investigations Division and the Treasury Inspection Division. The Special Investigations Division is comprised of a staff of special agents responsible for

investigating criminal and administrative complaints concerning high level Treasury officials and issues of public interest. Assigned to the Treasury Inspection Division are senior special agent desk officers, who are primarily responsible for the day-to-day dialogue with bureau officials concerning ongoing investigations and referral of information. This division also is responsible for any congressional requests for information pertaining to investigative issues within the Department.

The implementation of a Management Information System has been another high priority for OI. The goal of incorporating a database to track hotline complaints and investigations has not been achieved. A stopgap measure has been established and currently is being administered by the Operations Control Unit. This database, although adequate for the short term, is not consistent with the goal of nationwide on-line accessibility. It is expected that an OIG-wide program will be established during 1999.

Throughout this period of reorganization, OI has striven to provide special agents and administrative personnel with necessary professional training. Individuals have attended law enforcement, specialized computer, and management classes at FLETC, as well as a variety of computer related courses both at FLETC and local vendors. Additionally, an in-depth review of all OI policies and procedures, as well as the revision of the Special Agent Handbook, continue to be high priority projects. Within the next several months, new guidelines pertaining to OI's procedures and investigative techniques will be published. During this period of growth and restructuring, OI has striven to provide its customers with quality investigative products and has continued to be responsive to the needs of the Department and other vital stakeholders.

INTEGRITY AWARENESS AND DETERRENCE

Integrity Awareness: A High Priority

Integrity awareness, which is critical to the effectiveness of agency programs and how they are received throughout the Federal Government and by the citizens they serve, remains a high priority within OI. All newly hired personnel receive both ethics and integrity awareness briefings. Annual certification requirements for employee briefings are being established to deter future breaches of conduct and ethics.

Both OI's Treasury Integrity Division and the Regional Field Offices will begin an annual program to brief Treasury employees on their responsibilities to report waste, fraud, and abuse in their work environments. This will include briefings by OI agents from around the country, mailings to each Treasury employee, bulletins on the Department's web page, and publicizing the Treasury OIG Hotline telephone number. In addition, Treasury bureaus will be required to continue to report to OI on the programs and procedures they use to ensure their personnel are annually made aware of integrity and ethics guidelines. (OIG)

Highlights of integrity awareness activities conducted by the Offices of Internal Affairs and Inspection at ATF, Customs and Secret Service follow:

■ **ATF Inspection** special agents and managers present integrity awareness briefings at conferences, meetings, and training classes throughout the country. During this reporting period, 13 briefings were conducted with more than 390 criminal investigators, inspectors, analysts, managers, supervisors and administrative personnel in attendance.

■ **Customs' Office of Internal Affairs** special agents conduct yearly integrity and bribery awareness presentations. In the past six months, Internal Affairs agents made 56 presentations to 900 employees.

■ **Secret Service's Office of Inspection** provided ethics briefings to 424 employees. Approximately one half of the briefings occurred during new employee orientations. The remainder were incorporated with the confidential interview offered to every employee during an office inspection.

CRIMINAL INVESTIGATIONS

The OIG OI conducts criminal investigations and oversees the criminal investigations of the internal affairs units at ATF, Customs, and Secret Service. OI also conducts criminal investigations of waste, fraud and abuse at the other eight Treasury bureaus. These investigations include procurement fraud; assaults and threats against employees; bribery; allegations of criminal acts, such as embezzlement and theft, by employees; referrals from national integrity projects; and allegations of corruption in management of Government programs by high level officials.

Customs Contractor Fraud

OI and Customs Internal Affairs recently completed an investigation into allegations that a Government contractor violated the False Claims Act by mischarging costs on a contract to provide nationwide network cable installation for Customs. The investigation substantiated false labor and per diem charges to Customs in excess of \$300,000. The matter was referred to the United States Attorney's Office and an agreement in principle has been reached with the contractor, who made a \$580,000 settlement offer. The offer is subject to approval by the Department of Justice and Customs. (OIG)

Allegations Against Houston District IRS Management Not Substantiated

In response to hearings before the Senate Finance Committee, OI conducted a 6-month review of management practices at the IRS Houston District office. It had been alleged that IRS management used the IRS Inspection Service to harass and intimidate IRS employees; instructed IRS employees not to audit IRS managers and their personal friends; targeted poor individuals in assessing taxes in order to adjust audits of tax receipts; fabricated evidence in order to audit some taxpayers; and would not allow legal and legitimate changes to tax returns favoring the taxpayer. In addition, it was alleged that IRS employees, in an attempt to show emotional imbalance in the taxpayer, used provocative behavior during office interviews to incite taxpayer anger.

