

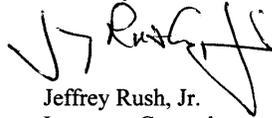
The Honorable Lawrence H. Summers
Secretary of the Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

Enclosed is my Semiannual Report to the Congress. This report summarizes the activities of this office for the six-month period ending September 30, 1999.

The employees of the Office of Inspector General hope that you find their audits and investigations contribute to the economy, efficiency, and effectiveness of the Department.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Rush, Jr.", with a stylized flourish at the end.

Jeffrey Rush, Jr.
Inspector General

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The Office of Inspector General (OIG) issued 66 audit reports and 1 evaluation report during the reporting period which recommended \$59.3 million be put to better use and identified \$3.8 in questioned costs. Monetary benefits relating to investigations conducted by the OIG exceeded \$590,000. The following summaries represent major issues and concerns for the second half of Fiscal Year (FY) 1999.

FINANCIAL MANAGEMENT

Audit reports were issued for the FY 1998 financial statements of the Treasury Forfeiture Fund (TFF), the U.S. Mint (Mint), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS). Each of these entities received unqualified opinions on their financial statements; however, continuing material weaknesses were reported in the internal control structures at TFF and the Mint. The audit of OCC identified three material weaknesses in the internal control structure which were reported for the first time. (See pages 7 to 11.)

PERFORMANCE AUDITS

Inbound Rail Cars on the Northern and Southern Borders

As part of a series of audits to assess U.S. Customs Service (Customs) drug interdiction efforts nationwide, the OIG conducted two inbound rail car audits. During FY 1997, 2.1 million rail shipments entered the United States. Accordingly, the OIG reviewed Customs processes to examine those shipments at the northern and southern borders. This review revealed that enforcement efforts are not keeping pace with concerns relative to the increasing narcotics threat via rail cars at the ports of entry along the northern and southern borders. Specifically, the OIG found that Customs lacked border action plans or current port threat assessments; secure holding areas; sufficient rail examination facilities and equipment; and sufficient, experienced/adequately trained staff. In addition, Customs did not always maintain accurate statistics on rail cars or examinations thus impeding its oversight activities. (See page 12.)

Government Performance and Results Act (Results Act)

As part of its continuing work on the Results Act, the OIG reviewed key performance measures in selected bureaus and issued two reports (*Review on Selected Counterfeit Performance Measures of the Secret Service and ATF Needs to Ensure that the Accomplishments of the Achilles Program are Accurately Reported*) during this reporting period. The audit conducted at the U.S. Secret Service (Secret Service) identified differences in various accomplishment reports and Secret Service's Counterfeit Contraband System. The primary cause of the differences was due to undocumented adjustments made to the statistical information and problems with cutoff procedures over data reported at Secret Service field offices. At the Bureau of Alcohol, Tobacco and Firearms (ATF), the OIG found that data reported by headquarters did not fully reflect the accomplishments of field offices because of internal control weaknesses in ATF's

Overview

case tracking and reporting system. The OIG also found that AFT did not keep accurate cost data on the Achilles program, thus preventing an assessment of the program's overall effectiveness. As a result of these audits, the OIG made several recommendations to improve the quality of performance information reported at Secret Service and ATF, respectively. (See pages 13 to 14, and 16.)

Controls Over Tax-Free Exports

In the first of a series of planned audits of controls over tax-free exports, the OIG reviewed ATF's controls over tax-free exports of distilled spirits. The OIG found that management controls need greater attention. Specifically, ATF needs to (1) more thoroughly review the adequacy of export evidence that supports claimed exports, (2) update its export tracking logs to ensure that distilled spirits plants submit export evidence, and (3) conduct more third party verifications of exported shipments.

In all, the OIG made seven recommendations addressing identified management control weaknesses. These recommendations included assessing \$66.6 million in excise taxes, plus interest, clarifying existing guidance, and increasing the use of third party verification. ATF concurred with the findings and recommendations and initiated corrective actions to address these recommendations. (See page 15.)

Review of Debt Collection Efforts within the Federal Government

To assist in the oversight of the Federal debt collection process, the OIG led a President's Council on Integrity and Efficiency/ Executive Council on Integrity and Efficiency (PCIE/ECIE) Government-wide review of non-tax delinquent debt. Sixteen Offices of Inspector General, including the Treasury OIG, collaborated in this review. The OIG plans on issuing the results of that effort during the next semiannual period.

In addition, the OIG conducted reviews of the Financial Management Service's (FMS's) cross-servicing process and FMS's oversight of private collection agencies (PCAs). These audits were performed to assess the implementation of specific Debt Collection Improvement Act (DCIA) provisions. Overall, the OIG concluded that the processes are generally effective in reducing non-tax delinquent debt. However, the review identified several areas where improvements are needed. With reference to FMS's cross-servicing function, the OIG found that FMS needs to strengthen its procedures for designating debt collection centers and for providing waivers to the transfer provisions of the DCIA. Regarding PCAs, the OIG also identified several operational areas where FMS can make improvements. (See pages 16 to 17.)

Treasury's Year 2000 (Y2K) Compliance Effort

During the past 18 months, the OIG has evaluated the Y2K conversion effort at many of the Department's bureaus and offices. At the end of the previous semiannual reporting period, the OIG was completing work at FMS, the last of 13 bureaus where the OIG

reviewed Y2K project management, conversion and certification processes, and contingency plans. A May 1999 report to the FMS Commissioner contained 14 recommendations to strengthen FMS' conversion efforts. In an August 1999 summary report to the Assistant Commissioner for Management and Chief Financial Officer, the OIG reported that the 13 bureaus had an infrastructure, skilled resources, and reasonable guidance in place to address the Y2K conversion task. However, that report did contain recommendations for improvement at five bureaus, including FMS. Specifically, the OIG recommended that the Department ensure bureaus implement a disciplined configuration management process to maintain Y2K conversion integrity, coordinate testing of data exchange interfaces with exchange partners, and prioritize the preparation and testing of contingency plans.

In August 1999, the OIG also completed work at the Mint to further evaluate its processes for systems compliance testing and contingency planning. This work disclosed that the Mint had not subjected its new Consolidated Information System (COINS) to specific tests for Y2K compliance. COINS replaced a number of mission critical legacy systems and was the Mint's principal solution for Y2K. The Mint also had not prepared contingency plans for all of its core business processes and mission critical systems so that essential services could be provided in the event of a Y2K-induced failure. The Mint agreed with the OIG recommendation that management closely monitor and facilitate the completion of Y2K compliance testing and the development and testing of contingency plans. (See page 18.)

As of the end of this semiannual reporting period, the OIG is in the process of determining the accuracy of the Department's external reporting on Y2K compliance of mission-critical systems and the effectiveness of the Department's oversight of business continuity and contingency planning efforts by bureaus. This on-going work is focused on those bureaus and offices whose mission-critical systems have the greatest impact to the public and Treasury operations (Customs, ATF, FMS, Bureau of Public Debt (BPD), and the Department's telecommunications system). At Customs and FMS, the OIG is coordinating Y2K review efforts with the General Accounting Office.

Data Security

Data Security in automated systems continues to be an important issue for the Department of the Treasury as it is for other Government agencies. This year, in its *Report on the U. S. Customs Service's Fiscal Year 1998 Financial Statements*, the OIG identified deficiencies in Customs' ability to provide for timely restoration of mission-critical systems. The OIG issued a follow-on report, *Audit of the U.S. Customs Service's Continuity of Operations Capability*, which details the significant operational impact that could result from deficiencies in Customs' disaster recovery capability and other data security weaknesses. The OIG is planning to conduct several data security audits in FY 2000.

Overview

INVESTIGATIVE ACTIVITIES

Quality Assurance and Oversight Reviews

The OIG conducted quality assurance and oversight reviews at three Treasury Law Enforcement bureaus this past reporting period. Each review focused on the quality of investigations being conducted by the Offices of Internal Affairs and Inspection at ATF, Customs, and Secret Service. (See page 23.)

Under the provisions of the Inspector General Act of 1978, as amended, Treasury's OIG reports to the Congress semiannually on its activities. This report, which covers the second half of FY 1999, describes major issues and concerns identified during 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:

- **Audit**
- **Investigations**
- **Legal Counsel**
- **Management Services**

The OIG's mission is to conduct independent audits and investigations 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, this report includes a summary of the significant activities of the Offices of Internal Affairs and Inspection at ATF, Customs, and Secret Service. The Inspector General is responsible for oversight of the internal investigations conducted by these offices.

TREASURY MISSION, FUNCTIONS AND ORGANIZATION

Treasury's mission is to promote prosperous and stable American and World economies; manage the Government's finances; protect our financial systems and our nation's leaders, and foster a safe and drug-free America; and continue to build a strong institution for the future.

Treasury is organized into 13 bureaus and 12 offices. The Treasury Bureaus make up 98 percent of the Treasury work force and are responsible for carrying out specific operations assigned to the Department. The Treasury Offices are composed of divisions headed by Assistant Secretaries and are primarily responsible for policy formulation and overall management of the Treasury Department.

