



Annual Plan Fiscal Year 2015

OIG-CA-14-018

Office of Inspector General
Department of the Treasury

Foreword

This annual plan outlines the fiscal year 2015 Department of the Treasury (Treasury) Office of Inspector General (OIG) audit and investigative priorities. The anticipated work focuses on Treasury's major initiatives and challenges, and takes into consideration OIG's *Strategic Plan for Fiscal Years 2011-2015*.

We have prioritized our resources to provide oversight of the most significant and highest risk Treasury programs and operations under our jurisdiction. For fiscal year 2015, our highest priorities are oversight efforts related to (1) the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank); (2) the Small Business Jobs Act of 2010; (3) the Bank Secrecy Act (BSA) and USA PATRIOT Act of 2001; (4) the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act), (5) the "Do Not Pay" Initiative; and (6) the Digital Accountability and Transparency Act of 2014 (DATA Act).

Other areas of emphasis for fiscal year 2015 include mandated audits as required by the Government Management Reform Act, the Federal Information Security Management Act, the Federal Deposit Insurance Act, and the Improper Payments acts, among others. This plan also addresses various Congressional directives and areas of interest as well as recent concerns with expenditures for travel, conferences, and awards.

The projects described in this plan address those areas of known and emerging risks and vulnerabilities, based on our assessment. As before, we encourage Department and bureau management to use this plan to identify areas for self-assessment and to take corrective measures when vulnerabilities and control weaknesses are identified.

September 2014

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Overview

Mission Statement

The Department of the Treasury (Treasury) Office of Inspector General (OIG) conducts independent and objective audits and investigations to promote integrity, efficiency, and effectiveness in Treasury's programs and operations.

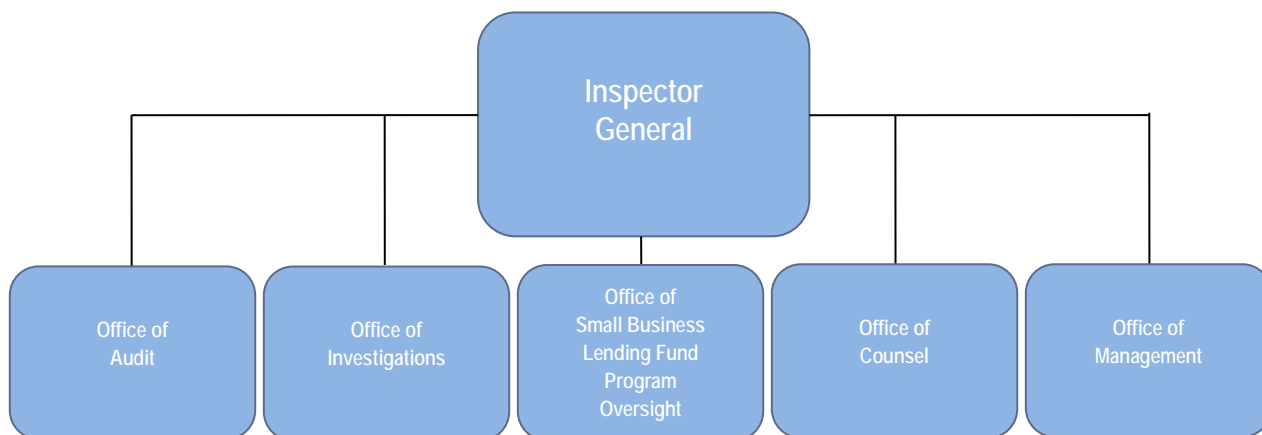
Background

In 1989, the Secretary of the Treasury established OIG in accordance with the 1988 amendments to the Inspector General Act. As set forth in the act, we

- conduct and supervise audits and investigations of Treasury programs and operations except for the Internal Revenue Service (IRS), which is under the jurisdictional oversight of the Treasury Inspector General for Tax Administration (TIGTA), and the Troubled Asset Relief Program (TARP) which is under the jurisdiction oversight of the Special Inspector General
- provide leadership and coordination of policies that (1) promote economy, efficiency, and effectiveness in Treasury programs and operations and (2) prevent and detect fraud and abuse in Treasury programs and operations
- keep the Secretary of the Treasury and Congress fully and currently informed about problems and deficiencies in Treasury programs and operations

Organizational Structure and Fiscal Resources

OIG is headed by an Inspector General who is appointed by the President with the advice and consent of the Senate. As shown below, OIG's organization is comprised of five offices; all report to the Inspector General and are headquartered in Washington, D.C. OIG also has an audit field office in Boston, Massachusetts.



For fiscal year 2015, the President’s budget request for direct appropriations for OIG is approximately 35.4 million, of which 2.8 million shall be committed to oversight of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). The Office of Small Business Lending Fund Program Oversight is funded on a reimbursable basis by the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI) program offices. Estimated reimbursable funding for fiscal year 2015 is \$1.0 million for SBLF oversight and \$2.5 million for SSBCI oversight.

Performance Measures

OIG established performance measures for fiscal year 2015 for the Offices of Audit, Investigations, and SBLF Program Oversight.

Office of Audit Performance Measures

- Complete 75 audit products
- Complete 100 percent of mandated audits by the required date
- Identify monetary benefits where appropriate

Office of Investigations Performance Measure

- Ensure 80 percent of investigative work product is referred for civil or criminal prosecution or administratively to a Treasury bureau for appropriate action

Office of SBLF Program Oversight Performance Measures

- Review 10 states allocated SSBCI funds
- Complete 100 percent of mandated SBLF audits by the required date
- Initiate work on SSBCI audits requested by Treasury within 21 days

Fiscal Year 2015 Priorities

Audit Priorities

OIG established three audit priorities for fiscal year 2015.

Priority 1 Audit Products Mandated by Law

OIG allocates significant resources to meet mandated audit requirements, which include (1) audited financial statements and financial-related review work, (2) information security, (3) Treasury programs authorized by the Small Business Jobs Act, and (4) bank failures pursuant to requirements in the Federal Deposit Insurance Act. We also perform work in response to Congressional directives. Pursuant to its authorities under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), we support the Council of Inspectors General on Financial Oversight (CIGFO) by leading or participating on working groups established by CIGFO to evaluate the effectiveness and internal operations of the Financial Stability Oversight Council.

Priority 2 Work Requested by Treasury Management, Congress, or Other External Source

OIG typically receives two to three requests a year from Treasury management or Congress to perform specific work. The requested work is often already in our plan and requires only that we adjust the work schedule or scope. If the requested work is in a new area, we assess whether the work should be performed.

Priority 3 Self-Directed Work in Treasury's Highest-Risk Areas

With the resources available after we have completed mandated audits and requested work, we conduct audits to assess Treasury's progress in addressing significant known and emerging risks and vulnerabilities. For fiscal year 2015, our self-directed work focuses on Treasury's responsibilities as they relate to the implementation of Dodd-Frank; anti-money laundering/terrorist financing programs; administration of programs authorized by the RESTORE Act; the "Do Not Pay" Initiative, and the Digital Accountability and Transparency Act of 2014 (DATA Act).

Our planned OIG staff resource utilization by these three priorities for fiscal year 2014 is shown in appendix A.

Treasury OIG Strategic Plan

OIG aligned its *Strategic Plan for Fiscal Years 2011-2015* with Treasury's mission to maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources effectively. The Treasury OIG mission is to promote the integrity, efficiency, and effectiveness of Treasury programs and operations under its jurisdictional oversight, which is accomplished through four strategic goals:

- Promote the integrity and effectiveness of Treasury programs and operations through audits and investigations
- Proactively support and strengthen the Department's ability to identify and manage challenges, both today and in the future
- Fully and currently inform stakeholders of Treasury OIG findings, recommendations, investigative results, and priorities related to Treasury programs and operations
- Enhance, support, and sustain a workforce and strengthen internal operations to achieve the Treasury OIG mission, vision, and strategic goals

Relationship Between Treasury's Strategic Goals and Treasury OIG's Annual Plan Issue Areas

To accomplish its mission, Treasury identified five strategic goals for fiscal years 2014 to 2017. To support Treasury's strategic goals, OIG will focus its work on nine issue areas.

The following table shows the relationship between the five Treasury strategic goals and OIG's nine issue areas.

Treasury Strategic Goal	OIG Issue Area(s)
Promote domestic economic growth and stability while continuing reforms of the financial system	<ul style="list-style-type: none"> • Safety, Soundness, and Accessibility of Financial Services • Domestic and International Assistance Programs • Bill and Coin Manufacturing, Marketing, and Distribution Operations • SBLF and SSBCI Operations
Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth	<ul style="list-style-type: none"> • Domestic and International Assistance Programs • Terrorist Financing, Money Laundering, and Foreign Assets Control
Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems	<ul style="list-style-type: none"> • Government-wide Financial Services and Debt Management • Revenue Collections and Industry Regulation
Safeguard the financial system and use financial measures to counter national security threats	<ul style="list-style-type: none"> • Terrorist Financing, Money Laundering, and Foreign Assets Control
Create a 21 st -century approach to government by improving efficiency, effectiveness, and customer interactions	<ul style="list-style-type: none"> • Treasury General Management and Infrastructure Support

Office of Audit Initiatives

The Office of Audit plans to start 84 projects in fiscal year 2015 and complete 55 projects started in prior years. Our ability to initiate new self-directed audits and complete those in progress will be affected by mandated work. We have identified 147 high-priority projects that must be deferred beyond fiscal year 2015. Our in-progress and planned work and projects for future consideration are described in the Planned Projects by OIG Issue Area section of this document.

Investigative Priorities

OIG established five investigative priorities for fiscal year 2015.

Priority 1 Criminal and Serious Employee Misconduct

Our highest priority is investigating complaints involving alleged criminal and other serious misconduct by Treasury employees. OIG investigates allegations of the general crimes enumerated in Title 18 of the U.S. Code, other Federal crimes, alleged violations of the Ethics in Government Act, and allegations of serious misconduct prohibited by the Standards of Ethical Conduct for Employees of the Executive Branch. Several Treasury bureaus and offices have additional rules and regulations relating to ethical standards for their own employees and OIG also investigates complaints of alleged violations of these rules and regulations.

Priority 2 Fraud Involving Contracts, Grants, Guarantees, and Funds

We conduct investigations into allegations of fraud and other crimes involving Treasury contracts, grants, loan guarantees, and Federal funds. Such allegations often involve contractors, entities, and individuals who are providing or seeking to provide goods or services to the Department. We receive complaints alleging criminal or other misconduct from employees, contractors, members of the public, and the Congress.

Priority 3 Financial Programs and Operations Crime

We conduct and supervise criminal investigations relating to Treasury financial programs and operations. These programs and operations involve issuing licenses, providing benefits, and exercising oversight of U.S. financial institutions. We investigate criminal activity associated with improper payments made due to false claims to the Treasury and stolen and fraudulently redirected Treasury payments.

Priority 4 Threats Against Treasury Employees and Facilities

Our investigative efforts into threats against Treasury employees and facilities are critical in ensuring safety for the Department. These matters require prompt attention and coordination with Federal, state, and local authorities in order to protect those involved. This also encompasses the OIG's responsibilities in connection with the Department's Continuity of Operations Plan.

Priority 5 Identifying and Investigating Fraud Related to the RESTORE Act

The RESTORE Act dedicates 80 percent of all administrative and civil penalties related to the Deepwater Horizon spill to a Gulf Coast Restoration Trust Fund and outlines a structure by which the funds can be utilized to restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, and economy of the Gulf Coast region. As such, the act gives Treasury several roles in administering the Trust Fund including authorizing the Inspector General to investigate projects, programs and activities funded under the act.

Office of SBLF Program Oversight Initiatives

The Office of SBLF Program Oversight plans to start 2 SBLF audits and 6 SSBCI state reviews in fiscal year 2015. Our in-progress and planned work and projects for future consideration are described in the Planned Projects by OIG Issue Area section of this document.

Counsel Initiatives

The Office of Counsel supports OIG investigative, oversight, and audit activities by responding to requests for legal advice and reviewing and processing requests for the issuance of Inspector General subpoenas. In the area of disclosure, the office will provide timely responses to Freedom of Information Act and Privacy Act requests. It will carry out its litigation responsibilities in Merit Systems Protection Board and Equal Employment Opportunity Commission cases, as necessary. Based on experience, the Office of Counsel expects to process 50 initial Freedom of Information Act /Privacy Act requests and 3 appeals from those initial responses. In the area of electronic Freedom of Information Act, the office expects to review approximately 80 audit, evaluation, and oversight reports for posting on OIG's website. It will also

- provide ethics and standards of conduct training for all employees, and timely review all required confidential and public financial disclosure reports;
- review and update, as needed, Privacy Impact Assessments for all OIG operations and provide procedural review and training services as the OIG senior agency official for privacy;
- respond to *Giglio*¹ requests, coordinate responses to document requests from Congress, respond to media inquiries, and respond to discovery requests arising from litigation involving the Department and its bureaus;
- provide training on the Inspector General Act and other subjects in connection with new employee orientation and in-service training;
- serve as Whistleblower Ombudsman, as defined in the Whistleblower Protection Enhancement Act;

¹ *Giglio* is information that refers to material that may call into question the character or testimony of a prosecution witness in a criminal trial.