The allegations made against IRS management were not substantiated by the review. Interviews of Houston District employees showed that they did not feel, nor did they perceive, the allegations to reflect accurately their job experiences. The review found IRS management to be acting within its authority and taking corrective action in areas it found to be deficient. (OIG)

Customs Special Agent Charged with Threatening Civilians and Fraud

OI substantiated allegations that a special agent in Customs' Internal Affairs unit verbally threatened to use his position with Customs to investigate two private citizens, and committed

fraud involving numerous Government programs. The investigation revealed that the special agent conducted personal business while on official time; misused his assigned Government vehicle, adding thousands of miles for personal travel; abused leave by performing active military duty while on sick leave; used his Government issued credit and telephone cards for personal reasons on numerous occasions; and conducted unauthorized travel for days at a time during his tour of duty. Customs' Discipline Review Board recommended the special agent's removal. The special agent has appealed the Review Board's recommendation. (OIG)

Former Secret Service Agent Sentenced

A former Secret Service special agent, convicted of conspiring to commit extortion, extortion, mail fraud, and tax evasion, was sentenced to 33 months in custody, 2 years of supervised probation, and joint restitution in the amount of \$73,000. As previously reported in the September 1998 Semiannual Report, the former special agent and two other individuals schemed to obtain cash payments from a businessman in exchange for arranging for the businessman to obtain a lease to run an employee cafeteria at a Port Authority facility. (OIG)

ATF Officials Admit to Making False Statements

OI recently completed an investigation into allegations of numerous instances of misconduct by two senior ATF officials. The allegations included a claim that the officials had made false statements under oath in an ATF Internal Affairs investigation. During OI's investigation, both individuals admitted to conspiring to make false statements, and to making false statements while under oath. The officials' false statements made under oath concerned their use of government-owned vehicles and their compliance with other Treasury and ATF regulations. Administrative action by ATF is pending. (OIG)

OCC Computer Theft Ring Uncovered

OI completed an investigation into the theft of numerous laptop computers from OCC's Information Technology Services in Atlanta, Georgia. A former OCC contract employee conspired with an OCC employee to steal 28 laptop computers from the Bureau and sell the laptops to willing buyers at a reduced rate. Both individuals involved in the thefts have been indicted and are awaiting further judicial action. Total loss identified from the investigation is in excess of \$139,000, of which approximately \$30,000 was recovered. (OIG)

Mint Employee Indicted of Credit Card Fraud

An OI investigation resulted in two individuals pleading guilty to criminal conspiracy to commit credit card fraud; and aiding and abetting the unauthorized use of credit card numbers. OI initiated the investigation after the Mint's Police Division, located in Philadelphia, Pennsylvania, reported that unknown individuals had stolen and used credit card numbers assigned to the Mint's Procurement Division. The investigation disclosed that a Mint employee (now on indefinite suspension) provided several credit card numbers to two co-conspirators, who, in turn, used the card numbers to purchase various items of value. These items included restaurant gift certificates, gift certificates for children's clothing, bedding and cruises. The credit card numbers were used in an attempt to defraud the Federal Government and private business establishments of more than \$3,550. Total completed fraud was over \$1,700.

Sentencing is pending for the two individuals who pled guilty to the charges. Trial is scheduled for the third co-conspirator, the suspended Mint employee. (OIG)

Senate Finance Committee Requests Customs Internal Affairs Review

The Chairman of the Senate Committee on Finance requested OI to conduct an independent review of allegations outlining mismanagement and inappropriate disciplinary practices at Customs.

The review focused on the effectiveness of Customs Internal Affairs' investigations; assessed the basis for claims of agency mismanagement; and reviewed the application of penalties based upon established policies within Customs. OI will present its findings in a full report to the Committee. (OIG)

BEP Contractor Investigated

As the result of information developed by the OIG's Audit Directorate, a company under contract to BEP was investigated by the OIG's Investigations Directorate. The investigation focused on potential contract overcharges for both the production and transportation of the product supplied to BEP, totaling more than \$8 million. The United States Attorney's Office declined criminal and civil prosecution against the contractor, and BEP has advised the OIG that corrective actions have been taken. BEP's written response to the OIG Report of Investigation is pending. (OIG)

ATF Employee Terminated for Harboring a Fugitive

Information received from a member of a Federal Bureau of Investigation Fugitive Task Force resulted in an ATF investigation and an intelligence research specialist's termination from employment. The investigation revealed that the employee gave law enforcement officers false information regarding the whereabouts of a fugitive from local authorities, violating state law regarding the obstruction of justice. The employee responded negatively to law enforcement officers on two occasions when asked if she knew the whereabouts of the fugitive, when, in fact, the fugitive was at her apartment. Ultimately, the fugitive was arrested at the employee's apartment. (ATF Inspection)

Customs Inspector Resigns

A Customs Internal Affairs investigation revealed that a Customs inspector conducted an unauthorized search of the Treasury Enforcement Communications System II (TECS) involving a Colombian national arrested on money laundering charges. The investigation was initiated after the inspector queried TECS regarding his sister-in-law, who was entered previously as an associate of his mother-in-law under investigation for money laundering. When questioned, the inspector lied about the circumstances of his query and withheld information regarding his relationship with both individuals. The inspector pleaded guilty to the theft of Government property and was sentenced to 6 months in prison, followed by 1 year of supervised release. (Customs Internal Affairs)

STATISTICAL SUMMARIES

This chapter contains statistical analyses of OIG and Offices of Internal Affairs and Inspection activities. Several of the analyses fulfill reporting requirements in the Inspector General Act, as amended.