The OIG performs 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 145,000 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

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activities, including collecting and borrowing the money to run the United States Government, and enforcing Federal laws.

TREASURY EMPLOYMENT FIGURES

DEPARTMENT OF THE TREASURY	
Fiscal Year 1999	
Bureau/Office	Employees
OIG	282
ATF	4,141
Bureau of Engraving and Printing (BEP)	2,589
BPD	1,573
Departmental Offices ¹ (DO)	2,140
Federal Law Enforcement Training Center (FLETC)	602
FMS	2,140
IRS ²	99,798
OCC	3,074
OTS	1,275
Customs	20,154
Mint	2,466
Secret Service	<u>5,194</u>
Total	<u>145,428</u>

¹ Employment figures for the Financial Crimes Enforcement Network (FinCEN), the Community Development Financial Institutions (CDFI) Fund, and the TFF are included within Departmental Offices.

² Under provisions of the IRS Restructuring Act of 1998, the Treasury Inspector General for Tax Administration will exercise all duties and responsibilities on all matters relating to IRS.

FINANCIAL AUDITS

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

The process of preparing and auditing financial statements has resulted in the identification of areas for financial management improvements. 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 statements audit work at the Department is primarily based on the 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. These bureaus are designated by OMB under GMRA. The Federal debt managed by BPD and the Federal operating cash managed by FMS are also audited.

Financial statements audits required by other statutes or management initiatives, which are incorporated into the overall audit plan, include BEP, Federal Financing Bank, Government Trust Funds, OCC, the Mint, Treasury Forfeiture Fund, OTS, Exchange Stabilization Fund, FMS, Treasury International Assistance Programs, DO, and CDFI Fund. Beginning in FY 1999, the annual financial statements related to the District of Columbia (D.C.) pension liabilities assumed by the Department will also be audited. 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.

As in prior years, a combination of OIG, the General Accounting Office (GAO), and contractor audit resources will be utilized to meet the FY 1999 financial statements audit requirements at the Department. The OIG will audit the Department of the Treasury’s consolidated financial statements, Customs, the Exchange Stabilization Fund, Treasury International Assistance Program, the D.C. Pension statements, and the Mint gold and silver reserves. GAO will audit the IRS financial statements, BPD’s schedule of Federal debt and the operating cash of the Federal Government managed by FMS. The OIG will review GAO’s work in order to report on the Department’s consolidated financial statements.

The OIG will provide contract oversight and perform quality control reviews for audits undertaken by Independent Public Accountants (IPAs) at ATF, DO, the Federal

Audit Activities

Financing Bank, Treasury Forfeiture Fund, BEP, and the Mint. In addition, IPAs will audit OCC, OTS, CDFI Fund, Government Trust Funds, and the Schedule of Loans Receivable Serviced by BPD, all of which will be subject to OIG oversight.

Treasury Department's Consolidated Financial Statements

In the March 1999 Semiannual Report, the OIG highlighted the audit results of the Department's FY 1998 consolidated financial statements which were incorporated into the Department of the Treasury Accountability Report for Fiscal Year 1998. 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").

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. The material weaknesses that were identified related to financial management and reporting at IRS and electronic data processing general controls at certain bureaus. Other reportable conditions addressed financial management improvements needed at the Financial Management Service, Departmental Offices, and certain other component entities.

There were three instances of noncompliance with applicable laws and regulations. The Department was not in compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996, and IRS' installment agreements were 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.

A key challenge for the Department is to 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 bureaus and component entities to address remaining material weaknesses, other reportable conditions, and noncompliances with laws and regulations. Resolution of these matters would enable the production of accurate, useful, and timely financial information throughout the year, facilitating informed decision making and successful annual audits while reducing significantly time spent on adjustments at year end. (Report #OIG-99-054)

Departmental Component Entity Financial Statement Audits

Highlights of the individual bureau and component entity audits for which final reports have been issued during the current period appear below.

■ An IPA rendered an unqualified opinion on the FY 1998 financial statements of the Treasury Forfeiture Fund (TFF). 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, FinCEN, FLETC, and the United States Coast Guard.

Although the IPA rendered an unqualified opinion on TFF's FY 1998 financial statements, the IPA reported four material weaknesses, three of which have previously been identified. Accounting records continued to be primarily 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. These two material weaknesses have existed since the inception of TFF in FY 1992. In addition, Customs' Seized Assets and Case Tracking System continues to be unreliable. The tracking system does not contain accurate and sufficient data needed 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 of which have previously been reported. They involved: (1) the use of different inventory tracking systems to analyze changes in seized and forfeited property, (2) improper 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. TFF could not ensure that funds, property, and other assets were safeguarded against loss from unauthorized use or disposition, and could not ensure that transactions were properly recorded and accounted for to maintain accountability over assets and permit the preparation of reliable financial statements. Secondly, TFF improperly recorded remissions/returns of seized and forfeited currency, thereby overstating its revenue.

The IPA's "Report on Compliance with Laws and Regulations" cited one repeat instance of noncompliance with applicable laws and regulations, exclusive of the FFMIA. 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. TFF continues to have material weaknesses that result in noncompliance with the Act. (Report #OIG-99-076)

■ An IPA rendered an unqualified opinion on the Mint's FY 1998 financial statement; however, one continuing material weakness was reported. The primary financial management system was comprised of diverse mainframe, manual, and personal

Audit Activities

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's new system, the Consolidated Information System, was brought on line during October and November 1998, but was not yet being used for routine financial reporting.

The IPA 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. (Report #OIG-99-078)

■ An IPA rendered an unqualified opinion on the Calendar Year (CY) 1998 financial statements of the Office of the Comptroller of the Currency. Although the OCC CY 1998 financial statements received an unqualified opinion, the IPA reported the following three material weaknesses:

1. Timely reconciliation of the Fund Balance with Treasury account with the U.S. Treasury records was not performed.
2. Account analyses and other significant accounting tasks were not performed and/or were not subjected to adequate supervisory review.
3. An adequate process was not in place for review and evaluation of the accounting treatment for unusual or non-routine financial events.

In addition, the IPA reported two reportable conditions that were not considered material weaknesses:

1. Policies and procedures were not adequately documented.
2. Adequate controls and procedures for payment of Prompt Payment Act penalties were not in place.

The IPA's Report on Compliance with Laws and Regulations disclosed instances of material noncompliance. Specifically, the material weaknesses noted above are instances of material nonconformance under OMB Circular No. A-127, *Financial Management Systems*, and the Federal Managers' Financial Integrity Act (FMFIA). OCC did not identify and report these instances of material nonconformance in its FMFIA report for the fiscal year ending September 30, 1998. Furthermore, the IPA noted instances of noncompliance with the Prompt Payment Act; however, these instances, though reportable, were not deemed material. (Report #OIG-99-134)

■ An IPA rendered an unqualified opinion on the CY 1998 and 1997 financial statements of the Office of Thrift Supervision. There were no material weaknesses or instances of noncompliance with applicable laws and regulations. (Report #OIG-99-089)

Audit Activities

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	Unqualified	3	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						
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						
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	Unqualified	0	Unqualified	0	Unqualified	0
NOTES						
<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. A separate audit opinion was not issued.</p>						

Audit Activities

PERFORMANCE AUDITS

Inbound Rail Cars on the Northern and Southern Borders

As part of a series of audits designed to assess Customs' drug interdiction efforts nationwide, the OIG reviewed Customs' shipment examination processes at the northern and southern borders. In FY 1997, about 2.1 million rail shipments entered the United States. The OIG found that enforcement efforts are not keeping pace with concerns regarding the increasing narcotics threat via rail cars at the nation's entry ports. This condition resulted from insufficient border action plans and current port threat assessments; unsecured holding areas; insufficient rail examination facilities and equipment; and a lack of sufficient, experienced, or adequately trained staff. In addition, Customs did not always maintain accurate statistics on rail cars or examinations, thus impeding their oversight activities. Customs agreed with the issues raised in both reports and initiated corrective action in accordance with the OIG's recommendations. (Reports #OIG-99-006 and #OIG-99-077)

Customs' Money Laundering Initiatives

Customs estimates that worldwide criminal organizations annually launder between \$100 to \$200 billion in monies derived from their illegal activities. Criminals continually seek new and different ways to launder their proceeds and maintain their criminal organizations. Keeping abreast of these activities requires that the law enforcement community aggressively investigate and use all resources, information and intelligence available.

The OIG reported (Report #OIG-99-102) that opportunities exist for Customs to expand its intelligence capabilities to better support the organization's strategic money laundering initiatives. The OIG recommended that Customs expand its intelligence capabilities and strengthen its money laundering initiatives by: (1) making more and better use of the Bank Secrecy Act (BSA) information and FinCEN's services, especially its artificial intelligence system, (2) improving coordination between investigators and inspectors, (3) providing access to BSA information for selected inspectors and others with the need-to-know, and (4) improving the reporting of BSA information. Customs generally agreed and took corrective action to address the OIG's recommendations.