- review, as statutorily mandated, legislative and regulatory proposals and, where appropriate, coordinate comments; and review all allegations of misuse of the Treasury seal, name, and identification; and prepare cease and desist orders and penalty assessments, as needed, to carry out OIG's authority to enforce Title 31 of the U.S. Code, Section 333, Prohibition of misuse of Department of the Treasury names, symbols, etc.

Management Initiatives

The Office of Management provides OIG offices with a full range of administrative support, including budget and finance, facilities management, procurement, human resources, security, records management, asset management, and Information Technology (IT) services. The office is augmented by a working agreement with the Bureau of the Fiscal Service's (Fiscal Service) Administrative Resource Center for travel, budget execution, and accounting services.

During fiscal year 2015, the Office of Management will focus on providing timely, quality, and forward-thinking service to OIG customers. In addition, the office will continue to identify operational efficiencies to improve management support while identifying opportunities to reduce cost. In particular, it will look to reduce costs for travel, conferences, and fleet management in accordance with the Office of Management and Budget's (OMB) guidance, while ensuring that critical oversight and investigative activities continue. In addition, Office of Management will lead an effort to review and update the OIG's 5-year Strategic Plan.

The office's administrative services component will update and strengthen policies and procedures, and will manage the purchase card program, awarded contracts over the \$3,000 threshold, and the travel program. It will also promote the use of public transportation and administer the public transit program, oversee security and safety initiatives, and implement OIG's long-range plan for space needs. During 2015, the administrative services will be working closely with the Department and the General Services Administration to identify space needs in anticipation of a possible relocation of OIG components from three locations to one location. A major focus will be institutionalizing policies and procedures for in-house procurement services. Administrative services will continue to maintain an active program for the economical and efficient management of OIG's records. The program will implement Presidential directives to integrate electronic records management concepts and practices with comprehensive information management policies. In addition, during 2015 administrative services will maintain an effective and comprehensive safety and health program that is consistent with regulations promulgated under the Occupational Safety and Health Act of 1979.

During fiscal year 2015, OIG Security will continue to manage the Personal Identify Verification (PIV) Data Synchronization business process map showing linkages to HRConnect and USAccess for employee sponsorship and PIV card issuance. Security services will also continue to provide security measures that are designed to deny unauthorized access to OIG facilities, equipment and resources, and to ensure the protection of personnel and property from damage or harm. Security services include initiating and adjudicating required background investigations, granting security clearances for access to classified information, maintaining electronic database records, providing

verification of security clearances for customer and processing requests for access to Sensitive Compartmented Information. In addition, Office of Management will take additional steps to train employees regarding Continuity of Operations activities to include emergency evacuation and shelter-in-place procedures.

The Office of Management's budget and finance component will work with the Administrative Resource Center to increase the timeliness of financial information and accuracy of budget projections, while adapting to the uncertainties of the Federal budgeting process. The office will continue to provide for the efficient and effective reconciliation of financial transactions. It will also (1) provide monitoring and oversight of billing and invoice approvals to ensure full compliance with the Prompt Pay Act and the OMB's "Do Not Pay" list procedures, (2) prepare and execute interagency agreements for services provided or rendered, (3) respond to budget data calls, and (4) liaise with the Administrative Resource Center for any system changes that impact OIG budgeting or accounting, such as establishing new cost centers to better and more accurately account for oversight of new programs and responsibilities.

The office's human resources component will continue to focus on the strategic management of the OIG workforce, working with hiring managers to recruit, hire, and retain employees within existing budget constraints and time-to-hire goals. It will focus on updating and communicating human resources policies and procedures and will expand and institutionalize the supervisory training program. In addition, human resources will update and expand succession planning efforts, strengthen OIG performance management, and conduct a review and analysis of employee electronic official personnel folders.

The office's IT component will continue to seek efficiencies through virtualization and service consolidation. Efforts continue to enhance the OIG's general support system; improve the ability of OIG employees to collaborate, either on-site or remotely; enhance the quality and choice of mobile communications; and ensure that all systems are fully maintained, operational, and in compliance with information security requirements. It will deploy Electronic Records Management tools to support OIG's records management initiatives. In addition, provide Information Management tools to ensure personnel have the ability to make timely decisions and provide them resources to access OIG information.

Treasury's Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000, the Treasury Inspector General annually provides the Secretary of the Treasury with his perspective on the most serious management and performance challenges facing the Department. In a memorandum to Secretary Lew dated November 14, 2013, Inspector General Thorson reported four challenges. All are repeat challenges from last year. The following is a synopsis of the matters included in that memorandum. The Inspector General's annual Management and Performance Challenges Memoranda are available, in their entirety, on the Treasury OIG [website](#).

Continued Implementation of Dodd-Frank (Repeat Challenge)

In our prior year memorandum, we referred to this challenge as “Transformation of Financial Regulation” but renamed it as many aspects of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) have been implemented and are maturing. This challenge focuses on the responsibilities of Treasury and the Secretary under Dodd-Frank.

Management of Treasury's Authorities Intended to Support and Improve the Economy (Repeat Challenge)

This challenge focuses on the administration of broad authorities given to Treasury by the Congress to address the financial crisis under the Housing and Economic Recovery Act of 2008 (HERA), the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010.

Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement (Repeat Challenge)

This challenge focuses on the difficulties Treasury faces to ensure criminals and terrorists do not use our financial networks to sustain their operations and/or launch attacks against the U.S.

Gulf Coast Restoration Trust Fund Administration (Repeat Challenge)

This challenge focuses on Treasury's administration of the Gulf Coast Restoration Trust Fund, established by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) in response to the April 2010 Deepwater Horizon oil spill.

Our memorandum also highlighted three areas of concern—cyber threats, challenges with currency and coin production, and lapses by the Department in maintaining a complete and concurrent record of key activities and decisions. Additionally, we noted challenges faced by the Bureau of the Fiscal Service

(Fiscal Service) as it carries out its responsibilities under the OMB guidance “Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative”.

In October 2014, the Inspector General will update the Management and Performance Challenges Memorandum to the Secretary. In formulating that memorandum, we will consider the impact of new programs and operations to the Department such as those assigned Treasury under the DATA Act.

Planned Projects by OIG Issue Area

Treasury General Management and Infrastructure Support: Financial Management

Issue Area Discussion

Mandates

Financial audits are required for the Department and certain component entities pursuant to various statutes and other reporting requirements. The annual audit of Treasury's consolidated financial statements is performed pursuant to the Government Management Reform Act. The Office of Management and Budget (OMB) designated Internal Revenue Service (IRS) as a Treasury component entity required to issue stand-alone audited financial statements under the act. Other Treasury component entities required to have stand-alone audited financial statements are the Bureau of Engraving and Printing (BEP), the Federal Financing Bank, the U.S. Mint (Mint), the Treasury Forfeiture Fund, the Office of D.C. Pensions, the Community Development Financial Institutions (CDFI) Fund, and the Office of Financial Stability. In addition, the Office of the Comptroller of the Currency (OCC), the Exchange Stabilization Fund, and the Alcohol and Tobacco Tax and Trade Bureau (TTB) financial statements are audited as a management initiative.

Independent public accounting firms, under contract with the OIG, audit the Department's consolidated financial statements and the financial statements of component entities, with some exceptions. The Government Accountability Office (GAO) audits the IRS' and the Office of Financial Stability's financial statements, and the Bureau of the Fiscal Service's (Fiscal Service) Schedule of Federal Debt. Additionally, OIG staff audit the Mint's Schedule of Custodial Deep Storage Gold and Silver Reserves and Treasury's Schedule of United States Gold Reserves Held by Federal Reserve Banks.

Program Responsibilities

Treasury also has responsibility for certain programs that will be reviewed as part of the audit of the fiscal year 2015 Department-wide financial statements including programs established by (1) the Housing and Economic Recovery Act of 2008 (HERA), (2) the Emergency Economic Stabilization Act of 2008, (3) the American Recovery and Reinvestment Act of 2009 (Recovery Act), (4) the Small Business Jobs Act of 2010, and (5) the Terrorism Risk Insurance Extension Act of 2005 as reauthorized by the Terrorism Risk Insurance Reauthorization Act of 2007.

The purpose of the terrorism risk insurance program, enacted under the terrorism risk insurance acts, is to stabilize market disruptions that result from acts of terrorism. The program, which expires December 31, 2014, and has a cap on annual liability for insured losses of \$100 billion, is in place to pay 85 percent of the insured losses arising from acts of terrorism above insurers' deductibles. Legislation to reauthorize and extend the Terrorism Risk Insurance Act of 2002 is under

Congressional consideration. Other programs established by the acts listed above are discussed in the Domestic and International Assistance Programs and Small Business Lending Fund (SBLF) and State Small Business Credit Initiative (SSBCI) Operations issue areas of this plan.

Treasury Franchise Fund Shared Services Programs

The Treasury Franchise Fund Shared Services Programs (SSP) provide common administrative services across the Department and thereby achieve economies of scale and eliminate duplication of effort. These services are provided on a reimbursable basis to Treasury components at rates that recover SSP operating expenses. For fiscal year 2015, the SSP budgeted \$158 million in program costs including \$112 million in shared costs.

Improper Payments

The Improper Payments Elimination and Recovery Act of 2010 requires each agency to periodically review all programs and activities susceptible to significant improper payments. If a determination is made that a program is susceptible to significant improper payments, the agency must (1) estimate the amount of the improper payments, (2) report on actions that the agency is taking to reduce improper payments, (3) report on actions the agency is taking to recover improper payments, and (4) include this information in the accompanying materials to the annual financial statements. The act also requires agencies to conduct recovery audits of each program and activity that expends more than \$1 million annually, if not prohibited by law and if it would be cost effective. The inspector general of each agency is required to annually determine if the agency is in compliance with the act.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) builds on the Improper Payments Elimination and Recovery Act of 2010. Among other things, IPERIA requires OMB to (1) annually identify a list of high priority Federal programs with the highest dollar value, rate, or higher risk of improper payment for greater levels of oversight and review and (2) coordinate with agencies responsible for administering these high priority Federal programs to establish annual targets and semi-annual or quarterly actions for reducing improper payments associated with each program. Each agency with a high priority Federal program is required to annually submit to its Inspector General, and make available to the public, a report that describes actions the agency has taken or plans to take to recover improper payments and actions it intends to take to prevent future improper payments.

Managerial Cost Accounting

Managerial cost accounting involves the accumulation and analysis of financial and nonfinancial data, resulting in the allocation of costs to organizational pursuits such as performance goals, programs, activities, and outputs, and should be a fundamental part of a financial performance management system. Both our office and GAO have reported the need for Treasury to more effectively implement managerial cost accounting. The Department developed a high-level managerial cost accounting implementation plan and revised its managerial cost accounting policy to improve managerial cost accounting practices throughout Treasury, promote consistency wherever possible, and address OIG and GAO concerns.

Known Weaknesses

The Department received an unmodified audit opinion on its fiscal year 2013 consolidated financial statements. The independent public accounting firm's audit report disclosed the following internal control deficiencies:

- Material weakness in internal control over financial reporting at IRS (repeat condition)
- Significant deficiency in internal control in information systems controls at Fiscal Service (repeat condition)

The auditor also reported that the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act related to Federal financial management system requirements and applicable Federal accounting standards.

In-Progress and Planned Fiscal Year 2015 Projects

Audits of Treasury Financial Statements and of Financial Statements or Schedules for Component Entities and Activities (Ongoing)

During fiscal year 2015, we will complete audit work for the fiscal year 2014 financial statements and schedules and begin audit work for the fiscal year 2015 financial statements and schedules. These audits will determine if the financial statements and schedules are fairly presented in all material respects and will report on internal control and on compliance with laws and regulations that could have a direct and material effect on the financial statements. We will also award a new contract for the audit of the Treasury Forfeiture Fund financial statements as the prior contract expires after the fiscal year 2014 audit.

Improper Payments (Ongoing)

Our improper payments work will consist of two parts. First we will determine Treasury's compliance with the Improper Payments Elimination and Recovery Act of 2010. Second, in accordance with IPERIA, for each high priority Federal program, we will review (1) the assessment of the level of risk, (2) the quality of Treasury's improper payment estimates and methodology used to calculate the estimates, and (3) Treasury's oversight or financial controls to identify and prevent improper payments. In addition, as applicable, we will submit to Congress recommendations for modifying any Treasury plans relating to each program including improvements for improper payments determination and the estimation methodology. We plan to work with Treasury Inspector General for Tax Administration (TIGTA) to provide an overall assessment of Treasury's compliance and review Treasury high priority programs.

Controls Over the Review of Unliquidated Obligations

In light of budget restraints, effective management and review of appropriated budgetary resources is imperative. Unliquidated obligations are obligations of budgetary resources that have been incurred but not paid for, such as an account payable for an item ordered or received but not yet paid for. At September 30, 2013, Treasury's total unpaid obligations were \$133 billion. Reviews of unliquidated

obligations are necessary to properly report obligation balances, certify the validity of obligated balances, and make funds available for expenditure that otherwise would not be used.