STATISTICAL HIGHLIGHTS a/ APRIL 1998 - MARCH 1999			
	6 MONTHS ENDED		TOTAL
	9/30/98	3/31/99	
<u>AUDITS</u>			
Audit Reports	93	77	250
Recommended Monetary Benefits (in Thousands):			
Questioned Costs	\$2,727	\$124	\$2,851
Savings	2,898	293	3,191
Revenue Enhancements	<u>72,533</u>	<u>19,368</u>	<u>91,901</u>
Total	\$78,158	\$19,785	\$97,943
<u>EVALUATIONS</u>			
Evaluation Reports	1	3	4
<u>INVESTIGATIONS</u>			
Cases Opened	2,604 b/	504	3,108 b/
Cases Closed	2,380 b/	439	2,819 b/
Successful Prosecutions	123 b/	19	142 b/
Administrative Sanctions	544 b/	76	620 b/
Recoveries and Penalties (in Thousands)	\$3,162 b/	\$845	\$4,007 b/
<u>OVERSIGHT AND QUALITY ASSURANCE REVIEWS</u>			
Reviews and Analyses	2	8	10
a/ Includes statistics for the OIG and the Offices of Internal Affairs and Inspection at ATF, Customs, and Secret Service.			
b/ Investigative statistics for the 6-month period ending 9/30/98 included the IRS Inspection Service, which is now TIGTA.			

Audit and Evaluation Reports Issued by Bureau

Appendix A of this report lists individual audit and evaluation reports issued during the 6 months ended March 31, 1999.

OIG Audits and Evaluations	Reports
Multi-Bureau	2
ATF	6
OCC	2
Customs	16
DO	7
BEP	4
FLETC	1
FMS	2
IRS	8
Mint	2
BPD	15
Secret Service	8
OTS	2
Independent Entity	5
Total	80

Audit Reports With Questioned Costs

The term "questioned cost" means a cost that is questioned because of (1) an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation ("unsupported cost"); or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

The term "disallowed cost" means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

**OIG AUDIT REPORTS WITH QUESTIONED COSTS
6 MONTHS ENDED MARCH 31, 1999**

<u>Report Category</u>	<u>Number</u>	<u>Questioned Costs a/ (in Thousands)</u>	<u>Unsupported Costs a/ (in Thousands)</u>
1. For which no management decision had been made by the beginning of the reporting period	25	\$13,410	\$0
2. Which were issued during the reporting period	<u>3</u> b/	<u>124</u>	<u>0</u>
3. Subtotals (1 plus 2)	28	13,534	0
4. For which a management decision was made during the reporting period	7	10,622	0
■ dollar value of disallowed costs	4 c/	7,267	0
■ dollar value of costs not disallowed	4 c/	3,355	0
5. For which no management decision has been made by the end of the reporting period (3 minus 4)	<u>21</u>	<u>\$2,912</u>	<u>\$0</u>
6. Reports for which no management decision was made within six months of issuance	<u>18</u>	<u>\$2,788</u>	<u>\$0</u>

a/ "Questioned costs" includes "unsupported costs."

b/ All audits were performed by DCAA.

c/ One report was partially agreed to and partially not agreed to.

Audit Reports With Recommendations That Funds Be Put To Better Use

The term "recommendation that funds be put to better use" means a recommendation that funds could be used more efficiently if management took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) deobligations of funds from programs or operations; (3) costs not incurred by implementing recommended improvements related to operations; (4) avoidance of unnecessary expenditures noted in pre-award reviews of contract agreements; (5) any other savings which are specifically identified; or (6) enhancements to revenues.

The term "management decision" means the evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision concerning its response to such findings and recommendations, including actions concluded to be necessary.

**OIG AUDIT REPORTS WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE
6 MONTHS ENDED MARCH 31, 1999**

<u>Report Category</u>	<u>Number</u>	<u>Total</u>	<u>Savings (in Thousands)</u>	<u>Revenue Enhancements (in Thousands)</u>
1. For which no management decision has been made by the commencement of the reporting period	8	\$73,605	\$2,245	\$71,360
2. Which were issued during the reporting period	4 a/	<u>19,661</u>	<u>293</u>	<u>19,368</u>
3. Subtotals (1 plus 2)	12	93,266	2,538	90,728
4. For which a management decision was made during the reporting period	6	46,394	194	46,200
■ dollar value of recommendations that were agreed to by management	2 b/	125	125	0
■ based on proposed management action	2 b/	125	125	0
■ based on proposed legislative action	0	0	0	0
■ dollar value of recommendations that were not agreed to by management	5	46,269	69	46,200
5. For which no management decision has been made by the end of the reporting period (3 minus 4)	<u>6</u>	<u>\$46,872</u>	<u>\$2,344</u>	<u>\$44,528</u>
6. Reports for which no management decision was made within six months of issuance	<u>3</u>	<u>\$27,260</u>	<u>\$2,100</u>	<u>\$25,160</u>

a/ Two audits were performed by DCAA.

b/ One report was partially agreed to and partially not agreed to.