The OIG also reported (Report #OIG-99-081) to the Under Secretary for Enforcement that the form required from individuals and businesses to declare currency and monetary instruments (Customs Form 4790: Report of International Transportation of Currency or Monetary Instruments) was outdated and did not include certain financial instruments as reportable instruments under the revised regulations. FinCEN and Customs were aware that the document was outdated but could not agree which agency was responsible for updating the form. As a result, these monetary instruments were not being reported as required under the BSA. The OIG recommended the Under Secretary direct the

appropriate agency to update the declaration form so it conforms to the BSA regulations. (Reports #OIG-99-081 and #OIG-99-102)

Customs' Controls Over High Intensity Drug Trafficking Area (HIDTA) Funds

For various initiatives to combat drug trafficking, Customs received over \$12 million from the Office of National Drug Control Policy (ONDCP) in FY 1996 and FY 1997 combined. An OIG audit reviewed the adequacy of Customs' financial and management controls over these funds, commonly known as HIDTA funds.

The audit covered three geographically dispersed Customs' law enforcement offices which received in total over \$3.5 million in FY 1996 and FY 1997. The OIG found that controls over HIDTA funds varied from office to office, and centralized oversight was lacking. In some instances, controls were adequate. In others, controls were severely absent, leaving Customs vulnerable to fraud and mismanagement. In fact, the OIG could not audit approximately \$1.4 million in HIDTA funds at one location.

As with the control weaknesses, the underlying causes varied from site to site. These included fundamental breakdowns such as the lack of sufficient separation of duties, flawed budgetary controls resulting in the lapsed funds exceeding \$310,000, untimely ONDCP financial reporting, and a lack of documentation to substantiate claimed HIDTA expenditures.

The OIG report included several recommendations specifically addressing the reported control weaknesses. Aside from correcting the identified problems, the OIG also highlighted one Customs office as warranting special attention. Customs concurred with the OIG recommendations and has begun to take corrective action.

This report is not available to the general public given the report's content. Customs requested that the report be designated for "Limited Official Use" as provided under Treasury Directive 71-10, "Department of the Treasury Security Manual," which provides for special handling and safeguards. (Report #OIG-99-094)

Statistics on ATF Achilles Program Accomplishments

An OIG audit found that ATF enforcement data does not accurately reflect the accomplishments of the agency's Achilles program. Achilles is a law enforcement program implemented by ATF to enforce the 1986 amendments to the Armed Career Criminal and Comprehensive Crime Control Acts. These acts provide for mandatory prison sentences for armed drug traffickers and career criminals.

ATF reported that from 1988 through 1997, the Achilles program produced 21,410 criminal cases and resulted in 32,025 defendants being recommended for prosecution. During this period, 7,413 individuals were sentenced to 68,855 years of incarceration.

Audit Activities

However, in reviewing case data at ATF field offices and headquarters, the OIG found that this data did not fully reflect the accomplishments of the ATF field offices. This was caused by internal control weaknesses in ATF's case tracking and reporting system.

In addition to errors in reporting accomplishments, the OIG found that ATF also did not keep accurate cost data on the Achilles program. As a result, the OIG could not assess the return on investment of the program or its overall effectiveness. The OIG concluded that management's decision-making regarding this program would be affected by this underreported data. In addition, this condition would impact results reported for two key performance measures, Future Crimes Avoided and Crime Related Costs Avoided, which ATF is measuring under the Results Act.

The OIG recommended that ATF change its policies and procedures for documenting, reconciling, and reporting case results. ATF concurred and is in the process of taking corrective action. ATF is also developing a complementary cost accounting system to track program costs. (Report #OIG-99-086)

ATF's HIDTA Program in Puerto Rico and Miami

The Anti-Drug Abuse Act of 1988 established the ONDCP and tasked it to develop a National Drug Control Strategy to address reducing illegal drug use and its consequences. The Act also established the HIDTA Program and charged the Director of ONDCP to designate areas of the country as HIDTAs. The HIDTA Program is a joint effort of Federal, state, and local law enforcement for drug interdiction, investigation, prosecution, treatment, and prevention. ONDCP provides resources to agencies participating in HIDTA task forces around the country beyond their general agency appropriations.

The OIG audited ATF's use of HIDTA funds after it found problems with the accounting for and expensing of funds at an IRS office. The OIG reviewed the use of HIDTA funds on a larger scale at Treasury's law enforcement bureaus.

The OIG determined that ATF's accounting system and accounting controls provide reasonable assurance that HIDTA funds have been adequately accounted for and reported. However, the OIG found that the Puerto Rico and Miami HIDTAs, as well as the Miami Field Division (MFD), which provides administrative support to both HIDTAs, did not always adhere to program guidelines, and that implementation of local accounting and management controls needs strengthening.

For FY 1996 and 1997, the OIG found that: (1) HIDTA funds were used for non-HIDTA related travel, (2) equipment purchased with HIDTA funds was never delivered to or used by HIDTA offices, and (3) HIDTA general expense funds were used for non-HIDTA related expenses and case work activities. The OIG estimates that these conditions have led to over \$74,300 in inappropriate spending by ATF in the Puerto Rico and Miami HIDTAs, and the MFD. In addition, the OIG found that ATF did not plan or budget

HIDTA funding needs effectively, so that more than \$140,000 in HIDTA funds were not available for use by ATF during the two years under review.

The OIG recommended that: (1) ATF HIDTA program officials receive complete guidance and training in the appropriate use, accounting for, and management of HIDTA funds, (2) program officials, supervisors, and administrative support staff properly follow ONDCP and agency procedures for ordering, receiving, storing, controlling, and accounting for HIDTA equipment, (3) program officials and supervisors have complete and continual access to their budget information, and they maintain better control over their HIDTA funds, (4) local accounting controls are strengthened and a system for tracking agency funds spent on behalf of HIDTA is established, and (5) HIDTA program officials determine if similar conditions exist at the other five ATF HIDTA locations and take corrective actions, if necessary. ATF generally concurred with all of the recommendations and indicated that they would take the necessary steps to correct these weaknesses. (Report #OIG-99-092)

ATF Controls Over Tax-Free Spirits Exports

An OIG audit of ATF controls over tax-free exports of distilled spirits found that management controls need attention. Specifically, management controls could be improved by:

- More thoroughly reviewing the adequacy of export evidence that support claimed exports. The OIG estimated that ATF could assess at least \$66.6 million of taxes on shipments that had improper export evidence or no export evidence.
- Updating ATF export tracking logs to ensure that distilled spirits plants (DSPs) submitted export evidence to ATF. As of August 1998, ATF had not closed claimed export shipments with associated taxes of \$560 million for 1996 and 1997.
- Conducting more third party verifications of exported shipments.

Factors contributing to these control weaknesses included a paper-laden manual process and review system; unclear regulatory and internal guidance over specific documentation requirements; lack of enforcement action and sanctions; and resource constraints. The OIG made seven recommendations addressing the reported control weaknesses. These recommendations included assessing \$66.6 million in excise taxes, plus interest, clarifying existing guidance, and increasing the use of third party verification.

ATF concurred with the findings and recommendations in the OIG's draft report. ATF has initiated corrective actions to address the recommendations. Most notably, ATF resolved \$65.3 of the \$66.6 million in potential tax liabilities. ATF is working on resolving the remaining \$1.3 million and has issued Notices of Proposed Assessments in the amount of \$910,894, plus interest, to the DSPs. Additionally, ATF has reconciled and cleared \$536 of \$560 million in open shipments and is continuing to resolve the remaining \$24 million open shipments. (Report #OIG-99-123)

Audit Activities

Selected Counterfeit Performance Measures of the Secret Service

An OIG review of selected counterfeit performance measures showed that statistics in the Secret Service's Counterfeit Contraband System (CCS) are generally supported by documentation kept in the field offices. The statistics in the CCS, however, did not agree with the statistics in various FY 1997 accomplishment reports. The difference was minor and, according to officials, was due to adjustments that field offices make to their statistics after the end of the fiscal year. OIG auditors also found problems with cutoff procedures used by field offices to report counterfeit statistics. Furthermore, the Secret Service did not maintain an automated or manual record of adjustments made to the counterfeit statistics. Consequently, the OIG was unable to ascertain fully the significance of the adjustments or the reliability of the CCS reports, because significant adjustments could have been made and not documented.

Secret Service officials agreed with the OIG's recommendations that they strengthen the validity of the CCS and accomplishment reports. Officials will maintain a record of adjustments that are made to statistical data. In addition, they will update the Service's Investigative Manual relating to the processing of counterfeit currency and the entering of data into the CCS by field offices. These steps should help standardize the methods used by field offices in this area. (Report #OIG-99-093)

Consultative Review of the Secret Service Uniform Division Benefit Fund

At the request of the Secret Service, the OIG provided financial consulting services in reviewing the Uniform Division Benefit Fund (Benefit Fund) accounting records, financial statements, and IRS 990 reporting practices. The review identified numerous fund management problems, including internal control deficiencies, financial reporting errors, and inconsistent tax filing practices.