We plan to assess Treasury and non-IRS component entity management controls and procedures over the review of unliquidated obligations.

Agreed-Upon Procedures Over Intragovernmental Transactions

Beginning in fiscal year 2015, OMB and Fiscal Service will notify Agency Inspectors General in the first quarter of the fiscal year if they have been selected to complete agreed-upon procedures over Intragovernmental Transactions. Selection will be made based upon the results of Intragovernmental Reporting and Analysis System and Intragovernmental Transactions Scorecard reporting from the fourth quarter of the previous year. The agreed-upon procedures will be targeted to identify, analyze, and facilitate the correction of underlying internal control or process weaknesses. Fiscal Service will work with the selected Agency and its OIG to define the scope and logistics of the agreed-upon procedures engagement.

If selected by OMB and Fiscal Service, we plan to perform the required agreed-upon procedures and report the results.

Projects under Consideration for Future Fiscal Years

Office of D.C. Pensions' Quality Assurance Program Over Annuitant Benefit Payments

The Office of D.C. Pensions implements the Secretary's responsibilities under the Balanced Budget Act of 1997 to make timely and accurate Federal benefit payments associated with the D.C. Retirement Programs for police officers, firefighters, teachers, and judges. These benefit payments totaled \$548 million in 2013. During past financial statement audits, the auditor identified errors in annuitant payment amounts.

We plan to assess whether the Office of D.C. Pensions' quality assurance program over annuitant payments is designed and operating effectively to detect and correct mistakes in annuitant benefit payment processing.

Cash Discounts

A cash discount is a reduction to the amount of an invoice that a seller offers a buyer in exchange for paying an invoice before its scheduled payment due date. Considering the high volume of bills paid by Treasury, significant savings can be achieved by taking advantage of cash discounts.

The Treasury Financial Manual (TFM) provides a methodology to follow to determine if a cash discount should be taken. TFM requires that agency payment systems incorporate procedures that take advantage of cash discounts as a matter of routine.

We plan to assess TFM's cash discounts policy and determine if Treasury and its components are adhering to it to take full advantage of cash discount opportunities.

Treasury Franchise Fund Shared Services Programs

We plan to determine if the Treasury Franchise Fund established adequate controls over its SSP. As part of the overall audit, we plan to determine if: (1) SSP activities are appropriate for inclusion in SSP; (2) reconciliations between actual costs incurred by SSP and costs billed to participating Treasury bureaus exist, are timely prepared, and consistent; (3) costs charged by SSP are appropriate; (4) costs charged by SSP to specific bureaus are supported by appropriate documentation; and (5) assumptions, data, processes, and models used by SSP to estimate its annual costs are reasonable. We will coordinate our work as necessary with TIGTA.

Survey of XBRL

The eXtensible Business Reporting Language (XBRL) is a standards-based way to communicate and exchange business information between business systems. These communications capture reporting concepts as well as the relationships and other meanings commonly required in business reporting. It can offer cost savings, greater efficiency and improved accuracy and reliability to those involved in supplying or using financial data.

We plan to assess whether XBRL can offer Treasury improved business capabilities for managing and implementing its program and operational responsibilities.

Managerial Cost Accounting

We plan to assess whether Treasury implemented managerial cost accounting comprehensively and effectively.

Fiscal Service's Reporting of Treasury Managed Accounts Activity to Program Entities

Fiscal Service provides accounting services for non-entity assets, non-entity costs and custodial revenue accounts. These accounts are held or managed on behalf of other program entities and are referred to as Treasury Managed Accounts (TMA). TMA consist of deposit funds, receipt accounts, and appropriated accounts requiring functions such as the issuance of payments, making deposits and performing collections. As of September 30, 2013, TMA revenue totaled \$77.3 billion and TMA costs or payments totaled \$18.1 billion. However, quarterly or annual reports and confirmation letters of account balances and activities are not sent to related program entities. If program agencies do not receive reports on account activity, they may not be able to apply complementary control reviews or effectively monitor the activity of their related accounts.

We plan to assess whether Fiscal Service is providing appropriate, useful, and accurate reports on TMA activity to program agencies for use in managing their programs.

Treasury's Use of Official Reception and Representation Funds

Entertainment is not a proper expenditure unless Congress has authorized it. One way Congress does this is to appropriate sums for "official reception and representation expenses." Official reception and representation appropriations are traditionally sought, justified, and granted in the context of an agency's need to interact with various nongovernment individuals or organizations. Precisely who

these individuals or organizations are may vary by agency. An agency has wide discretion in the use of its official reception and representation appropriation. The President's Budget for fiscal year 2015 includes \$409,000 for official reception and representation expenses for Treasury.

We plan to assess whether Treasury has adequate controls over the expenditure of official reception and representation funds and that these funds are used to further Treasury's mission.

Treasury General Management and Infrastructure Support: Information Security

Issue Area Discussion

The President has identified cybersecurity threats as one of the most serious national security, public safety, and economic challenges our nation faces. Cyber threats to Government information and infrastructure continue to grow in number and sophistication. External threats to Treasury's infrastructure and information include terrorists, criminals, and computer hackers. Malicious cyber threats have increased at an unprecedented rate with hacking tools and malware becoming more readily available and relatively easy to use. In addition, insider threats remain a serious concern. Examples of these acts include, but are not limited to, modifying or stealing confidential or sensitive information; theft of trade secrets or customer information for business or personal advantage; and sabotage of data, systems, or networks. As insiders have significant knowledge of Treasury's policies, procedures, technology, and vulnerabilities in networks or systems, they can bypass physical and technical security measures designed to prevent external threats. Because of the nature of Treasury's missions, ensuring the effectiveness of information security controls is paramount to prevent attacks and defend against malicious outsiders and insiders from doing the following:

- disrupting key Treasury functions (e.g., collection of revenues, issuing payments, managing the government's cash and debt, producing coins and currency, and preventing financial crimes)
- compromising classified or sensitive Treasury information
- obtaining or disclosing private citizen information
- destroying or altering information needed to accomplish Treasury's missions
- stealing valuable equipment or technology
- inappropriately using Treasury resources

In addition, the dynamics of cyberspace and rapidly changing technologies (e.g., open source software, cloud computing, virtual technologies, social networking, mobile devices) that provide greater convenience and accessibility to users also increases vulnerabilities to Treasury's information and information technology (IT) systems. Because IT plays a crucial role in accomplishing all of Treasury's strategic objectives and activities, it is vital for Treasury to have an information security program that ensures the integrity of Treasury's IT systems and the integrity, confidentiality, and availability of information.

Mandates

The Federal Information Security Management Act of 2002 (FISMA) requires Federal agencies to have an annual independent evaluation of their information security program and practices and to report the results of the evaluations to OMB. To meet our FISMA requirements, we contracted an independent certified public accounting firm to perform the FISMA evaluation of Treasury's

unclassified systems, except for those of IRS. TIGTA conducts the evaluation of IRS' information security program and practices. We may from year-to-year exercise a contract option to conduct the unclassified security systems evaluation as an audit. In addition, we may from year-to-year exercise a contract option to perform the FISMA evaluation covering Treasury's collateral national security systems. OIG staff conducts the FISMA audit of Treasury's intelligence national security systems.

Based on the results of the fiscal year 2013 FISMA audit, we determined that while Treasury's information security program and practices for its unclassified systems were in place and generally consistent with FISMA; however, they could be more effective. Specifically, the auditor identified that improvements were needed in 5 of 11 FISMA program areas for Treasury's unclassified systems (except IRS): logical account management, security incident reporting, system security plan, contingency planning and testing, and annual security awareness training.

Program Responsibilities

Cross Agency Priority Goals

The Government Performance and Results Act (GPRA) Modernization Act of 2010 requires that the Federal Government set two types of Cross Agency Priority Goals:

- outcome-oriented goals that cover a limited number of crosscutting policy areas; and
- management improvements across the Federal Government in the areas of IT, financial management, human resources, and real property.

Cross Agency Priority Goals are identified in areas where increased cross-agency coordination on outcome-focused areas is likely to improve progress. OMB identified cybersecurity as one of 14 goals. Cross Agency Priority Goals help agencies improve cybersecurity performance by focusing efforts on what data and information are entering and exiting their networks, who is on their systems, and what components are on their information networks as well as when their security statuses change. Executive branch departments and agencies were to achieve 95 percent implementation of the Administration's priority cybersecurity capabilities by the end of fiscal year 2014. These capabilities include:

- Trusted Internet Connections - consolidate external Internet traffic and ensure a set of common security capabilities for situational awareness and enhanced monitoring.
- Continuous Monitoring of Federal Information Systems - allows departments and agencies to maintain an ongoing near-real-time awareness and assessment of information security risk and rapidly respond to support organizational risk management decisions.
- Strong Authentication – ensures authorized access to Federal information systems by requiring Homeland Security Protection Directive-12 Personal Identity Verification standard be followed.

Continuous Monitoring

OMB Memorandum M-14-03 requires agencies to implement continuous monitoring of security controls as part of a phased approach through fiscal year 2017. Agencies are required to develop and maintain an Information Security Continuous Monitoring strategy and implement an Information

Security Continuous Monitoring program in accordance with National Institute of Standards and Technology Special Publications. This strategy allows agencies to maintain ongoing awareness of information security, vulnerabilities, and threats to support organizational risk management decision.

Critical Infrastructure Protection

The U.S. critical cyber infrastructure consists of government and private sector systems and assets that are vital to public confidence and the nation's safety, prosperity, and well-being. These systems are increasingly at risk of falling victim to cyberattacks that could cripple the nation's infrastructure and economy. There have been increasing high profile cyberattacks against the financial sector. The President highlighted this threat in the 2013 State of the Union Address, and recent congressional testimony has illustrated the threats to America's critical cyber infrastructure. In response to this threat, the President signed Presidential Policy Directive 21 to promote a cybersecurity partnership between the government and the private companies that oversee America's critical infrastructure. The directive requires the Department of the Treasury to collaborate with the Department of Homeland Security and financial sector organizations to identify and protect critical cyber infrastructure. Effective public-private coordination will be required to address the growing threat of cyberattacks against America's critical infrastructure. Treasury systems are interconnected and critical to the core functions of the government and the U.S. financial infrastructure. Information security remains a constant area of concern and potential vulnerability for Treasury's network and systems. Also, it is critical that Treasury must be prepared to provide leadership to defend against cyber threats against financial institutions' critical infrastructure.

In-Progress and Planned Fiscal Year 2015 Projects

FISMA Independent Evaluation—Unclassified Systems (In-Progress)

We plan to assess the status of Treasury's compliance with FISMA requirements related to its unclassified systems. In addition, we plan to assess Treasury's progress in resolving previously reported FISMA related weaknesses. During fiscal year 2015, we will complete evaluation work for fiscal year 2014 and begin evaluation work for fiscal year 2015.

FISMA Independent Evaluation—Collateral National Security Systems (In-Progress)

We plan to assess the status of Treasury's compliance with FISMA requirements related to its collateral national security systems. In addition, we plan to assess Treasury's progress in resolving previously reported FISMA related weaknesses. During fiscal year 2015, we will complete evaluation work for fiscal year 2014 and begin evaluation work for fiscal year 2015.

FISMA Independent Audit for Fiscal Year 2015—Intelligence National Security Systems

We plan to assess the status of Treasury's compliance with FISMA requirements related to its intelligence systems. In addition, we plan to assess Treasury's progress in resolving previously reported FISMA related weaknesses cited in our prior year report.

Network and System Vulnerability Assessments and Penetration Testing

We plan to determine whether sufficient protections exist to prevent and detect unauthorized access to Treasury bureaus' networks and systems. To accomplish this objective, we plan to identify and exploit existing vulnerabilities in IT infrastructure to determine whether information and systems are (1) secure from unauthorized intrusion and misuse, (2) vulnerable to malicious security attacks, or (3) accessible through unauthorized or misconfigured paths (e.g., back doors into the network from the Internet or adjacent networks). In this regard, we perform a coordinated network security test by conducting automated and manual vulnerability assessments and exploitation. For fiscal year 2015, we plan to conduct audits at Mint and Financial Crimes Enforcement Network (FinCEN).

Public-Facing Web Server Security

We plan to determine whether Treasury and bureaus ensured effective security management practices and controls over public-facing web servers. For fiscal year 2015, we plan to conduct audits at Departmental Offices and Fiscal Service.

Projects Under Consideration for Future Fiscal Years

Homeland Security Protection Directive-12 Implementation

We plan to determine whether Treasury is compliant with Homeland Security Protection Directive-12 and Federal Information Processing Standards 201-1 requirements.

Continuous Monitoring

We plan to determine whether Treasury has an effective continuous monitoring management program that meets current Federal standards and guidelines.

Mobile Device Security

We plan to determine whether Treasury has provided proper safeguards for both organization-issued mobile devices and Bring Your Own Devices.

Enterprise Patch Management

We plan to determine whether Treasury's offices and bureaus have an effective patch management program to ensure timely and secure installation of software patches.