Disputed Audit Recommendations

The Inspector General Act requires Inspectors General to provide information on significant management decisions in response to audit recommendations, with which the Inspectors General disagree. As of March 31, 1999, there were no disagreements to report.

Undecided Audit Recommendations

The Inspector General Act requires a summary of each audit report which has been undecided for over 6 months. There were 21 such reports.

<u>Report Title and Date</u>	<u>Report Number</u>	<u>Amounts</u>
1. ATF Administration of Cover Over Payments to Puerto Rico and the Virgin Islands, 3/28/94 d/	OIG-94-063	3,160,000
2. Evaluation of Procurement Overhead Rates Under Contract TC-89-047, Review of Contractor's Accounts Payable Processing System, and Compliance with Cost Accounting Standard 412, 12/15/94 b/	OIG-95-029	10,234
3. Evaluation of Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Calendar Year Ending 12/31/92, 1/11/95 b/	OIG-95-033	69,284
4. Follow-Up Audit of the Federal Workers' Compensation Program at the U.S. Customs Service, 10/19/95 c/	OIG-96-007	2,100,000
5. Costs Incurred Under Contract TOS-91-31 for Calendar Year 1991, 3/12/96 a/	OIG-96-042	5,404
6. Costs Incurred Under Contract TOS-92-70 for Contract Audit Services, 7/26/96 a/	OIG-96-086	14,198
7. Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Calendar Year Ended December 31, 1993, 10/10/96 b/	OIG-97-002	135,662
8. Incurred Costs Under Contracts TC-90-049 and TC-95-018 for Fiscal Year 1995, 11/6/96 a/	OIG-97-013	12,084
9. Final Procurement Determined Indirect Cost Rates Claimed Under Contract TC-89-047 for Contractor Fiscal Year Ended December 31, 1992, 7/23/97 b/	OIG-97-113	33,774
10. Final Procurement Determined Indirect Cost Rates Claimed Under Contract TC-89-047 for Contractor Fiscal Year Ended December 31, 1993, 7/23/97 b/	OIG-97-114	112,884

11. Contract Termination Review Under Contract No. TIRNO-95-D-00059, Task Order IR-95-4515 for the Workflow Management Services, 8/22/97 a/	OIG-97-123	58,674
12. Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Fiscal Year Ended December 31, 1994, 9/15/97 b/	OIG-97-132	37,716
13. Verification of Voucher Costs, 9/24/97 a/	OIG-97-136	3,153
14. Verification of Subcontractor Costs Claimed Under Task Order IR-95-4515, 10/23/97 a/	OIG-98-008	4,144
15. Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Fiscal Year Ended December 31, 1995, 12/10/97 b/	OIG-98-025	39,071
16. Termination Settlement Proposal Submitted Under Contract IR-95-0059, Task Order IR-95-4515 for the Information Processing Support Services, 1/6/98 a/	OIG-98-031	6,673
17. Contractor's Fiscal Year Ended December 31, 1992, through 1994, Applicable to Contracts TOS-91-31 and TOS-94-25, 2/25/98 f/	OIG-98-045	562,205
18. Contractor's Offset Proposal, Applicable to Contract TEP-91-38(TN), 3/11/98 a/	OIG-98-058	1,174,425
19. Review of the Effectiveness of Using Commercial Bank Lock Boxes for Federal Income Tax Payments, 5/13/98 e/	OIG-98-097	22,000,000
20. Incurred Costs Contracts TEP-91-66 and TEP-95-06 for Fiscal Years 1995 and 1996, 7/7/98 a/	OIG-98-101	504,866
21. Incurred Costs Contractor's Fiscal Years Ended December 31, 1994, and 1995, 9/21/98 a/	OIG-98-119	3,488
TOTAL		\$30,047,939

a/ Contract negotiations have not yet been held or completed.
b/ Contract negotiations have not been held and the OIG is awaiting receipt of the negotiation documentation.
c/ The OIG is awaiting response from Bureau.
d/ Recommendation is awaiting decision from General Counsel.
e/ There is no corrective action plan in place.
f/ Contractor is under investigation by the OIG.