The review found that Benefit Fund management did not exercise adequate fiscal responsibility relative to internal management and accounting controls over receipts, disbursements, and financial reporting. The underlying cause was the lack of control policies and procedures and oversight by the Benefit Fund's Executive Committee. The OIG review also found that transactions were incorrectly classified among certain expense categories resulting in inaccurate Benefit Fund financial statements. The review also identified tax compliance and reporting problems resulting in incomplete tax filings. (Report #OIG-CA-99-005)

FMS' Implementation of Electronic Funds Transfer

FMS and the Department of the Treasury worked diligently toward meeting the January 1, 1999 electronic funds transfer (EFT) implementation date imposed by the Debt Collection Improvement Act of 1996 (DCIA). Despite best efforts, the EFT mandate was not fully achieved prior to the deadline. In this regard, the EFT legislation was viewed by several members of Congress as overly optimistic, especially in light of Government-

wide efforts to make all systems Y2K compliant. As a result, some members of Congress suggested delaying the EFT implementation date well into the 21st Century. However, FMS and Treasury officials believe that changing the DCIA legislation would decelerate current EFT conversion momentum.

FMS has taken into consideration the aggressive EFT timetable and has included in the Final Rule a provision that allows an automatic waiver for individuals who do not have an account with a financial institution. In addition, FMS has set more realistic performance measures regarding EFT implementation because the DCIA requirements can not be met. Accordingly, FMS plans to make 70 percent of payments by EFT in FY 1999 and 75 percent in FY 2000.

FMS will have a better chance of achieving these goals when the Electronic Transfer Account (ETA) is available and the EFT solutions to specific payment type problems are implemented. The OIG recommended, and FMS management agreed, that FMS should expedite efforts to release the ETA Notice. The proposed features were published on November 23, 1998. The ETA was announced by Vice President Gore and Secretary Rubin on June 30, 1999, the final ETA Notice was published on July 16, 1999, and FMS expects financial institutions to offer accounts beginning in the fall of 1999. In addition, the OIG recommended, and FMS management agreed, that FMS should closely monitor the progress of Federal agency EFT participation rates. Changes to the legislation are unnecessary and may negatively affect the cost savings associated with the Government's efforts to convert to an electronic environment. If the Final Rule had been published earlier, EFT conversion rates may have been higher. Despite this delay, higher conversion rates are expected to continue in the coming years. (Report #OIG-99-075)

BEP Placed \$43 Million of New Equipment in Storage

An OIG audit at BEP found that after spending \$50 million on four presses and three currency overprinting and packaging machines, BEP subsequently placed \$43 million of this new equipment into storage. BEP planned to reengineer its currency production process at its Washington facility. The Bureau also spent \$12.6 million on related design and construction.

BEP planned to replace its system of separate sections for each stage of production. The Bureau planned to combine printing, inspection, and finishing operations all in one place called a Currency Manufacturing Unit (CMU). However, in 1995, after BEP ordered the new equipment, designed the first CMU, and relocated offices and equipment out of the proposed CMU location, a new Director abandoned the concept. BEP did not complete a pilot study of the CMU concept prior to beginning implementation.

In December 1996, BEP proposed setting up all of the equipment at its Western Currency Facility (WCF) in Fort Worth, TX. However, a 1997 Treasury Department study concluded that BEP already had sufficient production capacity without the new equipment. The OIG concluded that BEP wasted several years of effort and

Audit Activities

unnecessarily spent approximately \$5.1 million on site designs and office relocations. In addition, at the time of the audit, BEP had yet to realize any production efficiencies or resultant cost savings from the \$43 million in new equipment. BEP estimated it could save \$48 to \$64 million over a 15 to 20 year period if the equipment was installed at the WCF.

The OIG recommended that the Director of BEP approach Treasury again about installing the equipment at the WCF. In its response to the draft report, BEP stated that based on several more recent events, including a substantially increased 1999 currency order from the Federal Reserve, it changed its storage plans and would install the four new presses in Washington. BEP estimated a net present value savings of \$7.7 million to \$28.1 million which they said is comparable to their prior estimate of \$48 to \$64 million. Considering this new information, the OIG agreed that BEP's plan was responsive to its recommendations. (Report #OIG-99-091)

Y2K Compliance Testing and Contingency Planning at the Mint

The Mint's principal Y2K solution was to replace many non-compliant legacy systems with a new integrated system, referred to as the Consolidated Information System (COINS). An OIG audit found that while the Mint had tested COINS to determine whether the system processed data properly in the production environment, this testing did not include specific tests for Y2K compliance. The Mint was developing a Y2K testing suite and test scripts for COINS, and expected to complete the testing as well as independent verification and validation of testing results by August 31, 1999. With January 1, 2000 rapidly approaching, the Mint needs to ensure that this time frame is adhered to so that any necessary modifications to COINS revealed by the testing can be made and tested before the century change. Significant work remains to determine whether the Mint's other mission-critical information technology (IT) systems are Y2K compliant.

Additionally, the OIG found that the Mint had not yet fully developed business continuity and contingency plans. These plans are critical so that the Mint will be able to provide essential services in the event of a Y2K induced failure.

The OIG recommended that Mint management closely monitor and facilitate (1) the Y2K compliance testing of COINS and other mission-critical IT systems and (2) the development and testing of Y2K business continuity and contingency plans. Given the limited time remaining to minimize Y2K risk at the Mint, the OIG also recommended that the Department's Deputy Assistant Secretary for Information Systems and Chief Information Officer closely monitor, and assist as necessary, the Mint's progress in addressing these issues. The Mint concurred and stated that significant progress has been made in several of the noted areas in the OIG report. (Reports #OIG-99-110 and #OIG-99-114)

Unliquidated Obligations Reviews

The OIG audited the unliquidated obligations at DO, CDFI, FLETC, and Secret Service. The objective of these audits is to determine if controls are in place to ensure the adequate review of obligated balances as required by U.S. Code Title 31, and to determine if any unliquidated obligations should be deobligated. We found that these four bureaus all had established policies and procedures for conducting the annual reviews. DO and FLETC did not properly identify all amounts that should have been liquidated; however, projection of these items to the populations was not significant. (Reports #OIG-99-129, OIG-99-131, OIG-99-132, and OIG-99-133)

Consultative Assistance Reports on Y2K Customer Awareness Disclosures at OTS and OCC

Beginning in early 1998, the OIG planned a series of oversight reviews covering the Y2K supervisory efforts of OTS and OCC. The OIG Y2K reviews primarily focused on selected aspects of the Y2K remediation process, for which the Federal Financial Institutions Examination Council (FFIEC) began issuing guidance in 1997. The Y2K remediation process entails five progressive yet interdependent phases beginning with planning for the Y2K problem and ending with implementing Y2K compliant computer systems by June 30, 1999.

As banks and thrifts approach the closing months of the Y2K conversion, keeping their customers sufficiently informed is as important as fixing the Y2K problem itself. Otherwise, customers may become unnecessarily alarmed which could lead to liquidity problems should they respond by withdrawing large amounts of cash. The OIG's most recent Y2K reports examined banks' and thrifts' customer awareness efforts as reflected by the availability and content of Y2K information they provided to their customers.

In April and May 1999, the OIG visited a combined total of 51 branches of banks and thrifts located in seven states and the District of Columbia looking for Y2K informational brochures in their lobbies. OIG auditors also searched the Internet to determine if these institutions had web sites that provided Y2K information. Half of the thrift branches and over 60 percent of the national bank branches did not have Y2K informational brochures available for the public. Although 85 percent of the national banks and 45 percent of the thrifts had Y2K information on the Internet, the OIG pointed out that lobby brochures might be a more effective medium given that not all customers have access to the Internet.

In reviewing the Y2K information provided in lobby brochures and Internet Web sites, the OIG also found that banks and thrifts were not covering one or more topics suggested by the FFIEC on customer awareness. For example, one common omission was any assurance that customers need not withdraw large sums of cash prior to January 1, 2000. Another aspect of content was that lobby brochures and Internet material were seldom consistent across the two media. Finally, we found anecdotal instances suggesting that

Audit Activities

bank and thrift employees dealing with the public might need additional training. OIG auditors encountered a variety of uninformative responses from branch service personnel when inquiring about Y2K information when a lobby brochure was not available.

The OIG suggested that both OTS and OCC give closer supervisory attention to customer awareness during their remaining Y2K examinations, and that consideration be given to raising with the FFIEC the need for additional guidance on customer awareness informational content. (Reports #OIG-CA-99-007 and #OIG-CA-99-008)

CONTRACT OVERSIGHT

\$8.5 Million in 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 IPA.

The OIG performed or contracted for a total of 31 contract audits, which questioned \$8,581,676 in Treasury contractor costs. Contracting officers agreed to savings and disallowed costs of over \$2.2 million, including amounts which were questioned prior to April 1, 1999. An additional \$5.2 million in potential monetary benefits, including amounts which were questioned prior to April 1, 1999, 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 \$4,769,141 of costs included in a \$27,030,227 subcontractor proposal submitted to BEP for distinctive security thread for the new currency design. Disposition of the questioned costs is pending future negotiations with the subcontractor.