Disaster Recovery Exercises

We plan to determine whether Treasury and its components can recover operations in the event of a disaster. We will observe scheduled disaster recovery exercises on a selective basis. During fiscal year 2015, we plan to observe one exercise.

Equipment Sanitization and Disposal

We plan to determine whether Treasury's offices and bureaus use proper media sanitization and disposal techniques, appropriate to the security categorization of the associated system's confidentiality.

Physical Security

We plan to determine whether Treasury has determined facility security level and deployed adequate physical security countermeasures for its facilities.

OCC Examination of Third-Party Technology Service Providers

We plan to determine whether OCC has ensured adequate direct examinations of third party technology service providers used by financial institutions.

Open Source Software Risk Assessment and Mitigation

We plan to determine whether sufficient protections exist to minimize risk to Treasury due to use of Open Source Software.

Software License Management

We plan to determine whether Treasury is paying for all software installed on its network and effectively tracking software licenses.

Wireless Local Area Network Security

We plan to determine whether Treasury has implemented appropriate security management practices and controls over wireless local area networks that meet Federal guidelines.

Trusted Internet Connection Compliance

We plan to determine whether Treasury's offices and bureaus have complied with OMB's Trusted Internet Connection initiative. We will also determine if Treasury's offices and bureaus have connections to the Internet outside of the approved trusted Internet Connections, and if they do, we will determine how they mitigate vulnerabilities associated with that access.

Supply Chain Security

We plan to assess whether Treasury's acquisition process mitigate supply-chain threats to computer hardware and software procured for its use.

Protection of Treasury's Designated Cyber Critical Infrastructure

We plan to determine whether Treasury had ensured adequate protection and resilience for its designated cyber critical infrastructure.

Treasury's Reliance on Contractors for Information Technology

We plan to determine whether Treasury's IT systems and IT-related programs strike a balance between the use of contractors and full-time government employees, and determine if there is an over reliance of IT contractors being used in 'inherently governmental' positions, or in positions that pose a potential conflict of interest.

Treasury's Government Security Operations Center Services

We plan to determine whether Treasury's Government Security Operations Center is providing an effective analysis of all security related events and data that traverse the Treasury-wide network, as well as Internet access points.

Mission Critical Databases Security

We plan to determine whether Treasury has implemented adequate and effective security controls over its mission critical database management systems.

Intrusion Detection and Incident Response

We plan to assess the effectiveness of Treasury's intrusion detection and incident response programs, policies, and procedures.

Firewall Security

We plan to determine whether Treasury has ensured that firewalls are properly configured to prevent unauthorized access attempts into Treasury's network and systems.

Social Media

We plan to determine whether Treasury's use of social media complied with policy guidance and applicable laws.

Voice Over Internet Protocol

We plan to determine whether Treasury has ensured effective security controls over Voice over internet protocol phones.

Security Protection of Treasury Data in Cloud Computing Environment

We plan to determine whether the Treasury has ensured effective security protection of its information on public clouds maintained by contractors as required by Federal policies, guidelines and contracts.

Security Controls Over Virtual Machines

We plan to determine whether proper controls are in place for securing information systems employing virtualization technology.

Security Controls Over Treasury's Industrial Control Systems

Industrial Control Systems in a manufacturing environment encompass several types of control systems, including supervisory control and data acquisition systems, distributed control systems, and other control system configurations.

We plan to determine whether Treasury has provided effective security controls over its Industrial Control Systems.

Security Assessment of Treasury's Collateral National Security Systems

We plan to determine whether sufficient protections exist to prevent intrusions into Treasury's national security systems. To accomplish this objective, we will assess vulnerabilities that allow intruders or insiders to bypass security controls that protect system confidentiality, integrity, and availability.

Treasury General Management and Infrastructure Support: General Management

Issue Area Discussion

In addition to financial management and information security, the Treasury General Management and Infrastructure Support issue area encompasses other management activities to ensure that resources are used efficiently and effectively to carry out Treasury programs and operations. Examples of broad management activities that warrant audit coverage are discussed below.

Capital Investments

Sound business practices for the acquisition and maintenance of information systems (including hardware and software) are necessary to support Treasury's mission to effectively manage resources. Absent such practices, Treasury may

- inadvertently develop or acquire duplicate or incompatible systems;
- pay higher prices for commercial off-the-shelf products by not obtaining volume discounts;
- develop systems that do not address Treasury's needs or provide management with information needed to accomplish key missions;
- exceed projected or reasonable costs to develop, acquire, or maintain systems;
- acquire or develop systems that do not secure and protect Treasury's classified, confidential, or sensitive information; or
- implement systems that do not readily integrate with existing systems.

Under the Clinger-Cohen Act of 1996, agencies are required to submit business plans for IT investments to OMB. In 2009, OMB instituted the IT Dashboard website where agencies report details of their IT investments. This site allows users to track the progress of IT projects over time. To identify IT projects at risk for excess costs or schedule delays, the costs and progress are rated against the agency's plan. As of August 2014, Treasury non-IRS bureaus reported 37 major IT investments. Of these projects, the Treasury Chief Information Officer reported 6 IT projects as having medium risk to accomplishing their goals—Central Accounting and Reporting System; Departmental Offices IT Infrastructure Mainframes and Servers Services and Support; Departmental Offices IT Infrastructure Telecommunications; Payment Application Modernization; and Treasury Enterprise Identity, Credential and Access Management. Of these projects, the Central Accounting and Reporting System project is also identified as expected to be delayed and exceed projected costs. In addition, the Departmental Offices IT Infrastructure projects are behind schedule. Projects identified with medium overall risk and high-risk in cost and scheduling require special attention from the highest level of agency management but are not necessarily at risk of failure.

Past audits indicated that Treasury did not always effectively manage its capital investments, although we have reported much improved management was in place over more recent on-going projects. Certain capital investments, such as those for telecommunications, are funded through the Department's Working Capital Fund. Such projects do not receive the same scrutiny by OMB and Congress as those projects that are directly funded through the typical, direct, appropriations process.

Procurement

Procurements are a major Treasury activity. For example, between October 1, 2013, and July 31, 2014, Treasury non-IRS bureaus issued \$2.7 billion in contract actions. Of that amount, \$1.6 billion was issued by the Mint for metals. Also, the use of government credit cards for micro purchases (generally goods and services under \$3,000) is extensive, and strong control over this activity is essential to prevent abuse as recognized by the passage of the Government Charge Card and Prevention Act of 2012.

In 2011, Treasury transferred a portion the Department's contract activities to IRS. Two (2) years later in 2013, the Department transferred bureau procurement activities, except for manufacturing actions, to either Fiscal Service's Administrative Resource Center or IRS.

OIG is the Department's focal point for obtaining pre-award, costs incurred, and other contract audits requested by Treasury offices and the bureaus, except for IRS. These audits are typically performed by the Defense Contract Audit Agency and coordinated through our office.

Nonappropriated Activities

Three Treasury bureaus—BEP, the Mint, and OCC—do not receive appropriated funds; instead, they operate with revolving funds. BEP and the Mint charge the Board of Governors of the Federal Reserve System (FRB) for manufactured goods, while OCC assesses fees to those banks under its supervision for regulatory activities. These three bureaus generally have greater latitude than Treasury's appropriated bureaus in how they finance their operations. Other revolving funds are administered by the Deputy CFO, SSP, and Fiscal Service's Administrative Resource Center.

Potential Integrity Risks

Potential integrity risks may result from the actions of external parties (contractors, terrorists, drug lords, and hackers) or internal personnel (disgruntled or unethical employees). Internal personnel, for example, can disrupt Treasury functions, violate laws, award contracts for less than best value, receive bribes or kickbacks, steal or reveal sensitive data, and cost the taxpayer money through the theft of materials and machinery, finished products, and mutilated products.

In-Progress and Planned Fiscal Year 2015 Projects

Corrective Action Verifications (On-going)

Treasury and bureau management are responsible for implementing agreed-to audit recommendations made by OIG. Management records its planned corrective actions in response to

audit recommendations and the completion of those actions in the Joint Audit Management Enterprise System, Treasury's audit recommendation tracking system.

We plan to determine if management has taken corrective action responsive to the intent of selected recommendations from prior OIG audit reports. In selecting recommendations for verification, we also consider recommendations that have been open more than a year to assess progress made toward implementing planned actions. Audit reports for which we plan to conduct corrective action verifications during fiscal year 2015 include (1) *Consultation on Solyndra Loan Guarantee Was Rushed*, (OIG-12-048; Apr. 3, 2012), and (2) *Bill Manufacturing: Improved Planning and Production Oversight Over NexGen \$100 Note Is Critical*, (OIG-12-038; Jan. 24, 2012).

Contract Audit Oversight Activities (Ongoing)

We plan to oversee and coordinate Defense Contract Audit Agency contract audit services requested by Treasury procurement officers.

Controls Over Purchase and Travel Cards (On-Going)

As required by the Government Charge Card Abuse Prevention Act of 2012, we will assess the Treasury purchase card and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases, travel charges, or payments in order to develop a plan for using such risk assessments to determine the scope, frequency, and number of periodic audits of purchase card or convenience check transactions and travel charge card transactions. We also plan to issue joint reports with the Department as applicable under the act on violations or other actions related to Treasury purchase card and convenience check guidance or illegal, improper, or erroneous purchases with purchase cards or convenience checks.

Controls Over Conferences, Travel, and Employee Awards Programs (In-Progress)

We plan to determine if Treasury bureaus have effective policies and procedures in place to ensure compliance with applicable laws, regulations, and executive orders (E.O.) on travel, conferences, and employee awards programs. We are undertaking this work because of extensive publicity related to conference costs at other Federal agencies.

We also plan to determine whether bureaus within Treasury are complying with the bureaus' established policies over travel, conferences, and employee awards.

Treasury Office of Security (In Progress)

We plan to determine if (1) controls are implemented to ensure security clearance activities are conducted in a timely and appropriate manner and (2) security-related documents are secured.

Treasury Procurement Activities (In-Progress)

We plan to determine if selected Treasury bureaus and offices follow logical and prudent business practices that comply with laws and regulations and Treasury policies and procedures when procuring goods and services. We have audits in progress at OCC and the Office of Financial Research. During fiscal year 2015, we plan to initiate a separate audit of the Mint.

Treasury Enterprise Identity, Credential and Access Management

In 2012, the Treasury Chief Information Officer identified Treasury's Enterprise Identity, Credential and Access Management system as having scheduling problems. Since 2007, Treasury spent approximately \$244 million to implement the requirements of Homeland Security Presidential Directive 12 for a common identity standard. Treasury received funding of \$69 million in 2013 and \$56 million in 2014. The implementation for most of Treasury is targeted for completion in 2018.

We plan to determine if sound project management principles are being followed in carrying out the project.

Audit Resolution and Follow-Up

We plan to determine if Treasury's audit follow-up system is effective to ensure that audit recommendations are promptly and properly acted upon and that progress on corrective actions is adequately monitored. This project is intended to complement our corrective action verifications on specific audits. As part of this audit, we plan to follow up on our recommendations in *General Management: Office of Management Needs to Improve Its Monitoring of the Department's Audit Follow-up Process*, (OIG-08-037; June 23, 2008).

Conversion to Concur Travel System

Fiscal Service's Administrative Resource Center awarded a contract to Concur Technologies, Inc., and began implementation activities in January 2013. Concur Travel System (Concur) replaced GovTrip and provides integrated travel and expense management solutions and manage online bookings, travel authorizations and voucher processing for Treasury agencies and bureaus. Concur is expected to help Treasury agencies realize the cost savings, compliance benefits, and reporting capabilities that arise from using an integrated travel and expense service and reduce operating costs over the next 15 years.

We plan to assess whether the expected benefits of Concur are being achieved.

Resolution of Accountable Officer Irregularities

Accountable officers include certifying officers, disbursing officers, collecting officials, and other officers or employees who are responsible for or have custody of public funds. Treasury Directive 32-04, Settlement of Accounts and Relief of Accountable Officers, established the policy and procedures to settle irregularities (erroneous or improper payments) in the accounts of accountable officers. Requests for relief of accountable officers from liability for irregularities constituting a major loss must be referred to Treasury's Deputy Chief Financial Officer for resolution, except for requests for relief of Fiscal Service accountable officers with Government-wide fiscal responsibilities, who must be referred to the Fiscal Assistant Secretary for resolution. The resolution of irregularities constituting a minor loss has been delegated to other Treasury officials.

We plan to determine if irregularities in the accounts of Treasury accountable officers are resolved in accordance with Treasury Directive 32-04.

Projects Under Consideration for Future Fiscal Years

Classification of Treasury Information

The 9/11 Commission and others observed that the over-classification of information interferes with accurate, actionable, and timely information sharing, increases the cost of information security, and needlessly limits stakeholder and public access to information. The over-classification of information causes considerable confusion over what information may be shared and with whom, and negatively affects the dissemination of information within the Federal government and others. The Reducing Over-Classification Act requires the inspector general of each department or agency with an officer or employee who is authorized to make original classifications, in consultation with the Information Security Oversight Office, to carry out no less than two evaluations of that department or agency's classification policies, procedures, rules, and regulations by September 30, 2016. The first evaluation was required by September 30, 2013, and we plan to complete the second evaluation in 2016.