Significant Unimplemented Recommendations

The Inspector General Act requires identification of significant recommendations described in previous semiannual reports on which corrective actions have not been completed. The following lists of such unimplemented recommendations in OIG audit reports are based on information in the Department's automated tracking system, which is maintained by Treasury management officials. All of the recommendations are being implemented in accordance with currently established milestones.

<u>Report Number</u>	<u>Issue Date</u>	<u>Report Title/Potential Monetary Benefits and Recommendation Summary</u>
OIG-94-060	3/94	<p><i>U.S. Customs Service Antidumping and Countervailing (AD-CV) Duty Program</i></p> <p>Implement a Performance Measurement System for the AD-CV Duty Program that includes measures of quality, timeliness, and efficiency, and will allow Customs to assess how well the program has been implemented.</p>
OIG-94-063	3/94	<p><i>Alcohol, Tobacco, and Firearms Administration of Cover Over Payments to Puerto Rico and the Virgin Islands, \$3,160,000</i></p> <p>Implement the decision of the Department of the Treasury, Office of the General Counsel, on the timing of cover over payments.</p>
OIG-94-097	5/94	<p><i>FMS's Activities to Process and Monitor Agency Disbursements</i></p> <p>Ensure the correction of unresolved access control weaknesses for Regional Financial Center mainframes.</p>

OIG-97-025	1/97	<p><i>Financial Management Service's Internal Controls Over Processing Refunds</i></p> <p>Ensure the implementation of enhancements to the Treasury Receivable and Accounting Collection System and revisions to the Code of Federal Regulations and Gold Book. (Six recommendations)</p>
OIG-97-042	2/97	<p><i>Final Report on the U.S. Secret Service: Audit of Administratively Uncontrollable Overtime (AUO)</i></p> <p>Provide documented support with specific descriptions of AUO activities performed that clearly demonstrates that the overtime work performed meets the criteria for receiving AUO payments. (Two recommendations)</p>
OIG-97-121	8/97	<p><i>Follow-up Review of Financial Management Service Activities to Process and Monitor Agency Disbursements</i></p> <p>Ensure the correction of unresolved access control weaknesses for Regional Financial Center mainframes.</p>
OIG-98-033	3/98	<p><i>U.S. Customs Service Advance Passenger Information System</i></p> <p>Analyze data from the advance passenger system that result in low interception rates.</p>
OIG-98-060	3/98	<p><i>Treasury Enforcement Communications System User's Needs</i></p> <p>Ensure that a policy is issued requiring Customs' users to take mandatory computer-based TECS training. (Two recommendations)</p>
OIG-98-068	3/98	<p><i>Customs' Reorganization to Streamline Operations</i></p> <p>Establish definitive performance measures for CMC Mission Support Teams, to facilitate assessment of their efforts and the overall effectiveness of CMC operations. (Three recommendations)</p>
OIG-98-069	3/98	<p><i>ATF's Integrated Ballistics Identification System (IBIS)</i></p> <p>Establish a baseline level of activity to ensure IBIS is placed in locations most needed, and track direct and indirect costs for using IBIS.</p>

Revised Management Decisions

The Inspector General Act requires Inspectors General to provide a description and explanation of the reasons for any significant revised management decisions made during the reporting period. There were no such decisions during this reporting period.

Legislative and Regulatory Review

The Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the Department and to make recommendations concerning their impact. The OIG reviewed and commented on 21 Treasury Directives and Treasury Orders in the 6 months ended March 31, 1999. In addition, the OIG reviewed and commented on two existing and proposed legislative items.

Hotline Allegations

The table below summarizes allegations of fraud, waste, misconduct, mismanagement, and assault received through "800" hotline numbers during the 6 months ended March 31, 1999. It does not include (1) allegations received by the OIG and Treasury Offices of Inspection and Internal Affairs through other sources; (2) inquiries on taxes and other matters which are referred informally to Treasury program managers and others for appropriate disposition; or (3) pending allegations for which dispositions have not been determined.

<u>Disposition of Allegations</u>	<u>Organization</u>		
	<u>Total</u>	<u>OIG</u>	<u>USCS</u>
Referred for investigative or audit inquiry	1	1	0
Referred to program managers	25	25	0
Referred to other agencies	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>27</u>	<u>27</u>	<u>0</u>
1-800-359-3898 OIG Hotline			
1-800-BE-ALERT Customs Hotline			

Caseload Accounting

This table accounts for the caseload of the OIG and Offices of Internal Affairs and Inspection for the 6 months ended March 31, 1999. The beginning balance of cases, plus the cases opened, minus the cases closed, equals the ending balance of open cases.

	Organization				
	<u>Total</u>	<u>OIG</u>	<u>ATF</u>	<u>USCS</u>	<u>USSS</u>
Number of open cases at the beginning of the period	1,144*	346*	124	622*	52*
Number of cases opened during the period	504	12	77	389	26
Number of cases closed during the period	439	10	84	312	33
Number of open cases at the end of the period	1,209	348	117	699	45
*Figures adjusted from previous Semiannual Report.					