The audit disclosed questioned direct material, direct labor, royalties, incentive, state income taxes, and profit. In addition, the DCAA auditors reported upward adjustments to the subcontractor's proposed manufacturing overhead and general and administrative expense. (Report #OIG-99-101)

During the period, DCAA performed a postaward audit to determine if the contract price BEP negotiated for intaglio liberty green to black optically variable color shifting ink was increased by a significant amount because the contractor did not submit or disclose accurate, complete, and current cost or pricing data. Defective pricing occurs when a contractor does not submit or disclose to the Government cost or pricing data that is accurate, complete, and current prior to reaching a price agreement. Generally, the auditor establishes the existence of defective pricing in a postaward audit by examining and analyzing the records and data available to the contractor as of the date of prime contract price agreement and comparing them with the submitted cost or pricing data.

The audit showed that the cost or pricing data submitted by the contractor was not accurate, complete, and current. Accordingly, as the result of BEP's reliance on the contractor's certified cost or pricing data, the negotiated contract price was overstated. Consequently, DCAA recommended a \$1,742,837 price adjustment to the \$24,285,357 audited baseline price. The recommended price adjustment was attributed to defectively priced direct material, royalties, and profit. (Report #OIG-99-100)

COMPLETED CONTRACT AUDITS APRIL 1, 1999 THROUGH SEPTEMBER 30, 1999						
<u>ORGANIZATION</u>	<u>PREAWARD PROPOSAL AUDITS</u>		<u>OVERHEAD AUDITS</u>		<u>OTHER CONTRACT AUDITS</u>	
	<u>NUMBER OF REPORTS</u>	<u>FUNDS TO BE PUT TO BETTER USE</u>	<u>NUMBER OF REPORTS</u>	<u>COSTS QUESTIONED</u>	<u>NUMBER OF REPORTS</u>	<u>COSTS QUESTIONED</u>
BEP	1	\$ 4,769,141	1	\$ 1,781,424	7	\$ 1,742,837
CUSTOMS	0		1	196,527	6	0
DO	0		1	0	1	91,747
IRS	0		7	0	4	0
MINT	0		2	0	0	0
TOTALS	<u>1</u>	<u>\$ 4,769,141</u>	<u>12</u>	<u>\$ 1,977,951</u>	<u>18</u>	<u>\$ 1,834,584</u>

All audits were accomplished by OIG and DCAA auditors.

The monetary amounts are reflected in the table on monetary benefits from OIG audits in the Statistical Summaries chapter of this report.

During the past six months, the OIG conducted investigations resulting in 4 successful prosecutions, 9 personnel actions, and recoveries of \$590,560. The OIG opened 89 investigative cases, closed 146 cases, and initiated 20 investigative cases from allegations received through its “800” hotline number. Three cases were accepted for prosecution during the period. For investigative statistics from the Offices of Internal Affairs and Inspection at ATF, Customs and Secret Service, see pages 37 to 40 of this report.

INTEGRITY AWARENESS AND DETERRENCE

Integrity Awareness Briefings

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. The OIG conducted 57 fraud and integrity awareness briefings to 527 Treasury employees during the reporting period. These briefings will continue on an annual basis in order to reach all Treasury employees regularly.

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, 16 briefings were conducted with more than 875 criminal investigators, inspectors, analysts, managers, supervisors and administrative personnel in attendance.
- Customs’ Office of Internal Affairs conducted 51 integrity awareness presentations to 758 employees during the reporting period.
- Secret Service’s Office of Inspection briefed over 1,200 employees during this period in classroom briefings and confidential interviews.

OVERSIGHT REVIEWS

The OIG conducted quality assurance and oversight reviews at three Treasury Law Enforcement bureaus this past reporting period. Each review focused on the quality of investigations being conducted by the Internal Affairs and Inspection Divisions of ATF, Customs, and Secret Service. Specifically, these reviews assessed whether: (1) allegations were being investigated and reported in a timely manner, (2) allegations were fully investigated, (3) allegations were reported to the appropriate action official, and (4) administrative controls over investigations were sound. The findings of these reviews were shared with the appropriate agency.

Investigative Activities

PROCUREMENT AND CONTRACT IRREGULARITIES

Customs Contractor Fraud

In June 1999, a Government contractor paid \$580,000 to the U.S. Department of Justice under terms of a civil settlement agreement resulting from a false claims investigation conducted by the OIG and Customs Office of Internal Affairs. The investigation established that the contractor and its predecessor company overcharged the Government and submitted false invoices for labor and per diem charges during the installation of a nationwide data processing network system for Customs. (OIG and Customs Internal Affairs)

BEP Resolves Contract Pricing Disputes

BEP responded to the findings of an OIG investigation regarding contract overcharges for both the production and product transportation services supplied to BEP by a major contractor. BEP advised in writing that: “During the period covered by the OIG investigation, with the assistance of audits conducted by or upon the request of the OIG, BEP was able to resolve a number of disputed pricing issues and adjust the contract prices for currency paper to recover \$12,732,745 in overpayments.” The United States Attorney’s Office declined criminal and civil prosecution against the contractor, and BEP has advised that corrective actions have been taken. (OIG)

IMPROPER CONDUCT OR DISCLOSURE

FLETC Instructor Resigns

The OIG completed an investigation into the misuse of a Government Travel Card by an instructor working in the Office of Training at FLETC. The investigation revealed that the instructor used his Government Travel Card to make substantial cash advances from automated teller machines. These advances, in excess of \$7,000, were not related to official travel or his assigned duties. The instructor resigned from FLETC on July 2, 1999. (OIG and FLETC)

THEFT/MISUSE OF FUNDS OR PROPERTY

Mint Conspirators Sentenced for Credit Card Fraud

An OIG investigation resulted in guilty pleas by two individuals to criminal conspiracy to commit credit card fraud and aiding and abetting the unauthorized use of credit card numbers. The OIG initiated the investigation after the Mint’s Police Division, located in Philadelphia, PA, 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.

A trial was held in the Eastern District of Pennsylvania. The Mint employee was acquitted on all counts. One co-conspirator was sentenced to nine months incarceration with three years supervised release, and ordered to pay \$450 in fines and assessments and \$1,700 in restitution. The individual must also participate in a Drug After Care Program. The second co-conspirator received four years supervised probation and 75 hours of community service, and was ordered to pay \$300 in fines and assessments and over \$1,700 in restitution. The individual must also submit to periodic drug testing and is required to submit certain financial information. (OIG)

Customs Employee Convicted on Fraudulent Claim Charges

On July 28, 1999, a former Customs employee was convicted of three counts under the False Claims Act in a civil jury trial in the District Court, Southern District of Florida. The jury found, by a preponderance of the evidence, that the employee presented false claims to the Government for a lease termination fee, five days lodging, and a rental deposit. This conviction resulted from a long-term Internal Affairs investigation initiated in September 1995.

The Government was awarded \$325 in damages, the only loss sustained. In a subsequent penalty hearing, the judge awarded the Government three times the \$325 (i.e., \$975) and a penalty of \$7,000 for count 1 – lease termination; a penalty of \$5,000 for count 2 – lodging; and a penalty of \$6,000 for count 3 – rental deposit. The employee was terminated from Customs pursuant to an administrative investigation of these issues. The employee is still pending a Merit Systems Protection Board hearing regarding his termination. (Customs Internal Affairs)

Mint Contract Employee is Sentenced for Embezzlement of Funds

An OIG investigation resulted in a guilty plea to embezzling funds from the Government through time and attendance vouchers. The OIG initiated an investigation after the U.S. Mint Police in Washington, D.C. reported that a contract employee had allegedly defrauded the Government by falsifying time and attendance records. The investigation disclosed that the contractor defrauded the Government by falsifying the time and attendance reports submitted to the employer and which were later invoiced to the Government. Over the course of seven months, the contract employee created and submitted altered versions of time and attendance reports, thereby defrauding the Government of \$9,847. This employee pled guilty to one count of 18 USC § 641 (Theft from the Government), and was later sentenced to two years probation, 50 hours of community service, and ordered to pay \$9,847 in restitution. (OIG)

Investigative Activities

FLETC Branch Chief Resigns for Misuse of Computers and the Internet

A Branch Chief at FLETC resigned after an OIG investigation revealed he misused official Government time and computer equipment to download obscene and sexually explicit material from Internet web sites. The FLETC Branch Chief also transmitted obscene material via the Internet to a Government employee in another state. The investigation determined that the Branch Chief used the Internet to carry on an explicit sexual relationship with the Government employee in a pornographic context. Additionally, he misused his position to resolve private matters and personal legal disputes, and he ordered and caused to be manufactured an unauthorized FLETC police type badge. The Branch Chief resigned from FLETC on July 31, 1999. (OIG)

CRIMINAL – OTHER

Former Supervisory Customs Entry Officer Sentenced for Mail Fraud

On July 28, 1999, a judge sentenced a former Supervisory Customs Entry Officer in Federal District Court in the Southern District of New York to two years supervised probation, \$5,000 restitution, 100 hours community service, and a \$50 special assessment. The former entry officer pleaded guilty on May 5, 1999 to one count of mail fraud. The defendant, who had been arrested by Internal Affairs special agents and Postal Inspectors on October 21, 1998, later resigned from Customs on March 17, 1999. The Internal Affairs investigations revealed the suspect conspired with doctors at a medical clinic to file false medical claims defrauding an insurance company of over \$16,000. (Customs Internal Affairs)

OFFICE OF LEGAL COUNSEL

The OIG Legal Counsel reports directly to, and is part of the office of, the Inspector General (IG). During this reporting period, several management changes were made within the Office of Legal Counsel. An assignment tracking system and other accountability tools were developed.