Consistent with the act, we plan to (1) assess whether applicable classification policies, procedures, rules, and regulations have been adopted, followed, and effectively administered within Treasury and (2) identify policies, procedures, rules, regulations, or management practices that may be contributing to persistent misclassification of material within Treasury.

Contractor Clearance and Background Investigation

We plan to determine if controls are in place to ensure that Treasury's contractor personnel who have access to Treasury data and other information have current and appropriate security clearances and background investigations.

Telework Program Oversight

We plan to determine if Treasury and non-IRS bureaus have policies, procedures, and controls over employee telework.

Physical Access Controls Over Treasury Facilities

We plan to determine if sufficient protections exist to prevent unauthorized access into Treasury facilities.

Management of the National Seized Property Contract

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Treasury Forfeiture Fund, the receipt account for the deposit of nontax forfeitures made by Treasury and certain other Federal law enforcement agencies. In 2007 and 2013, TEOAF contracted with VSE Corporation and CWS Marketing Group for general property and real property services in support of the Treasury Forfeiture Fund's mission. We plan to determine if the contracting actions and practices for the national seized property contract complied with policies, procedures, and guidelines established under the Federal and Treasury acquisition requirements.

Employee Bonus Policies at Nonappropriated Bureaus

We plan to determine if nonappropriated bureaus have (1) established policies for employee bonuses in accordance with applicable laws and regulations and (2) paid bonuses in compliance with applicable laws, regulations, and policy and procedures. Separate audits are planned at each nonappropriated bureau.

Strategic Human Capital Management

We plan to determine if the Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer identified any existing critical skill gaps at Treasury and modified its strategic human capital management plan accordingly.

Mandated Reports

We plan to determine if Treasury has adequate monitoring controls in place to ensure the completion of presidentially and congressionally mandated reports. As part of this project, we will assess Treasury's progress to reduce, eliminate, or consolidate reports pursuant to the GPRA Modernization Act.

Supply Chain Security

We will determine if Treasury's acquisition process has incorporated steps to mitigate supply-chain threats to computer hardware and software procured for its use.

Treasury's Environmental and Sustainability Program

We plan to determine Treasury's compliance with applicable laws, regulations, E.O.s, and agency directives with respect to managing its environmental programs and climate change. As part of this work, we will assess Treasury's progress towards meeting its sustainability goals identified in its *Strategic Sustainability Performance Plan*.

Work Life Programs

We plan to determine if Treasury tracks and evaluates data on the implementation and assessment of its work-life programs.

Website Compliance with Section 508 of the Rehabilitation Act

Section 508 of the Rehabilitation Act of 1973, as amended, contains accessibility requirements for Federal departments and agencies that develop, procure, maintain, or use electronic and IT. The purpose of Section 508 is to ensure that individuals with disabilities have access to and use of information and data in electronic or IT format that is comparable to the access to and use of the information and data by members of the public who do not have disabilities.

We plan to determine if Treasury's website and its bureaus conform to the technical standards of Section 508 for web-based intranet and internet information.

Review of TIC Reporting System

The Treasury International Capital (TIC) reporting system collects data for the U.S. on cross-border portfolio investment flows and positions between U.S. residents (including U.S.-based branches of firms headquartered in other countries) and foreign residents (including offshore branches of U.S. firms).

This system provides:

- monthly data on transactions in long-term securities,
- monthly and quarterly position data on claims and liabilities (including some short-term securities) reported by banks and broker/dealers of securities,
- quarterly position data on selected claims and liabilities reported by non-banks and non-broker/dealers,
- annual position data on holdings of long-term and short-term securities, and
- quarterly position and transactions data on financial derivatives.

Besides being reported on the TIC website, detailed data from the monthly and quarterly TIC forms are combined and presented in several tables in the Capital Movements section of the quarterly Treasury Bulletin. TIC reporting system data, including the data from the periodic surveys of holdings of securities, are also a primary input to the Bureau of Economic Analysis' International Transactions Accounts and for the International Investment Position of the U.S. The TIC reporting system data is indirectly the basis of the Federal Reserve's Flow of Funds accounts for financial positions and flows of the Rest of the World sector. The Flow of Funds accounts use as their primary input the data as published by Bureau of Economic Analysis in its international transactions accounts, which is based on the TIC reporting system data. The TIC reporting system data is also used to compute the U.S. Gross External Debt position, which is published as part of the International Monetary Fund's Special Data Dissemination Standard.

We plan to (1) review the data in the TIC reporting system for reliability and completeness; (2) review the process for accumulating data in the TIC reporting system for compliance with applicable laws, regulations, policies, and procedures; and (3) determine if controls are in place to safeguard financial data and any sensitive information in the TIC reporting system.

Treasury's Enterprise Architecture Program

We plan to determine if Treasury complies with established Federal guidance and Treasury's enterprise architecture policies and procedures, and to determine if the Treasury aligned its strategic plans and individual business priorities within an appropriate enterprise architecture framework.

Treasury's Email Electronic Records Management Practices

The media has reported that U.S. government officials have used private email and alias accounts to conduct official government business. The use of these accounts could seriously impair records collection, preservation, and access, therefore compromising transparency and oversight. The Federal Records Act requires agency heads to make and preserve records containing adequate and proper

documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency.

We plan to identify the use by Treasury, if any, of private and alias email accounts to conduct official business, and assess the controls over such accounts to ensure compliance with Federal records retention requirements.

Treasury's Management of Facilities

The Federal government is the biggest property owner in the U.S. The President proposed a Civilian Property Realignment Board to sell or otherwise dispose of property it no longer needs. The Presidential Memorandum, *Disposing of Unneeded Real Estate*, dated June 10, 2010, required Federal agencies to save no less than \$3 billion by the end of fiscal year 2012. Treasury reported savings of \$24 million in real property cost savings through fiscal year 2012. On May 11, 2012, OMB issued Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations, which prevents agencies from increasing square footage and requires agency reporting on real property.

We plan to assess Treasury's effort to implement the President's Memorandum and the OMB memorandum.

Survey of Treasury's Human Resource Succession Planning

We plan to determine if Treasury established human resource succession plans.

Capital Planning and Investment Control Process

We plan to assess Treasury's management of its capital planning and investment process for IT projects.

Treasury's Performance Data

GPRA, as amended by the GPRA Modernization Act of 2010, requires the Department to establish performance measures for its programs. These performance measures are published annually in the Department's Annual Performance Report. Performance measure data is reported to the Department's Office of Performance and Budget by individual component entities.

We plan to review the Department's process to accumulate and report performance data and determine if select performance data reported in the Annual Performance Report is supported.

Freedom of Information Act Requests

We plan to determine if the Department and non-IRS bureaus (1) have adequate systems to record, track, and timely complete Freedom of Information Act requests including an assessment of fees and fee waivers, and the use of exemptions; (2) provide points of contact and monitoring systems to ensure that inquiries regarding existing requests have been properly addressed with the requesters; (3) ensure proper collection of fees and the granting of fee waivers; (4) ensure compliance with the 2011 Supreme Court decision *Milner v. Department of the Navy*, and the 1996 electronic Freedom

of Information Act amendments, Treasury Directives, and (5) report required Freedom of Information Act statistics annually to the Department of Justice.

Treasury's Progress in Reducing Underperforming IT Investments as Required by the 25 Point Implementation Plan

We plan to determine whether Treasury has made progress in reducing underperforming IT investments as required by the *25 Point Implementation Plan to Reform Federal Information Technology Management*.

In June 2009, OMB launched the IT Dashboard which allowed OMB and the American public to monitor IT investments across all agencies in the Federal Government. As a result of OMB's analysis of this information, the Federal Chief Information Officer (CIO) initiated the first OMB-led "TechStat" reviews with Agency CIOs and members of their leadership team in January 2010. A "TechStat" is a face-to-face, evidence-based accountability review of an IT investment. It enables the Federal Government to intervene to turn around, halt or terminate IT projects that are failing or are not producing results for the American people. On December 9, 2010, OMB launched the *25 Point Implementation Plan to Reform Federal Information Technology Management* to deliver more value to the American taxpayer. The plan established the requirement for Federal agencies to conduct "TechStats" on troubled investments on an on-going basis. In August 2011, OMB took an additional step to support the rollout of the TechStat governance model to the agency level with the issuance of the Chief Information Officer Authorities Memorandum. The OMB memo M-11-29 directs "changing the role of Agency CIOs away from just policymaking and infrastructure maintenance, to encompass true portfolio management for all IT." From a governance perspective, the guidance requires CIOs to drive the investment review process for IT investments. In accordance with the IT Reform plan, it also requires Agency CIOs to lead TechStat sessions to improve line-of-sight between project teams and senior executives, to formalize outcomes from these sessions, and to follow-up on them through completion. As noted in the memo, the goal of such reviews is to terminate or turn around "one third of all underperforming IT Investments by June 2012."

Integrating Information Security into Capital Planning

We plan to determine whether Treasury had properly integrated information security into the capital planning and investment control process in accordance with Federal guidelines.

Terrorist Financing, Money Laundering, and Foreign Assets Control

Issue Area Discussion

Preventing terrorism, money laundering, and other criminal activity is a global effort. Treasury's role in this effort is to safeguard the U.S. financial system and protect it from illicit use. Treasury coordinates with other law enforcement agencies, intelligence agencies, foreign governments, and the private sector to add transparency to the financial system to more easily detect those who would try to exploit the financial system for their own illicit purposes. Within Treasury, this effort is led by the Office of Terrorism and Financial Intelligence. The office oversees the Office of Terrorist Financing and Financial Crime, Office of Intelligence and Analysis, FinCEN, and the Office of Foreign Assets Control (OFAC). The Office of Terrorist Financing and Financial Crime manages the Office of Terrorism and Financial Intelligence policy and outreach. The Office of Intelligence and Analysis is responsible for intelligence functions, integrating Treasury into the larger intelligence community, and providing support to Treasury leadership. FinCEN is responsible for Treasury's effort to enforce the Bank Secrecy Act (BSA) and the USA PATRIOT Act. OFAC administers laws that impose economic sanctions against hostile targets to further U.S. foreign policy and national security objectives.

BSA requires financial institutions to file Currency Transaction Reports for cash transactions exceeding \$10,000 and Suspicious Activity Reports (SAR) for transactions that are suspicious in nature. Law enforcement uses these reports to identify and guard against fraud, money laundering, terrorist financing, and other types of illicit finance. In April 2014, FinCEN implemented its BSA IT Modernization program that re-engineered BSA data architecture, updated the infrastructure, implemented more innovative web services and enhanced electronic filing, and provided analytical tools.

Title III of the USA PATRIOT Act requires each financial institution to establish an anti-money laundering program, extends the SAR filing requirement to broker-dealers, requires financial institutions to establish procedures to verify the identities and addresses of customers seeking to open accounts, and requires FinCEN to maintain a highly secure network that allows financial institutions to file BSA reports electronically. Beginning April 1, 2013, financial institutions must use new FinCEN forms for the SAR, Currency Transaction Report, Registration for money services businesses (MSB), and Designation Of Exempt Person reports, which are available only electronically through the BSA E-Filing System. Financial institutions that continue to file mandated reports in paper format will fail to meet BSA reporting requirements and may be subject to civil money penalties.

To better share information and improve coordination in ensuring that BSA is effectively implemented, FinCEN has a memorandum of understanding with the Federal banking agencies—OCC, Federal Deposit Insurance Corporation, FRB, and the National Credit Union

Administration—and similar memoranda of understanding with IRS and most states and territories. FinCEN also has memoranda of understanding with the Securities and Exchange Commission and the Commodity Futures Trading Commission to enhance BSA compliance oversight in the nonbank financial sectors.

OFAC's authority to impose controls on transactions and to freeze foreign assets is derived from the President's constitutional and statutory wartime and national emergency powers. OFAC relies principally on authority under the Trading with the Enemy Act, International Emergency Economic Powers Act, and the United Nations Participation Act to prohibit or regulate commercial or financial transactions involving specific foreign countries, entities, or individuals. OFAC works with other Federal agencies to implement and enforce these programs. Like FinCEN, OFAC executed a memorandum of understanding with the Federal banking agencies to share information and improve coordination.

In September 2010, FinCEN proposed a regulatory requirement for financial institutions to report cross-border electronic transmittals of funds. If implemented, such a requirement has the potential to greatly assist law enforcement in detecting transnational organized crime, multinational drug cartels, terrorist financing, and international tax evasion according to FinCEN. With the implementation of the BSA IT Modernization program, FinCEN may now be in a position to move forward with a plan.

Areas of Concern

Terrorism, narcotics trafficking, human smuggling and trafficking, loan modification and foreclosure scams, mortgage fraud, health care fraud, and other organized criminal activity remain as high level concerns for the U.S. These activities all involve movement of funds and use of financial systems. Continued instability in the Middle East remains a significant challenge. In North America, increasing drug smuggling and violence related to drug cartels in Mexico have increased smuggling, crime, and violence along our Southern Border. The financial crisis resulted in increased mortgage fraud and loan modification scams. Law enforcement continues to target organizations and individuals involved in defrauding the Medicare and Medicaid programs.