Nature of Allegations

The table below classifies the nature of allegations for investigative cases opened during the period. The number of allegations equals the number of cases opened because only the most significant allegation per case was counted.

	Organization				
	<u>Total</u>	<u>OIG</u>	<u>ATF</u>	<u>USCS</u>	<u>USSS</u>
Bribes, graft, kickbacks	37	0	0	37	0
Procurement and contract irregularities	4	1	3	0	0
Assaults/threats	14	0	3	10	1
False statements and claims	37	4	3	30	0
Theft/misuse of funds/property	71	0	17	54	0
Drug abuse and control	4	0	4	0	0
Impersonating a Government official	0	0	0	0	0

Criminal – Other	98	2	4	89	3
Sexual Harassment	27	0	2	25	0
Improper conduct or disclosure	170	3	27	129	11
Non-Criminal – Other	<u>42</u>	<u>2</u>	<u>14</u>	<u>15</u>	<u>11</u>
Total Allegations	<u>504</u>	<u>12</u>	<u>77</u>	<u>389</u>	<u>26</u>

Prosecutive Actions

The chart below accounts for the prosecutive actions of the OIG and Offices of Internal Affairs and Inspection for the 6 months ended March 31, 1999. The number of pending cases at the beginning of the period, plus the cases referred to prosecutive authorities, less the cases accepted for prosecution, less the declinations, equals the pending cases at the end of the period.

	Organization				
	<u>Total</u>	<u>OIG</u>	<u>ATF</u>	<u>USCS</u>	<u>USSS</u>
Number of cases pending prosecutive decision at the beginning of the period	25	2	3	13	7
Number of cases referred to prosecutive authorities during the period	53	9	7	35	2
Number of cases accepted for prosecution during the period	12	3	0	6	3
Number of declinations during the period	42	7	9	26	0
Number of cases pending prosecutive decision at the end of the period	24	1	1	16	6

Successful Prosecutions

This chart shows the number of successful prosecutions involving the cases of the OIG and Offices of Internal Affairs and Inspection during the 6 months ended March 31, 1999. Successful prosecutions include the number of individuals who as a result of investigations (1) are found guilty by a Federal or state court, (2) are accepted for pretrial diversion agreements by the Department of Justice, or (3) are granted plea bargaining agreements.

<u>Organization</u>	<u>Prosecutions</u>
OIG	3
ATF	0
USCS	12
USSS	<u>4</u>
Total	<u>19</u>

Administrative Sanctions

This chart shows the number of personnel actions and the number of suspensions and debarments of contractors involving cases of the OIG and Offices of Internal Affairs and Inspection.

<u>Organization</u>	<u>Personnel Actions</u>	<u>Suspensions and Debarments</u>
OIG	4	0
ATF	23	0
USCS	42	0
USSS	<u>7</u>	<u>0</u>
Total	<u>76</u>	<u>0</u>

Investigative Monetary Benefits

This table summarizes monetary benefits relating to investigations of the OIG and Offices of Internal Affairs and Inspections.

<u>Organization</u>	<u>Total</u>	<u>Recoveries</u>	<u>Criminal Penalties</u>	<u>Administrative Penalties</u>	<u>Savings</u>
OIG	\$117,114	\$30,964	\$86,150	\$0	\$0
ATF	0	0	0	0	0
USCS	653,254	523,958	129,296	0	0
USSS	<u>74,303</u>	<u>0</u>	<u>74,303</u>	<u>0</u>	<u>0</u>
Total	<u>\$844,671</u>	<u>\$554,922</u>	<u>\$289,749</u>	<u>\$0</u>	<u>\$0</u>

Access to Information

The Inspector General Act requires Inspectors General to report on unreasonable refusals of information available to the agency which relate to programs and operations for which the Inspector General has responsibilities. There were no instances to report where information or assistance requested by the Inspector General or the Offices of Internal Affairs and Inspection were unreasonably refused.

APPENDIX A: REPORT LISTING 1/

October 1, 1998 Through March 31, 1999

OIG Audits and Evaluations

Multi-Bureau

Treasury's Information Technology Solicitations and Contracts Compliance with Year 2000 Requirements, OIG-CA-99-002, 3/3/99

Department of Treasury's Fiscal Year 1998 Financial Statements, OIG-99-054, 3/25/99

Bureau of Alcohol, Tobacco and Firearms

Review of Two Bureau of Alcohol, Tobacco and Firearms' Performance Measures, OIG-97-E05, 12/4/98

Bureau of Alcohol, Tobacco, and Firearms' Registration and Recordkeeping of the National Firearms Registration and Transfer Records, OIG-99-009, 10/26/98

Bureau of Alcohol, Tobacco and Firearms' Administration of National Firearms Registration and Transfer Record, OIG-99-018, 12/18/98