The office carried out all its responsibilities in the areas of ethics training and reporting obligations. To increase timeliness and efficiency in Freedom of Information Act (FOIA) and Privacy Act (PA) compliance, other OIG components were tasked to assist the Office of Legal Counsel in overcoming its backlog in case processing. The Office provided training in the proper use of IG subpoenas to OIG field offices across the country, is developing a training program regarding privacy and disclosure law, and is becoming more proactive in other ways in providing real-time legal advice in connection with current audits and investigations.

FOIA/PA COMPLIANCE

During this reporting period, the backlog of FOIA/PA requests and appeals was assigned to a task force jointly led by the Acting Legal Counsel and a senior Investigations manager. The task force is made up of attorneys, investigators, auditors, and program analysts. The OIG will report on the team's progress in the next Semiannual Report.

Access to Information

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.

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			
OCTOBER 1998 - SEPTEMBER 1999			
(Includes statistics for the OIG and the Offices of Internal Affairs and Inspection at ATF, Customs, and Secret Service)			
	6 MONTHS ENDED 3/31/99	6 MONTHS ENDED 9/30/99	TOTAL
AUDITS			
Evaluation Reports	3	1	4
Audit Reports	77	66	143
Recommended Monetary Benefits (in Thousands):			
Questioned Costs	\$124	\$3,813	\$3,937
Savings	293	4,769	5,062
Revenue Enhancements	<u>19,368</u>	<u>54,626</u>	<u>73,994</u>
Total	<u>\$19,785</u>	<u>\$63,208</u>	<u>\$82,993</u>
INVESTIGATIONS			
Cases Opened	504	835	1,339
Cases Closed	439	604	1,043
Successful Prosecutions	19	14	33
Administrative Sanctions	76	153	229
Recoveries and Penalties (in Thousands)	\$845	\$1,458	\$2,303
OVERSIGHT AND QUALITY ASSURANCE REVIEWS			
Reviews and Analyses	8	4	12

Statistical Summaries

Audit and Evaluation Reports Issued by Bureau

Appendix A of this report lists individual audit and evaluation reports issued during the six months ended September 30, 1999.

OIG AUDITS AND EVALUATIONS BY BUREAU	
BUREAU	REPORTS
ATF	3
OCC	3
Customs	14
DO	7
BEP	11
FLETC	1
FMS	5
IRS ¹	11
Mint	4
Secret Service	3
OTS	2
Independent Entity	<u>3</u>
Total	<u>67</u>
¹ Includes OIG contract audits.	

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 SIX MONTHS ENDED SEPTEMBER 30, 1999			
Report Category	Number	Questioned Costs ¹ (in Thousands)	Unsupported Costs ¹ (in Thousands)
1. For which no management decision had been made by the beginning of the reporting period	21	\$2,912	\$0
2. Which were issued during the reporting period	<u>4</u> ²	<u>3,813</u>	<u>0</u>
3. Subtotals (1 plus 2)	25	6,725	0
4. For which a management decision was made during the reporting period	7	1,806	0
• Dollar value of disallowed costs	6 ³	849	0
• Dollar value of costs not disallowed	2 ³	957	0
5. For which no management decision has been made by the end of the reporting period (3 minus 4)	<u>18</u>	<u>\$4,919</u>	<u>\$0</u>
6. Reports for which no management decision was made within six months of issuance	<u>14</u>	<u>\$1,106</u>	<u>\$0</u>
¹ “Questioned costs” includes “unsupported costs.” ² All audits were performed by DCAA. ³ One report was partially agreed to and partially not agreed to.			

Statistical Summaries

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 SIX MONTHS ENDED SEPTEMBER 30, 1999				
Report Category	Number	Total	Savings (in Thousands)	Revenue Enhancements (in Thousands)
1. For which no management decision had been made by the beginning of the reporting period	6	\$46,872	\$2,344	\$44,528
2. Which were issued during the reporting period	4 ¹	<u>59,395</u>	<u>4,769</u>	<u>54,626</u>
3. Subtotals (1 plus 2)	10	106,267	7,113	99,154
4. For which a management decision was made during the reporting period	5 ²	46,195	6,869	39,326
• Dollar value of recommendations that were agreed to by management	5 ²	42,817	3,491	39,326
• Based on proposed management action	5 ²	42,817	3,491	39,326
• Based on proposed legislative action	0	0	0	0
• Dollar value of recommendations that were not agreed to by management	1	3,378	3,378	0
5. For which no management decision has been made by the end of the reporting period (3 minus 4)	5	<u>\$60,072</u>	<u>\$244</u>	<u>\$59,828</u>
6. Reports for which no management decision was made within six months of issuance	4	<u>\$34,772</u>	<u>\$244</u>	<u>\$34,528</u>
¹ One audit was performed by DCAA. ² 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 September 30, 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 six months. There were 18 such reports.

Report Title and Date	Report Number	Amounts
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 a/	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 a/	OIG-95-033	69,284
4. Costs Incurred Under Contract TOS-91-31 for Calendar Year 1991, 3/12/96 b/	OIG-96-042	5,404
5. Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Calendar Year Ended December 31, 1993, 10/10/96 a/	OIG-97-002	135,662
6. Final Procurement Determined Indirect Cost Rates Claimed Under Contract TC-89-047 for Contractor Fiscal Year-Ended December 31, 1992, 7/23/97 a/	OIG-97-113	33,774
7. Final Procurement Determined Indirect Cost Rates Claimed Under Contract TC-89-047 for Contractor Fiscal Year-Ended December 31, 1993, 7/23/97 a/	OIG-97-114	112,884
8. Contract Termination Review Under Contract No. TIRNO-95-D-00059, the Task Order IR-95-4515 for the Workflow Management Services, 8/22/97 a/	OIG-97-123	58,674
9. Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Fiscal Year Ended December 31, 1994, 9/15/97 a/	OIG-97-132	37,716
10. Verification of Voucher Costs, 9/24/97 a/	OIG-97-136	3,153

Statistical Summaries

Report Title and Date	Report Number	Amounts
11. Verification and Subcontractor Costs Claimed Under Task Order IR-95-4515, 10/23/97 a/	OIG-98-008	4,144
12. Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Fiscal Year Ended December 31, 1995, 12/10/97 a/	OIG-98-025	39,071
13. 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
14. Contractor's Fiscal Year Ended December 31, 1992, through 1994, Applicable to Contractor's TOS-91-31 and TOS-94-25, 2/25/98 b/	OIG-98-045	562,205
15. Review of the Effectiveness of Using Commercial Bank Lock Boxes for Federal Income Tax Payments, 5/13/98 c/	OIG-98-097	22,000,000
16. Transfer Fee Revenue Has Been Insufficient to Recover the Cost of Trading Treasury Securities, 12/22/98 c/	OIG-99-025	9,368,315
17. Revised Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Fiscal Year Ended December 31, 1994, 1/7/99 a/	OIG-99-028	27,366
18. Offeror's Price Proposal Submitted in Response to Solicitation TSS-99-0004 for Paralegal Support Services, 3/16/99 a/	OIG-99-048	<u>244,071</u>
TOTAL		<u>\$35,878,630</u>
a/ Contract negotiations have not yet been held or completed. b/ Contractor is under investigation by the OIG. c/ The Bureau has not addressed the planned correction action. d/ Recommendation is awaiting decision from General Counsel.		

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.