Over the last decade, the U.S. and others in the global community have required increased reporting and monitoring of financial institution transactions. In reaction to the activities largely occurring in the Middle East, including the nuclear development activities in Iran, the U.S. increased sanctions on transactions involving countries in these areas. Because terrorists and criminals are resourceful and cunning, they are reacting to the increase in financial institution monitoring by looking for ways of moving funds to support their illicit activity that more easily avoid detection. This includes, among other things, the use of electronic transactions (online and mobile) and prepaid instruments that make it increasingly difficult for financial institutions and law enforcement to detect illicit transactions, and the use of the nonbank financial sector where there is likely to be less monitoring and more opportunity to hide transactions, including MSBs and informal value transfer systems. In March 2013, FinCEN has addressed the emergence risks associated with virtual currencies, with

guidance that designated exchangers as MSBs that are subject to BSA and USA Patriot Act requirements. FinCEN has also focused its attention on the importance of financial institutions knowing their customer. It will be codifying, clarifying, and strengthening existing customer due diligence regulatory requirements and supervisory expectations primarily for banks, brokers or dealers in securities, mutual funds, futures commission merchants, and brokers in commodities. The purpose was to enhance identification and verification of accountholders and beneficial ownership which is any individual or group of individuals that, either directly or indirectly, has the power to vote or influence transaction decisions. The risk is that nominal account holders can enable individuals and business entities to conceal the identity of the true owner of assets or property derived from or associated with criminal activity. FinCEN's rules and regulations are followed by U.S. financial institutions to protect the U.S. financial system from money laundering and terrorist finance.

Anti-money laundering and combating financing of terrorists remains a high priority. Our prior audits have revealed problems pertaining to the detection of BSA violations, the timely enforcement of BSA, SAR data quality, BSA system development efforts, and administration of sanctions. Moreover, the universe of institutions required to comply with BSA requirements has grown as nonbank financial institutions participate in the program. The universe now includes the insurance industry and precious stones and metals dealers.

Potential Integrity Risks

Treasury efforts to support law enforcement in the fight against terrorist financing, money laundering, and other financial crimes are dependent on honest and complete reporting of currency transactions and suspicious financial activity. Potential integrity risks include (1) the failure by financial institutions to file required BSA reports, due to both poorly run programs and corrupt bank officials who are involved in the schemes; (2) filing of false or fraudulent BSA reports; (3) internal and external misuse or disclosure of sensitive BSA information contrary to law; and (4) inappropriate handling or use of sensitive but unclassified, law enforcement-sensitive, or classified information.

In-Progress and Planned Fiscal Year 2015 Projects

FinCEN Efforts to Ensure Compliance by MSBs With BSA (In-Progress)

In 2005, our office issued an audit report recommending that FinCEN take actions to improve the registration program for Money Service Businesses. Registration is the first and vital step in (1) identifying possible money laundering and terrorist financing, often perpetrated by unlicensed and unregistered MSBs; (2) performing appropriate BSA examinations and monitoring filings of SARs; (3) monitoring compliance with OFAC sanctions; and (4) taking enforcement actions for BSA or OFAC violations. In 2009 and 2010, FinCEN issued proposed rules to tighten emerging threats associated with activities that often involve MSBs. These include rules to more clearly delineate the scope of entities regulated as MSBs and tightening rules associated with MSBs, which are difficult to enforce. These rules govern the use of prepaid access cards and the reporting of cross-border wire transfers. FinCEN also issued an advisory regarding the use of informal value transfer systems by

unlicensed and unregistered MSBs, citing several which had been involved in money laundering or violations of OFAC sanctions.

We plan to assess whether FinCEN has taken sufficient action in response to our 2005 report and otherwise to establish adequate management systems and controls over MSB registration and BSA compliance.

OFAC Licensing Programs (In-Progress)

We plan to determine (1) the universe of licensing programs under OFAC's jurisdiction; (2) the related laws, regulations, and OFAC's policies and procedures for these programs; and (3) whether the programs are administered in an appropriate manner.

OFAC Libyan Sanctions Case Study (In-Progress)

The President issued E.O. 13566 on February 25, 2011, blocking property and prohibiting certain transactions related to Libya in order to protect Libyan state assets from misappropriation. This order was issued based on findings that Colonel Muammar Qadhafi, his government, and close associates, have taken extreme measures against the people of Libya, including using weapons of war, mercenaries, and wanton violence against unarmed civilians. By March 1, 2011, Treasury reported at least \$30 billion in Government of Libya assets were frozen under the E.O. The reported amount of frozen Libyan assets increased to approximately \$37 billion by September 2011. In an effort to return the frozen assets to the Libyan people, on September 1, 2011, OFAC released an initial \$700 million in frozen assets to the Libyan Transitional National Council for fuel and civilian operating costs and to pay salaries in support of the Libyan people. Treasury announced that going forward, it would remain in close contact with the council for the release of additional assets. On December 16, 2011, the U.S. unfroze all Libyan government and Central Bank funds within U.S. jurisdiction, with limited exceptions. Only those assets in the U.S. of the Qadhafi family and former members of the former Qadhafi regime remain frozen.

We plan to perform a case study on OFAC's implementation and subsequent lifting of most of the sanctions against Libya. For the purpose of this project, we plan to (1) review OFAC's implementation of the Libyan sanctions program; (2) determine how frozen assets are identified, maintained, and accounted for; (3) review OFAC's subsequent and gradual release of frozen Libyan assets; and (4) determine how OFAC will identify and release all frozen assets to their rightful owners upon termination of the sanctions program.

OCC's BSA and USA PATRIOT Act Compliance Examinations and Enforcement Actions (In-Progress)

We plan to determine the effectiveness of OCC's programs to conduct supervisory activities and, when necessary, take enforcement actions to ensure that national banks have controls in place and provide the requisite notices to law enforcement to deter and detect money laundering, terrorist financing, and other related criminal acts. The scope of this review will include OCC's examination coverage of BSA compliance by former thrifts supervised by the former Office of Thrift Supervision

(OTS), which were transferred to OCC in July 2011. Additionally, the scope of this review will include national bank trust departments and banks offering both private banking services and correspondent bank accounts (which make payments or handle transactions on behalf of a foreign bank).

TEOAF's Use of Treasury Forfeiture Fund Receipts to Support Law Enforcement (In-Progress)

We plan to determine if the TEOAF has appropriate controls to (1) award and distribute funds to eligible law enforcement agencies in accordance with applicable laws, regulations, and policies and (2) ensure that distributed receipts are used for intended purposes. As part of this work, we plan to determine if selected state and local government agencies use Treasury forfeiture funds in accordance with Treasury guidelines.

FinCEN Implementation of USA PATRIOT Act Information-Sharing Procedures (In-Progress)

The USA PATRIOT Act provides for the sharing of information between the government and financial institutions, and among financial institutions regarding individuals, entities, and organizations engaged in or reasonably suspected of engaging in terrorist acts or money laundering activities. In March 2005, FinCEN implemented a web-based secure communications system to expedite sharing of this information.

We plan to determine the extent to which information sharing is occurring among the government and financial institutions.

Financial Institution Filing of Reports to OFAC and FinCEN on Blocked Transactions (In-Progress)

In December 2004, FinCEN advised institutions subject to BSA suspicious activity reporting that under certain circumstances reports filed with OFAC related to blocked transactions with designated terrorists, foreign terrorist organizations, and narcotics traffickers and trafficker kingpins would fulfill the requirement to file SARs with FinCEN (i.e., a separate SAR to FinCEN on the same blocked transaction would no longer be required). However, if the institution has information not included on the blocking report filed with OFAC, a SAR containing that information must still be filed with FinCEN.

We plan to determine if OFAC and FinCEN implemented controls to ensure that the information in reports filed with OFAC on blocked transactions is made available to law enforcement through FinCEN databases as appropriate.

FinCEN Civil Penalties for BSA Program Violations (In-Progress)

We plan to determine FinCEN's process for assessing and collecting civil penalties when BSA violations occur.

FinCEN SAR Data Quality (In-Progress)

In March 2012, FinCEN introduced its new universal SAR. The universal SAR was designed for use by all industry members to file reports with FinCEN. Beginning in April 2013, FinCEN mandated all industry members use the universal SAR. This action coupled with FinCEN's requirement, effective

July 1, 2012, that all SARs be filed electronically are part of the bureau's efforts to transition to a more modern and efficient system for both government and industry.

We plan to assess whether the quality of the data provided by SAR filers has improved since the implementation of FinCEN's universal SAR and electronic filing mandate.

Office of Terrorist Financing and Financial Crimes Interagency Collaboration with the National Security Community (In-Progress)

The Office of Terrorist Financing and Financial Crimes develops initiatives and deploys strategies to combat money laundering, terrorist financing, weapons of mass destruction proliferation, and other criminal and illicit activities, both domestically and abroad. This effort requires the Office of Terrorist Financing and Financial Crimes to work among the national security community, including the law enforcement, regulatory, policy, diplomatic and intelligence communities as well as with the private sector and foreign governments in order to identify and address threats of illicit finance to the international financial system.

We plan to determine how and the extent the Office of Terrorist Financing and Financial Crimes collaborates with the national security community to identify and address threats to the international financial system from money laundering and other forms of illicit finance.

FinCEN's Regulatory Helpline (In-Progress)

FinCEN's Regulatory Helpline (helpline) provides regulatory assistance for financial institutions seeking clarification of their obligations under BSA and certain requirements under the USA PATRIOT Act. FinCEN's goal is to provide financial institutions with understandable guidance for complying with related regulations.

We plan to determine and assess the controls over the Regulatory Helpline to provide guidance to users that is responsive and consistent with the BSA, USA PATRIOT Act, and related regulations.

FinCEN's Implementation of Section 311 of the USA PATRIOT Act

Section 311 of the USA PATRIOT Act grants the Secretary of the Treasury the authority to require domestic financial institutions to take certain special measures with respect to foreign jurisdictions, foreign financial institutions, classes of transactions, or types of accounts identified as primary money laundering concerns. The authority to propose and implement the special measures under Section 311 has been delegated by the Secretary to FinCEN. Special measures that may be implemented by FinCEN include recordkeeping and reporting on certain financial transactions, collecting information relating to certain accounts, and enforcing prohibitions or conditions on opening or maintaining certain accounts. Special measures are proposed by FinCEN through Notices of Proposed Rule Making. After comments received in response to Notices of Proposed Rule Making are reviewed and any other available information considered, FinCEN may promulgate final rules, withdraw the findings and proposed rules, or keep matters open for further review.

We plan to assess the mechanisms FinCEN has in place to implement actions under Section 311 of the USA PATRIOT Act.

FinCEN's Guidance on Virtual Currency

Electronic money is also known as e-money, e-currency, electronic cash, electronic currency, digital money, digital cash, digital currency, or cyber currency. Typically, e-money involves the use of computer networks, the Internet, and digital stored value systems. Electronic funds transfer, direct deposit, digital gold currency, and virtual currency are all examples of electronic money. Digital currencies provide a potential money laundering instrument because they facilitate international payments without the transmittal services of traditional financial institutions.

In March 2013, FinCEN issued *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*. This interpretive guidance was issued to clarify the applicability of the regulations implementing the BSA to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currencies.

We plan to determine how FinCEN identifies, prioritizes, and addresses money-laundering and terrorist financing risks associated with virtual currencies.

FinCEN's Final Rule Process

We plan to assess FinCEN's process for developing, issuing, interpreting, amending, and repealing final rules.

OCC's Implementation of the Permanent Subcommittee on Investigation's Recommendations in Response to the HSBC Case

In July 2012, the Permanent Subcommittee on Investigations of the Senate Committee on Homeland Security and Governmental Affairs reported that lax oversight by top HSBC executives gave terrorists and drug cartels access to the U.S. financial system. The Subcommittee recommended OCC align its practice with that of other Federal bank regulators by treating anti-money laundering deficiencies as a safety and soundness matter, rather than a consumer compliance matter; establish a policy to conduct institution-wide examinations of bank anti-money laundering programs, consider use of formal or informal enforcement actions to act on anti-money laundering problems, and strengthen its anti-money laundering examinations. In December 2012, HSBC agreed to pay \$1.92 billion to settle money laundering and sanctions violations.

We plan to determine OCC's responses to each of the Subcommittee's recommendations and the status of OCC's efforts to implement the Subcommittee's recommendations.

FinCEN Efforts to Identify Fraud

We plan to survey FinCEN's efforts in proactively identifying potential healthcare, mortgage, insurance, and other frauds; and in disseminating that information to law enforcement and regulatory agencies. The survey results will be used to determine if more in-depth audit coverage of this area is warranted.

Responsibilities of the Office of Intelligence and Analysis under the Intelligence Authorization Act

The Intelligence Authorization Act for Fiscal Year 2004 established the Office of Intelligence and Analysis and assigned it responsibility for receiving, analyzing, collating, and disseminating foreign intelligence and foreign counterintelligence information related to Treasury operations.