Year 2000 Compliance Effort at the Bureau of Alcohol, Tobacco, and Firearms, OIG-99-021, 12/18/98

Contractor's Price Proposal Submitted in Response to Solicitation BATF-99-1 for Information Technology Support Services Applications, Maintenance and Software Development, OIG-99-052, 3/19/99

Bureau of Alcohol, Tobacco and Firearms' Fiscal Year 1998 Financial Statements, OIG-99-053, 3/19/99

Office of the Comptroller of the Currency

Office of the Comptroller of the Currency's Supervision of National Banks' Year 2000 Compliance Efforts - Initial Phases, OIG-CA-99-001, 11/3/98

Year 2000 Compliance Effort at the Office of the Comptroller of the Currency, OIG-99-029, 1/12/99

U.S. Customs Service

Incurred Costs for Contractor's Fiscal Year Ended December 31, 1996, OIG-99-001, 10/1/98

**1/ Amounts shown for some reports represent recommended monetary benefits.
Q = Questioned Costs; S = Savings; R = Revenue Enhancements.**

Incurring Costs Under Contracts TOS-92-20, TC-95-051, and TC-96-014 for Fiscal Years 1995 and 1996, OIG-99-003, 10/15/98

Incurring Costs Under Contracts TC-95-025 for Fiscal Year 1996, OIG-99-004, 10/16/98

Incurring Costs for Fiscal Years 1995 and 1996, OIG-99-005, 10/20/98

Inbound Rail Cars on the Southern Border, OIG-99-006, 10/21/98

Customs Service Mitigation of Penalties, OIG-99-007, 10/21/98, **\$10,000,000 R**

Incurring Costs Under Contract TC-93-029 for Fiscal Year 1994 and 1995, OIG-99-010, 10/28/98, **\$84,030 Q**

Contractor's Labor Accounting System and Internal Controls, OIG-99-016, 11/18/98

Texas A&M Grant #TOS-95-29G, OIG-99-019, 12/16/98

Revised Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Fiscal Year Ended December 31, 1994, OIG-99-028, 1/7/99, **\$27,350 Q**

Incurring Costs for Fiscal Years 1996 and 1997, OIG-99-041, 3/9/99

Contractor's Forward Pricing Indirect Rates and Factors, OIG-99-043, 3/11/99

Combined Agency Border Intelligence Network, OIG-99-045, 3/15/99

Contractor's Forward Pricing Indirect Rates and Factors, OIG-99-047, 3/16/99

Incurring Costs Under Contracts TC-88-020, TC-92-005, TC-009, TC-94-005, TC-94-008 and TC-95-047 for Fiscal Years 1993, 1994, 1995, and 1996, OIG-99-049, 3/16/99

Customs Service's Fiscal Year 1998 Financial Statements, OIG-99-050, 3/17/99

Departmental Offices

Departmental Security Operations, OIG-98-E01, 10/15/98

Assessment of the OIG's Strategic Planning Process, OIG-98-E05, 10/29/98

Year 2000 Compliance Effort at the Departmental Offices, OIG-99-038, 2/25/99

Treasury Communications System Automated Information System Security Program, OIG-99-039, 2/24/99

The Core Component of the Community Development Financial Institutions Program, OIG-99-040, 2/25/99

Audited Fiscal Years 1998 and 1997 Financial Statements of the Exchange Stabilization Fund, OIG-99-071, 3/29/99

Audited Departmental Offices Fiscal Year 1998 Accountability Report and Consolidated Financial Statements, OIG-99-072, 3/26/99

Bureau of Engraving and Printing

Follow-up Audit of the Bureau of Engraving and Printing's Vault Security, OIG-99-014, 2/12/99

Direct and Indirect Cost and Rates Claimed Under Prime Contract TIRNO-95-00065 and Subcontracts S95-00178, 95H-0005, and 96H-0003 for Fiscal Year 1996, OIG-99-034, 1/26/99

Audited Fiscal Year 1998 Financial Statements of the Bureau of Engraving and Printing, OIG-99-055, 3/19/99

Year 2000 Compliance Effort at the Bureau of Engraving and Printing, OIG-99-058, 3/24/99

Federal Law Enforcement Training Center

Year 2000 Compliance Effort at the Federal Law Enforcement Training Center, OIG-99-023, 12/21/98

Financial Management Service

FMS Adequately Processed CMIA Interest Liabilities But Questions Remain, OIG-99-027, 1/4/99

Audited Salaries and Expense Appropriation and Miscellaneous Accounts Fiscal Year 1998 Financial Statements of the Financial Management Service, OIG-99-074, 3/31/99

Internal Revenue Service

Contractor's Timekeeping Practices, OIG-99-002, 10/8/98

Incurred Costs for Contractor's Fiscal Years 1994, 1995, and 1996, OIG-99-008, 10/27/98

Follow-Up Audit of the Treasury Department's Oversight of IRS' Tax Systems Modernization Program, OIG-99-012, 11/6/98