Report Number	Issue Date	Report Title/Potential Monetary Benefits and Recommendation Summary
OIG-94-060	3/94	<i>U.S. Customs Service Antidumping and Countervailing (AD-CV) Duty Program</i> Improve the case management system for Enforcement of AD-CV Duty Violations to better allow cross-referencing of cases.
OIG-94-063	3/94	<i>ATF's Administration of Cover Over Payments to Puerto Rico and the Virgin Islands, \$3,160,000</i> Implement the decision of the Department of the Treasury, Office of the General Counsel, on the timing of cover over payments.
OIG-97-042	2/97	<i>Final Report on the U.S. Secret Service: Audit of Administratively Uncontrollable Overtime (AUO)</i> 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 and publish amended documentation.
OIG-98-033	3/98	<i>U.S. Customs Service Advance Passenger Information System</i> Analyze data from the advance passenger system that result in low interception rates.
OIG-98-068	3/98	<i>Custom's Reorganization to Streamline Operations</i> Establish definitive performance measures for CMC Mission Support Teams, to facilitate assessment of their efforts and the overall effectiveness of CMC operations. (Two recommendations)
OIG-98-069	3/98	<i>ATF's Integrated Ballistics Identification System (IBIS)</i> Establish a baseline level of activity to ensure IBIS is placed in locations most needed, and track direct and indirect costs for using IBIS.
OIG-98-085	5/98	<i>U.S. Customs Service's Oversight of Consolidated Omnibus Budget Reconciliation Act User Fees</i> Ensure that Treasury Enforcement Communications System reports contain fields that allow input for Line Releases, and other entry information.
OIG-98-086	5/98	<i>ATF's Violent Offender Program</i> Report has no planned corrective actions in ITC. (Four recommendations)

Statistical Summaries

Report Number	Issue Date	Report Title/Potential Monetary Benefits and Recommendation Summary
OIG-98-091	5/98	<i>OCC Needs to Improved Its Implementation of the Community Reinvestment Act Small Bank Performance Standards</i> OCC needs to ensure that improvements are made in workpaper documentation and monitoring.
OIG-98-096	7/98	<i>U.S. Customs Service's Oversight of Consolidated Omnibus Budget Reconciliation Act User Fees</i> Ensure that CS complies with provisions in 19 U.S.C. 58c(f) and (3) relating to personnel staffing before seeking reimbursement for the CS User Fee Account. (Two recommendations)
OIG-98-097	8/98	<i>Effectiveness of Using Commercial Bank Lockboxes for Federal Income Tax Payments, \$22,000,000 R</i> Acquire relevant and reliable comparative cost data on all aspects of the program to identify the most cost-effective option to use when the current lockbox arrangement expires.

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.

Regulatory and Legislative Review

The Inspector General Act requires the Inspector General to review existing and proposed regulations and legislation relating to the programs and operations of the Department and to make recommendations concerning their impact. The OIG reviewed and commented on 50 Treasury Directives and Treasury Orders in the six months ended September 30, 1999. In addition, the OIG reviewed and commented on the following legislative items:

- National Money Laundering Strategy
- H.R. 382 Wire Transfers and Disclosure Act
- H.R. 1827 Government Waste Corrections Act of 1999
- OMB Memorandum on Statutory Sunset on Reports to Congress

Hotline Allegations

The table below summarizes allegations of fraud, waste, misconduct, mismanagement, and assault received through the OIG's "800" hotline number during the six months ended September 30, 1999. It does not include (1) allegations received by the OIG 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.

Disposition of Allegations	Total
Referred for investigative or audit inquiry	0
Referred to program managers	0
Referred to other agencies	<u>20</u>
Totals	<u>20</u>
1-800-359-3898 OIG Hotline	

Caseload Accounting

This table accounts for the caseload of the Offices of Internal Affairs and Inspection for the six months ended September 30, 1999. The beginning balance of cases, plus the cases opened, minus the cases closed, equals the ending balance of open cases.

	ATF	Customs	Secret Service	Total
Number of open cases at the beginning of the period	117	894*	40*	1,051
Number of cases opened during the period	73	643	30	746
Number of cases closed during the period	58	369	31	458
Number of open cases at the end of the period	132	1,168	39	1,339
*Figure adjusted from previous Semiannual Report.				

Statistical Summaries

Nature of Allegations

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

	ATF	Customs	Secret Service	Total
Bribes, graft, kickbacks	1	61	0	62
Procurement and contract irregularities	2	0	0	2
Assaults/treats	6	75	4	85
False statements and claims	4	31	3	38
Theft/misuse of funds/property	12	62	3	77
Drug abuse and control	6	0	0	6
Impersonating a Government official	0	14	0	14
Criminal - Other	8	43	3	54
Sexual Harassment	0	11	0	11
Improper conduct or disclosure	21	328	11	360
Non-Criminal - Other	13	18	6	37
Total Allegations	<u>73</u>	<u>643</u>	<u>30</u>	<u>746</u>

Prosecutive Actions

The chart below accounts for the prosecutive actions of the Offices of Internal Affairs and Inspection for the six months ended September 30, 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.

	ATF	Customs	Secret Service	Total
Number of cases pending prosecutive decision at the beginning of the period	1	29	6	36
Number of cases referred to prosecutive authorities during the period	9	11	1	21
Number of cases accepted for prosecution during the period	0	7	1	8
Number of declinations during the period	8	9	1	18
Number of cases pending prosecutive decision at the end of the period	2	24	5	31
*Figure adjusted from previous Semiannual Report.				

Successful Prosecutions

This chart shows the number of successful prosecutions involving the cases of the Offices of Internal Affairs and Inspection during the six months ended September 30, 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.

Organization	Prosecutions
ATF	0
CUSTOMS	8
SECRET SERVICE	<u>2</u>
Total	<u>10</u>

Statistical Summaries

Administrative Sanctions

This chart shows the number of personnel actions and the number of suspensions and debarments of contractors involving cases of the Offices of Internal Affairs and Inspection during the period ended September 30, 1999.

Organization	Personnel Actions	Suspensions and Debarments
ATF	31	0
CUSTOMS	102	0
SECRET SERVICE	<u>11</u>	<u>0</u>
Total	<u>144</u>	<u>0</u>

Investigative Monetary Benefits

This table summarizes monetary benefits relating to investigations of the Offices of Internal Affairs and Inspections during the period ended September 30, 1999.

Organization	Total	Recoveries	Criminal Penalties	Administrative Penalties	Savings
ATF	0	0	0	0	0
CUSTOMS	\$867,089	\$815,984	\$51,105	0	0
SECRET SERVICE	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$867,089</u>	<u>\$815,984</u>	<u>\$51,105</u>	<u>\$0</u>	<u>\$0</u>

Appendix A: Report Listing

APRIL 1, 1999 THROUGH SEPTEMBER 30, 1999³

Bureau of Alcohol, Tobacco and Firearms

The Bureau of ATF Needs to Ensure that the Accomplishments of the Achilles Program are Accurately Reported, OIG-99-086, 5/26/99

Audit of the Bureau of Alcohol, Tobacco and Firearms' High Intensity and Drug Trafficking Area (HIDTA) Program at the Puerto Rico and Miami HIDTA's, OIG-99-092, 6/16/99

Bureau of Alcohol, Tobacco and Firearms Controls Over Tax Free Exports, OIG-99-123, 9/15/99, \$25,300,000 R

Office of the Comptroller of the Currency

Office of the Comptroller of the Currency Phase II Year 2000 Examinations, OIG-CA-99-006, 5/28/99

Year 2000 Customer Awareness Disclosures Office of the Comptroller of the Currency, OIG-CA-99-008, 7/27/99

Audited Financial Statements of the Office of the Comptroller of the Currency for Calendar Year 1998, OIG-99-134, 9/30/99

U.S. Customs Service

U.S. Customs Drug Interdiction Activities on Inbound Rail Shipments Along the Northern Border, OIG-99-077, 4/8/99

United States Department of Treasury Audit of Bank Secrecy Act Reporting, OIG-99-081, 4/30/99

United States Customs Service Background Investigations of Inspectors, OIG-99-085, 5/26/99

Interagency Review of Export Licensing Procedures, OIG-99-090, 6/15/99

Audit of United States Customs Service's Controls Over High Intensity Drug Trafficking Area Funds, OIG-99-094, 6/24/99, \$1,226,000 R

Public Voucher IS-98-044 Submitted Under Contract TC-96-001 for Custody Management, and Disposition of Seized Property, OIG-99-096, 7/13/99

³ Amounts shown for some reports represent recommended monetary benefits. Q = Questioned Costs; S = Savings; R = Revenue Enhancements.