We plan to assess the office's progress toward meeting its responsibilities.

OFAC's Management of the Specially Designated Nationals and Blocked Persons List

OFAC is responsible for enforcing economic and trade sanctions against targeted foreign countries, terrorists, and international narcotics traffickers. A major component to these sanctions is the Specially Designated Nationals and Blocked Persons List, which includes over 3,500 names of individuals, governments, and companies that serve as agents or representatives of countries with which U.S. businesses and citizens are prohibited from engaging in trade. In consultation with the Departments of State and Justice, OFAC relies on both public and classified data to list an entity on the list. Entities who wish to challenge OFAC's designation can apply to OFAC for delisting, and must credibly demonstrate they no longer engage in or plan to engage in the sanctioned activity, and that the circumstances resulting in the designation no longer apply. In 2012 and 2013, OFAC delisted 427 persons and 306 persons from the Specially Designated Nationals and Blocked Persons List, respectively.

We plan to determine and assess OFAC's management controls over the process of listing and delisting individuals and entities from the Specially Designated Nationals and Blocked Persons List and assess the effectiveness of the new data system in helping OFAC manage this process.

Terrorist Finance Tracking Program

After the terrorist attacks on September 11, 2001, Treasury initiated the Terrorist Finance Tracking Program to identify, track, and pursue terrorists and their networks. During 2010, the U.S. and the European Union entered into a new agreement on the transfer and processing of data in the Terrorist Finance Tracking Program. As provided in the agreement, we will provide appropriate oversight of the program.

Follow-up on a Classified Program

We plan to follow-up on the implementation of recommendations made in an audit report of a classified program.

FinCEN's Memorandum of Understanding with the National Counterterrorism Center

A 2010 memorandum of understanding between FinCEN and the National Counterterrorism Center sets conditions for searching BSA data, some of which is provided as bulk data to the center. The memorandum requires intelligence agencies to search for data that is valuable for specific cases and to immediately destroy data obtained in error. Redistribution of information is also limited.

We plan to determine how FinCEN has implemented the memorandum of understanding with the National Counterterrorism Center.

OFAC and OCC's Monitoring of JP Morgan Chase Bank Compliance with Sanctions Programs

In August 2011, JP Morgan Chase Bank agreed to remit \$88.3 million to settle potential civil liability for apparent violations of multiple OFAC sanctions programs. According to Treasury's website, the bank violated the Cuban Assets Control Regulations; the Weapons of Mass Destruction Proliferators Sanctions "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters;" and the Iranian Transactions Regulations, among other sanctions programs. The violations occurred between December 15, 2005, and March 1, 2011. Also, in a January 2014 consent order for the assessment of a civil money penalty, OCC cited the bank for inadequate internal controls including filtering processes and independent testing with respect to OFAC compliance.

We plan to assess OFAC and OCC oversight of JP Morgan Chase's actions to implement adequate controls with respect to OFAC compliance.

FinCEN Guidance on Prepaid Access

Prepaid access is defined as access to funds (or the future value of funds) that have been paid in advance and can be retrieved or transferred in the future through an electronic device or vehicle, such as a card, code, electronic serial number, mobile identification number, or personal identification number. In July 2011, FinCEN issued a final rule to clarify the definition of prepaid access and impose suspicious activity reporting, customer identification, and recordkeeping requirements on both providers and sellers of prepaid access, and registration requirements on sellers.

We plan to assess FinCEN's actions to address money laundering and terrorist financing risks associated with prepaid access.

FinCEN's Monitoring the Use of BSA Data

In April 2014, FinCEN completed its system development effort, the BSA Information Technology Modernization Program to improve the collection, analysis, and sharing of BSA data.

We plan to assess FinCEN controls over the sharing of BSA data to prevent and detect the misuse of those data.

FinCEN's Oversight of Casino's Compliance with BSA

Casinos with gross annual gaming revenue in excess of \$1 million are subject to BSA reporting and recordkeeping requirements. The definition of casino has been updated over the years to include state-licensed casinos, tribal casinos, and club cards. As part of its compliance with the BSA, casinos are required to implement and maintain an anti-money laundering program, file Currency Transaction Reports and SARs, and maintain records.

We plan to assess FinCEN's oversight of BSA compliance by the casino industry.

FinCEN and OFAC's Oversight of the Insurance Industry

We plan to review FinCEN's guidance for the insurance industry regarding BSA compliance, and how OFAC has educated the industry about compliance with sanctions programs.

FinCEN's Efforts to Ensure BSA Compliance by Nonbank Financial Institutions

FinCEN has the responsibility for oversight of the BSA for nonbank financial institutions which do not have a Federal functional regulator. FinCEN delegated examination authority for these institutions to IRS. In an effort to better leverage examination resources, FinCEN is looking also to coordinate with the states.

We plan to assess FinCEN's coordination efforts with the states with respect to nonbank financial institutions BSA compliance.

OFAC's Efforts to Identify Terrorist Activities in Charities

Charitable organizations are vulnerable to terrorist activity often because of the areas in which they provide services and the ways in which funds are donated and passed through these organizations. Protecting charities from terrorist abuse is a critical component of the global fight against terrorism. U.S. persons, including U.S. based charities and donors, are generally prohibited from supporting charities or other organizations working in sanctioned jurisdictions and charities designated by OFAC unless the appropriate registrations and licenses are acquired from OFAC. Charities should ensure that grantees do not appear on OFAC's Specially Designated Nationals list and are not otherwise subject to OFAC sanctions. Since July 2005, OFAC has designated 41 charities because of their support for terrorist activity.

We will assess OFAC's process for monitoring charities for compliance with foreign sanction programs.

FinCEN's Protection of Information Shared with Foreign Financial Intelligence Units

FinCEN serves as the Foreign Financial Intelligence Unit for the U.S. and is one of more than 100 Foreign Financial Intelligence Units making up the Egmont Group, an international entity focused on information sharing and cooperation among the units. FinCEN exchanges financial information with the units' counterparts around the world in support of U.S. and foreign financial crime investigations.

We plan to determine how FinCEN protects information shared with Foreign Financial Intelligence Units from unauthorized disclosure.

OFAC Implementation of the Foreign Sanctions Evaders List

In May 2012, the President signed E.O., *Prohibiting Certain Transactions and Suspending Entry into the United States of Foreign Sanctions Evaders with Respect to Iran and Syria*, 13608 giving OFAC the authority to impose sanctions on foreign persons who have facilitated deceptive transactions for or on behalf of persons subject to U.S. sanctions. As a result of this E.O., OFAC maintains a separate listing of these individuals and entities called the Foreign Sanctions Evaders List. OFAC introduced the list in

February 2014. Assets of these individuals and entities are not blocked, but a U.S. person may not provide or procure goods or services, including financial services, or technology to or from a listed person without authorization from OFAC. In addition, financial institutions must reject any wire transfer involving a listed person and file a report with OFAC within 10 days.

We plan to determine OFAC's process for maintaining the Foreign Sanctions Evaders List, and for monitoring activity of these designated individuals and entities.

Projects Under Consideration for Future Fiscal Years

FinCEN's Guidance on Expectations Regarding Marijuana-Related Businesses

The Controlled Substances Act ("CSA") makes it illegal under Federal law to manufacture, distribute, or dispense marijuana. Nevertheless, currently 20 states and the District of Columbia have legalized certain marijuana-related activity. Deputy Attorney General James M. Cole issued a memorandum (the "Cole Memo") in August 2013 to U.S. Attorneys providing updated guidance to Federal prosecutors concerning marijuana enforcement under the CSA. In this memorandum, the Deputy Attorney General states that regardless of state law, Department Of Justice attorneys and law enforcement should focus resources and enforcement efforts, including prosecution, for those person or organizations that violate existing Federal laws.

In February 2014, FinCEN issued guidance to clarify how financial institutions can provide services to marijuana-related businesses consistent with their BSA obligations, including customer due diligence and reporting requirements for institutions providing services for marijuana-related businesses. These businesses are required to file a SAR on activity involving any marijuana-related business, even if the business is duly licensed under state law.

We plan to determine how FinCEN is assessing the impact of its guidance to BSA compliance.

FinCEN's Implementation of Cross Border Electronic Transfer of Funds Data Collection

The Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108–458), which amended BSA, requires that FinCEN propose regulations requiring that financial institutions report certain cross-border electronic transmittals of funds for Treasury's anti-money laundering and combatting terrorist financing efforts. On September 30, 2010, FinCEN issued a notice of proposed rulemaking to issue regulations that would require certain banks and money transmitters to report to FinCEN transmittal orders associated with certain cross-border electronic transmittals of funds. A final rule was not to be issued until FinCEN had the appropriate IT systems in place to collect, maintain, and disseminate the data. FinCEN was relying on its BSA IT modernization system, completed in April 2014, to provide the infrastructure necessary to maintain this data.

We plan to determine the status of FinCEN efforts to require reporting of certain cross-border electronic transmittals of funds.

OFAC Civil Penalty Cases

OFAC enforces economic sanctions by issuing civil and criminal penalties. These penalties serve as a deterrent to acts that violate sanction programs. Past audits have revealed that some civil and criminal cases have not been acted upon in a timely fashion allowing them to fall out of the statute of limitations. In 2006, we reported that OFAC had allowed hundreds of enforcement cases to expire without issuing civil money penalties because of poor case management.

We plan to determine if OFAC has implemented case management processes for its civil and criminal penalty activities to ensure timely action is taken.

FinCEN's Oversight of BSA Examination and Enforcement for Nonbank Residential Mortgage Originators and Brokers

In February 2012, FinCEN issued final regulations requiring nonbank residential mortgage lenders and originators to establish anti-money laundering programs and file SARs. FinCEN expects that the new regulations will help mitigate risks and minimize vulnerabilities that criminals have exploited in the nonbank residential mortgage sector.

We plan to evaluate FinCEN's strategy for establishing an examination and compliance program for nonbank mortgage originators and brokers.

FinCEN Memorandum of Understanding With Federal Banking Agencies

We plan to determine if (1) FinCEN is receiving timely, complete, and reliable information in accordance with the memorandum of understanding; and (2) the purpose of the memorandum of understanding, which was to enhance communication and coordination enabling financial institutions to identify, deter, and interdict terrorist financing and money laundering, is being achieved. We plan to conduct audit work at FinCEN and OCC.

OFAC Memorandum of Understanding With Federal Banking Agencies

We plan to determine (1) whether OFAC is receiving timely, complete, and reliable information under the April 2006 memorandum of understanding with Federal banking agencies and (2) if the memorandum of understanding is achieving its purpose of helping OFAC administer and enforce economic sanctions and assisting the Federal banking agencies in fulfilling their roles as banking organization supervisors. We plan to conduct audit work at OFAC and OCC.

FinCEN's Analysis and Dissemination of Report of International Transportation of Currency or Monetary Instruments Data

In accordance with 31 U.S.C. 5316 (a), persons who physically transport, mail, or ship currency or other monetary instruments in an aggregate amount exceeding \$10,000 at one time from the U.S. to any place outside the U.S., or into the U.S. from any place outside the U.S., is required to file a Currency or Monetary Instruments report with the Department of Homeland Security, Customs and Border Protection. These reports are useful for identifying money laundering schemes.

We plan to determine FinCEN's efforts to analyze the report's data and coordinate with Customs and Border Protection to detect and pursue money laundering schemes.

Treasury's Compliance with Intelligence Reporting Requirements

E.O. 13462, *President's Intelligence Advisory Board and Intelligence Oversight Board*, as amended, requires Treasury to report intelligence gathering activities to the President's Intelligence Advisory Board and its component, the Intelligence Oversight Board. The President's Intelligence Advisory Board is responsible for keeping the President apprised of issues discovered through intelligence gathering activities throughout the Federal Government under E.O. 13462 and the *Criteria on Thresholds for Reporting Intelligence Oversight Matters and Instructions Relating to Formatting and Scheduling*, from the Office of the Director of National Intelligence. The Office of Intelligence and Analysis is responsible for submitting quarterly reports on intelligence activities that it has reason to believe may be unlawful or contrary to E.O.s or Presidential directives. These reports are provided to the President's Intelligence Advisory Board and the Director of National Intelligence. This quarterly report also covers any matters considered significant or highly sensitive as defined under the criteria. The E.O. also requires Treasury to act on any recommendations made by the board and the Director of National Intelligence, including instructions to discontinue activities that may be unlawful or contrary to E.O.s or other Presidential directives.

We plan assess Treasury's processes for identifying reportable matters under E.O. 13462 and related directives.

TEOAF Management Controls Over the Security of Forfeited Property

We plan to determine if (TEOAF) has established an effective system of internal controls for maintaining accountability and control of property stored in warehouses.

FinCEN Efforts to Ensure Compliance with the Comprehensive Iran Sanctions, Accountability, and Divestment Act

The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 imposed sanctions aimed at persuading the Iranian government to end its illicit nuclear program. The financial sanctions prescribed by the act were designed to restrict or prohibit U.S. financial institutions from doing business with foreign institutions related to or conducting business with the government of Iran or its agents. Under the act, FinCEN was authorized to require U.S. banks to perform sanctions audits on foreign financial institutions with which they keep correspondent accounts to determine if those institutions are in compliance with requirements of the act. Correspondent accounts are defined by the USA PATRIOT Act as an account established to receive deposits from, make payments on behalf of a foreign financial institution, or handle other financial transactions related to such institution. FinCEN issued the final rule in October 2011.