Incurred Costs Under TIRNO-94-D-00090 for Fiscal Year 1995, OIG-99-013, 11/10/98

Incurred Costs for Fiscal Year 1997, OIG-99-017, 12/15/98, **\$12,840 Q**

Direct and Indirect Cost and Rates Claimed Under Contract TIR-92-0014 for Fiscal Year Ended June 30, 1994, OIG-99-030, 1/13/99

Revised Direct and Indirect Costs and Rates Claimed Under Contract TIRNO-95-00065 for Fiscal Year 1997, OIG-99-031, 1/19/99

Direct and Indirect Cost and Rates Claimed Under Prime Contract TIRNO-95-D-00065 for Contractor Fiscal Years 1992 Through 1995, OIG-99-035, 1/26/99

U.S Mint

Year 2000 Compliance Effort at the U.S. Mint, OIG-99-026, 12/30/98

Audited Statements of Custodial Gold and Silver Reserves for the United States Mint as of September 30, 1998 and 1997, OIG-99-037, 3/15/99

Bureau of the Public Debt

Year 2000 Compliance Effort at the Bureau of the Public Debt, OIG-99-020, 12/15/98

Transfer Fee Revenue Has Been Insufficient to Recover the Cost of Trading Treasury Securities, OIG-99-025, 12/22/98, **\$9,368,300 R**

Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Federal Investment Branch, OIG-99-051, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Unemployment Trust Fund for the Year Ended September 30, 1998, OIG-99-059, 3/23/99

Schedule of Loans Receivable From Federal Entities and Related Interest Receivable Serviced by the Treasury Bureau of the Public Debt at September 30, 1998, OIG-99-060, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Hazardous Substance Superfund Trust Fund for the Year Ended September 30, 1998, OIG-99-061, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Federal Old Age And Survivors Insurance Trust Fund for the Year Ended September 30, 1998, OIG-99-062, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Federal Disability Insurance Trust Fund for the Year Ended September 30, 1998, OIG-99-063, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Black Lung Disability Trust Fund for the Year Ended September 30, 1998, OIG-99-064, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Airport and Airway Trust Fund for the Year Ended September 30, 1998, OIG-99-065, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Aquatic Resources Trust Fund for the Year Ended September 30, 1998, OIG-99-066, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Federal Supplementary Medical Insurance Trust Fund for the Year Ended September 30, 1998, OIG-99-067, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Oil Spill Liability Trust Fund for the Year Ended September 30, 1998, OIG-99-068, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Federal Hospital Insurance Trust Fund for the Year Ended September 30, 1998, OIG-99-069, 3/23/99

The Treasury Bureau of the Public Debt Trust Fund Management Branch Custodial Financial Statements for the Highway Trust Fund for the Year Ended September 30, 1998, OIG-99-070, 3/23/99

U.S. Secret Service

Secret Service's Fiscal Year 1997 Financial Statements, OIG-99-011, 11/10/98

Use of High Intensity Drug Trafficking Area Funds by the United States Secret Service, OIG-99-015, 11/17/98

Year 2000 Compliance Effort at the United States Secret Service, OIG-99-024, 12/21/98

Proposal Submitted in Response to Solicitation USSS980021 for Personal Computers, Printers and LAN Maintenance, OIG-99-033, 1/25/99, **\$49,200 S**

Contractor's Timekeeping Practices, OIG-99-042, 3/11/99

Labor Hours, Rates, and Other Direct Costs Incurred for Contractor's Fiscal Year Ended December 31, 1997, OIG-99-044, 3/16/99

Incurred Costs Under Contract TSS-94-0027 for Fiscal Years 1993, 1994, 1995, and 1996, OIG-99-046, 3/16/99

Offeror's Price Proposal Submitted in Response to Solicitation TSS-99-0004 for Paralegal Support Services, OIG-99-048, 3/16/99, **\$244,070 S**

Office of Thrift Supervision

Year 2000 Compliance Effort at the Office of the Thrift Supervision, OIG-99-022, 12/23/98

Office of Thrift Supervision Phase II Year 2000 Examinations, OIG-CA-99-003, 3/30/99

Independent Entity

Financial Crimes Enforcement Network Suspicious Activity Reporting System, OIG-99-032, 1/25/99

Year 2000 Compliance Effort at the Financial Crimes Enforcement Network, OIG-99-036, 1/27/99

Audited Financial Statements of the Community Development Financial Institutions Fund for Fiscal Years 1998 and 1997, OIG-99-056, 3/19/99

Audited Financial Statements of the Federal Financing Bank for the Fiscal Years 1998 and 1997,
OIG-99-057, 3/22/99

Audited Fiscal Year 1998 Financial Statements of the International Assistance Programs, OIG-99-
073, 3/31/99

APPENDIX B: CROSS REFERENCES TO INSPECTOR GENERAL ACT 1/

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1/ As Amended