Appendix A: Report Listing

Contractor's Purchasing System, OIG-99-097, 7/15/99

Public Voucher CS 98-044 Submitted Under Contract TC-96-001 for Custody Management, and Disposition of Seized Property, OIG-99-099, 7/23/99

United States Customs Service – Audit of Custom's Money Laundering Initiatives, OIG-99-102, 8/3/99

Follow-Up Evaluation of Contractor's Estimating System, OIG-99-107, 8/19/99

Incurred Costs for Contractor's Fiscal Year Ended December 31, 1997, OIG-99-108, 8/23/99, \$196,520 Q

Audit of the United States Customs Service's Continuity of Operations Capability, OIG-99-109, 8/23/99

Follow-Up of Contractor's Compensation System, OIG-99-116, 8/31/99

Follow-Up Audit of Contractor's Overall Accounting System Controls, OIG-99-119, 9/3/99

Departmental Offices

Incurred Costs and Rates Under Contract TOS-97-15 for Fiscal Year 1997 and Provisional Rates for Fiscal Years 1998 and 1999, OIG-99-080, 4/29/99

Report on the Office of Tax Analysis' Revenue Estimation Process, OIG-99-087, 5/24/99

Year 2000 Compliance Efforts at the Department of the Treasury, OIG-99-103, 8/6/99

Monitoring of the United States Mint's Year 2000 Systems Compliance Testing and Contingency Planning for Business Continuity, OIG-99-114, 8/24/99

Administration of Department of the Treasury Contract Audits, OIG-CA-99-010, 8/20/99

Termination Settlement Proposal Submitted Under Contract TOS-94-27, Task Orders 6 and 9, OIG-99-130, 9/28/99, \$91,750 Q

Report on the Audit of the Departmental Offices Unliquidated Obligations, OIG-99-133, 9/30/99

Bureau of Engraving and Printing

Postaward Audit of United States Currency Paper Under Contract TEP-95-23 (TN), OIG-99-079, 4/29/99

Appendix A: Report Listing

Postaward Audit of United States Currency Paper Under Contract TEP-97-10 (TN), OIG-99-084, 5/26/99

The Bureau of Engraving and Printing Placed \$43 Million of New Equipment in Storage, OIG-99-091, 6/9/99, \$28,100,000 R

Postaward Recommended Price Adjustment Under Contract TEP-95-55 (TN), OIG-99-095, 6/30/99

Postaward Audit of Cost or Pricing Data Under Contract TEP-95-55 (TN), OIG-99-100, 7/23/99, \$1,742,830 Q

Proposal Submitted Under Contract TEP-99-28 (TN) for Distinctive Security Tread for the New Currency Design, OIG-99-101, 7/28/99, \$4,769,140 S

Supplemental Audit Report on Preliminary Post Award Recommended Price Adjustment Under Contract TEP-95-55 (TN), OIG-99-048S, 8/10/99

Excess Anti-Counterfeit Deterrent Substrate Claimed Under Contract TEP-95-23 (TN), OIG-99-112, 8/20/99

Currency Inspection at the Bureau of Engraving and Printing, OIG-99-118, 9/2/99

Costs Incurred Under Contract TEP-95-56 (TN), Task Orders 1 Through 14, OIG-99-121, 9/9/99, \$1,781,420 Q

Contractor's Response to Cost Accounting Standard 410 Noncompliance Allocation of Business Unit General and Administrative Expenses to Final Cost Objectives, OIG-99-122, 9/13/99

Federal Law Enforcement Training Center

Report on the Audit of the Federal Law Enforcement Training Center's Unliquidated Obligations, OIG-99-132, 9/30/99

Financial Management Service

Agreed Upon Procedures Report for Facts Verification, OIG-CA-99-004, 4/29/99

Status of the Financial Management Service's Implementation of Electronic Funds Transfer, OIG-99-075, 4/2/99

Year 2000 Compliance Effort at the Financial Management Service, OIG-99-083, 5/10/99

Financial Management Service's Cross-Servicing Program, OIG-99-104, 8/10/99

Appendix A: Report Listing

Review of the Effectiveness of the Financial Management Service's Oversight of Private Collection Agencies, OIG-99-117, 9/2/99

Internal Revenue Service

Subcontractor's Direct and Indirect Costs and Rates Claimed Under Prime Contract TIR-94-0028 for Fiscal Year Ended December 31, 1995, OIG-99-082, 5/7/99

Contractor's Electronic Data Processing General Internal Controls, OIG-99-088, 6/4/99

Contractor's Direct and Indirect Costs and Rates Claimed Under Prime Contracts TIR-95-0048 and TIRNO-95-D-00067 for Fiscal Year Ended December 31, 1997, OIG-99-106, 8/10/99

Direct and Indirect Costs and Rates Claimed Under Contract TIR-NO-95-D-00068 for Contractor Fiscal Year Ended June 30, 1997, OIG-99-111, 8/20/99

Incurred Costs for Contractor's Fiscal Year Ended March 28, 1997, OIG-99-113, 8/24/99

Subcontractor Incurred Costs for Prime Contract TIRNO-95-D-0099 for Contractor's Transitional Year 1997, OIG-99-120, 9/9/99

Incurred Costs Under Contract TIR-92-0014 for Contractor's Fiscal Year 1994, OIG-99-124, 9/21/99

Incurred Costs Under Contract TIR-92-0014 for Contractor's Fiscal Years 1992 and 1993, OIG-99-125, 9/21/99

Contractor's Compliance with Cost Accounting Standards 409, Depreciation of Tangible Assets and 414, Cost of Money as an Element of Cost of Facilities Capital, OIG-99-126, 9/28/99

Contractor's Compliance with Cost Accounting Standards 403, Allocation of Home Office Expense to Segments and 417, Cost of Money on Capital Assets Under Construction, OIG-99-127, 9/28/99

Contractor's Compliance with Cost Accounting Standards 418, Allocation of Direct and Indirect Costs, OIG-99-128, 9/28/99

U.S. Mint

Audited Fiscal Years 1998 and 1997 Financial Statements of the United States Mint, OIG-99-078, 4/7/99

Incurred Costs Under Contract TM-94-1066 for Fiscal Year 1996, OIG-99-098, 7/23/99

Appendix A: Report Listing

Incurring Costs Under Purchase Order MT-96-779 and Contract TM-94-1066 for Fiscal Year 1997, OIG-99-105, 8/10/99

Year 2000 Compliance Testing and Contingency Planning for Business Continuity at the United States Mint, OIG-99-110, 8/24/99

U.S. Secret Service

U.S. Secret Service Uniform Division Benefit Fund, OIG-CA-99-005, 5/6/99

Selected Counterfeit Performance Measures of the United States Secret Service, OIG-99-093, 6/16/99

Report on the Audit of the United States Secret Service Unliquidated Obligations, OIG-99-131, 9/30/99

Office of Thrift Supervision

Audited Financial Statements of the Office of Thrift Supervision for Calendar Years 1998 and 1997, OIG-99-089, 6/7/99

Year 2000 Customer Awareness Disclosures Office of Thrift Supervision, OIG-CA-99-007, 7/2/99

Independent Entity

Audited Fiscal Year 1998 Financial Statements of the Treasury Forfeiture Fund, OIG-99-076, 4/5/99

Review of the Executive Office for Asset Forfeiture, OIG-99-115, 8/10/99

Report on the Audit of the Community Development Financial Institutions Fund's Unliquidated Obligation, OIG-99-129, 9/30/99

Appendix B: Cross References

The specific reporting requirements of the Inspector General Act of 1978, as amended, are listed below with cross references to the pages in this report where they can be located.

Section	Requirement	Ref. Page
Section 4(a)(2)	Review of Legislation and Regulation	36
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	7-26
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	7-26
Section 5(a)(3)	Significant Unimplemented Recommendations Described in Previous Semiannual Reports	35-36
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	39
Section 5(a)(5)	Summary of Instances Where Information Was Refused	28
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Section 5(a)(8)	Statistical Table - Questioned Costs	31
Section 5(a)(9)	Statistical Table - Recommendations that Funds Be Put to Better Use	32
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for which No Management Decision Has Been Made	33-34
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	36
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ATF	Bureau of Alcohol, Tobacco and Firearms	GAO	General Accounting Office
BEP	Bureau of Engraving and Printing	GMRA	Government Management Reform Act
BPD	Bureau of the Public Debt	HIDTA	High Intensity Drug Trafficking Area
BSA	Bank Secrecy Act	IAP	International Assistance Programs
CCS	Counterfeit Contraband System	IG	Inspector General
CDFI	Community Development Financial Institutions	IPA	Independent Public Accountant
CFO	Chief Financial Officers	IRS	Internal Revenue Service
CMU	Currency Manufacturing Unit	IT	Information Technology
COINS	Consolidated Information System	MFD	Miami Field Division
Customs	United States Customs Service	Mint	United States Mint
CY	Calendar Year	OCC	Office of the Comptroller of the Currency
D.C.	District of Columbia	OIG	Office of Inspector General
DCAA	Defense Contract Audit Agency	OMB	Office of Management and Budget
DCIA	Debt Collection Improvement Act of 1996	ONDSCP	Office of National Drug Control Policy
DO	Departmental Offices	OTS	Office of Thrift Supervision
DSP	Distilled Spirits Plant	PA	Privacy Act
ECIE	Executive Council on Integrity and Efficiency	PCA	Private Collection Agency
EFT	Electronic Funds Transfer	PCIE	President's Council on Integrity and Efficiency
ETA	Electronic Transfer Account	P.L.	Public Law
FFIEC	Federal Financial Institutions Examination Council	Results Act	Government Performance and Results Act
FFMIA	Federal Financial Management Improvement Act of 1996	Secret Service	United States Secret Service
FinCEN	Financial Crimes Enforcement Network	TFF	Treasury Forfeiture Fund
FLETC	Federal Law Enforcement Training Center	TIGTA	Treasury Inspector General for Tax Administration
FMFIA	Federal Managers' Financial Integrity Act	WCF	Western Currency Facility
FMS	Financial Management Service	Y2K	Year 2000
FOIA	Freedom of Information Act		
FY	Fiscal Year		