We plan to determine how many sanctions audits were required by FinCEN and what those audits found.

FinCEN's use of the Report of Foreign Bank and Financial Accounts

A Report of Foreign Bank and Financial Accounts is to be filed by persons in the U.S. who have a financial interest in or signature authority over at least one financial account located outside of the U.S. which exceeded \$10,000 at any time during the calendar year. The report is a tool to help the Federal Government identify persons who may be using foreign financial accounts to circumvent U.S. law.

We plan to determine how FinCEN uses the report's data.

TEOAF's Controls over Super Surplus and the Secretary's Enforcement Fund

The Super Surplus Fund is a special receipt account, which means that the fund can be used to provide money to other Federal entities toward the accomplishment of a specific objective for which the recipient bureaus are authorized to spend money toward other authorized expenses. TEOAF is responsible for managing the Fund. In fiscal year 2013, an estimated \$1.852 billion was deposited into the Fund account.

In fiscal year 2013, \$44.9 million in Super Surplus funds were expensed. TEOAF's fiscal year 2014 President's Budget request shows that TEOAF plans to expend \$200 million in Super Surplus funds in fiscal year 2015.

The Secretary Enforcement Fund is available for law enforcement purposes of Federal law enforcement organizations that participate in the Fund. TEOAF is also responsible for determining how the Secretary Enforcement Fund funds are spent.

In fiscal year 2013, the Fund expensed just over \$15.9 million in Secretary Enforcement Funds.

We plan to determine the controls in place over the use of Super Surplus Fund and Secretary Enforcement Fund resources.

FinCEN's Implementation of Section 361 of the USA Patriot Act

Section 361 of the USA PATRIOT ACT established FinCEN as a bureau with Treasury with the duties of furnishing research, analytical, and informational services to financial institutions in the interest of detection, prevention, and prosecution of terrorism, organized crime, money laundering, and other financial crimes.

We plan to determine how FinCEN is meeting the requirements of this section of the USA Patriot Act.

OCC's Efforts to Address Emerging High Risk BSA/ Anti-Money Laundering Areas

We plan to assess OCC's efforts to provide guidance to its examiners related to monitor areas of risk in the financial institutions such as prepaid access, mobile banking, and suspicious activity monitoring systems.

Implementation of FinCEN BSA IT Modernization Program

Pursuant to a Congressional directive, we conducted six audits to determine if FinCEN was (1) meeting cost, schedule, and performance benchmarks for the BSA IT Modernization program, and (2) providing appropriate contractor oversight. We reported on these objectives until the system development was completed in April 2014.

We plan to determine how well the BSA IT Modernization program is meeting the needs of FinCEN and other users after the system has been fully operational for several years.

Government-wide Financial Services and Debt Management

Issue Area Discussion

Treasury, through Fiscal Service, borrows the money needed to operate the Federal government, accounts for the resulting debt, and provides reimbursable support services to Federal agencies. Fiscal Service also provides central payment services to Federal agencies, operates the Federal government's collections and deposit systems, provides Government-wide accounting and reporting services (including preparation of the Financial Report of the U.S. Government), and manages collection of delinquent debt owed the Federal government.

The goal of Treasury debt management is to achieve the lowest borrowing costs over time by committing to regular and predictable debt issuance. The Federal debt has two major components: Debt Held by the Public and Intragovernmental Holdings. Debt Held by the Public is the debt held by individuals, corporations, state or local governments, foreign governments, and other entities outside the U.S. Government. Types of securities held by the public include Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Inflation-Protected Securities, U.S. Savings Bonds, State and Local Government Series Securities, Foreign Series securities, and Domestic Series securities. Intragovernmental Holdings are primarily Government Account Series securities held by Federal government trust funds, revolving funds, and special funds. As of May 31, 2014, the total Federal debt outstanding was \$17.5 trillion, of which \$12.5 trillion was Debt Held by the Public and \$5 trillion was Intragovernmental Holdings. The interest expense on the Federal debt for fiscal year 2013 was \$415.7 billion. Interest expense for fiscal year 2014, as of May 31, 2014, was \$257.3 billion. Fiscal Service's debt operations depend on modernized electronic and information system technology. Implemented in 2002, the TreasuryDirect system maintains approximately 1.3 million accounts.

Another of Fiscal Service's primary goals is to provide reliable and accurate processing of Federal payments, which is an essential part of supporting the U.S. economy. These payments total over \$2.4 trillion annually. Fiscal Service issues over a billion payments a year by paper check, electronic funds transfer, and Fedwire and has increased its efforts to make payments electronically, thereby reducing the number of paper checks issued. In fiscal year 2013, approximately 97 percent of benefit payments and 92.5 percent of total payments were made electronically. Fiscal Service also collects over 400 million transactions per year worth over \$3 trillion. Approximately 97 percent of this amount is collected electronically. Since enactment of the Debt Collection Improvement Act of 1996, Treasury, through Fiscal Service, collected about \$62 billion in delinquent Federal nontax debt. In fiscal year 2013, Fiscal Service collected over \$7 billion of delinquent Federal nontax debt. Prompt referral of eligible delinquent debts to Treasury by Federal program agencies is critical to the success of collection efforts.

Digital Accountability and Transparency Act of 2014

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted in May 2014 to (1) expand the Federal Funding Accountability and Transparency Act of 2006 by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to programs of Federal agencies so as to enable taxpayers and policy makers to track Federal spending more effectively; (2) establish Government-wide data standards for financial data and provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policy makers on USASpending.gov (or a successor system that displays the data); (3) simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency; (4) improve the quality of data submitted to USASpending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted; and (5) apply approaches developed by the Recovery Accountability and Transparency Board to spending across the Federal Government.

To fulfill its purpose, the DATA Act imposes certain requirements on the Secretary of the Treasury, the Director of OMB, the inspector general of each Federal agency, and the Comptroller General of the United States. In brief, the DATA Act requires Treasury and OMB to:

- (1) by May 2015, establish Government-wide financial data standards for any Federal funds made available to or expended by Federal agencies and entities receiving Federal funds;
- (2) by May 2017, ensure this financial data is accurately posted and displayed on USASpending.gov, or a successor system; and
- (3) by May 2018, ensure the data standards established are applied to the data made available on the website.

The act also requires inspectors general:

- (1) review a statistically valid sampling of the spending data submitted under this Act by the Federal agency, and
- (2) submit to Congress and make publically available a report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the Federal agency by November 2016. Similar reports are also required in future years.

The DATA Act places major responsibilities for the promulgation of data standards and public reporting of government spending squarely on Treasury. Implementing the DATA Act's will be an extremely complex undertaking involving the overhaul of the existing reporting systems, the implementation of new data standards and data handling methodologies, and significant interagency coordination and cooperation. Going forward, we anticipate that our office will need to provide significant resources to oversee Treasury's responsibilities under the DATA Act and work within the OIG community to develop a comprehensive audit methodology which allows Agency OIGs to comply with their responsibilities under Act, while promoting the efficient use of resources.

Do Not Pay Initiative

In E.O. 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (Nov. 2009), the President directed agencies to identify ways in which information sharing may improve eligibility verification and pre-payment scrutiny. The President directed the establishment of a “single point of entry” through which agencies would access relevant data in order to determine eligibility for a federal award or payment. In an April 2012 memorandum, OMB described the efforts of OMB and Treasury to establish the Do Not Pay Initiative. The memorandum directed Federal agencies to develop a plan for using the Do Not Pay system for pre-payment eligibility reviews. In January 2013, IPERIA was enacted, codifying the ongoing efforts to develop and enhance the initiative. Additionally, IPERIA required that not later than June 1, 2013, all agencies review all payments and awards for all programs through the system established by OMB. As the Federal Government takes these important steps to prevent waste, fraud, and abuse in Federal spending, it is vital for agencies to ensure that individual privacy is fully protected.

The Do Not Pay Initiative includes multiple resources that are designed to help agencies confirm that the right recipient obtains the right payment for the right reason at the right time. IPERIA provides the Federal Government with new tools and authorities to help agencies effectively implement the initiative. IPERIA also establishes new standards and procedures that apply to computer matching programs that are conducted for purposes of the Do Not Pay Initiative. As required by IPERIA, OMB issued implementation guidance for the initiative in OMB memorandum M-13-20, *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative*, (Aug. 2013).

The Do No Pay Business Center is a Treasury program designed to give critical information to paying agencies to help reduce improper payments. The Do Not Pay Business Center provides two services to agencies: the Do Not Pay Portal and Do Not Pay Data Analytics Service. Each agency can choose to use any combination of these Do Not Pay services to best meet their needs. The Do Not Pay Portal provides users with a single entry point to search for entities that may be listed in a variety of data sources such as: the List of Excluded Individuals/Entities, Social Security Administration’s Death Master File, Central Contractor Registry, Excluded Parties List System, and Debt Check. Three types of searches will be available so agencies can customize use of the portal to align with their business needs: online, batch, and continuous monitoring.

With its potential to significantly reduce improper payments while at the same time ensuring appropriate privacy, we anticipate that our office will need to continue to provide significant resources to oversee Treasury’s responsibilities under the Do Not Pay Initiative going forward.

Potential Integrity Risks

Integrity risks associated with Government-wide financial services and debt management, affecting Fiscal Service include fraud and abuse by means of (1) unauthorized access to sensitive information, (2) filing false applications and claims, (3) providing false statements to obtain Federal assistance or funds, (4) diversion of benefit proceeds, (5) check forgery, (6) promised services not delivered, and (7) misuse and mismanagement of Federal funds. Furthermore, program risks related to this issue

area include the inability to collect debt, inability to recover in a disaster, misallocation of program costs, and disruption of the Federal payment function and service to the public.

To minimize potential integrity risks, OIG plans to explore the use of data-mining methods to analyze Fiscal Service payments to reveal hidden patterns relating to trends, relationships, and correlations between the data. These data-mining methods have the potential to reveal trends and patterns that could identify ongoing fraud and abuse directed against or occurring within Fiscal Service.

In-Progress and Planned Fiscal Year 2015 Projects

Administrative Resource Center's Operational Independence (In-Progress)

The Administrative Resource Center's mission is to provide administrative support—including accounting, travel, personnel management, and procurement services—to Federal agencies. The Administrative Resource Center operates as a franchise fund and therefore does not receive appropriated funds. Instead, it charges customers for services provided. As of August 2014, the Administrative Resource Center had 16 Treasury customers and 59 non-Treasury customers.

We plan to determine if the Administrative Resource Center has internal controls to ensure operational independence from other Fiscal Service programs and operations funding through annual appropriations.

Do Not Pay Program Implementation (In Progress)

We plan to assess the Do Not Pay Business Center's role in assisting Federal agencies in reducing improper payments, to include the Center's efforts to assist agencies' IPERIA compliance.

Bureau of the Public Debt and Financial Management Service Consolidation (In-Progress)

We plan to determine if Treasury has a comprehensive plan to accomplish the consolidation and re-designation of the Bureau of the Public Debt and Financial Management Service as Fiscal Service and determine how well Treasury followed its plan. We also plan to determine the reliability of projected cost savings resulting from the consolidation.

Tax Refund and Other Payment Offsets (In-Progress)

Media reports stated that the Federal Government was improperly offsetting taxpayer refunds to resolve long overdue SSA debts incurred by parents or other parties without due process. Accordingly, this audit will initially focus on the offset of debt referred to Fiscal Service from SSA.

We plan to determine (1) Fiscal Service's role in identifying and targeting these payment for offset; (2) actions taken by Fiscal Service to discontinue offset of these debts and resolve prior offsets; and (3) other actions taken to ensure only appropriate debts are subject to offset, and taxpayers are afforded due process prior to offset of the scheduled payments.

Selection and Monitoring of Financial Agents (In-Progress)

We plan to assess Treasury's use of financial agency agreements to obtain services from financial institutions.

Fiscal Service's Stand-up of Transparency Office and Administration of USASpending.gov (In Progress)

In February 2014, OMB transferred responsibility of the USASpending.gov website to Treasury from the General Services Administration. We plan to review Fiscal Service's plans for addressing its new responsibilities of maintaining and improving the USASpending.gov website.

Treasury's Securities Auction Program (In-Progress)

We plan to determine the controls in place over the auction process and whether those controls are consistent with the Secretary of the Treasury's authorities to issue U.S. obligations. As part of our audit, we plan to review the circumstances surrounding a technical issue that occurred on September 9, 2013, in which one bidder was not able to enter bids for itself or its clients in the 3-month T-bill auction.

Treasury's Implementation of the DATA Act (In Progress)

Through a series of audits, we plan to determine the sufficiency of plans and actions taken by Fiscal Service to timely comply with the DATA Act, including but not limited to those plans and actions to (1) establish Government-wide financial data standards for an Federal funds made available to or expended by Federal agencies and entities receiving Federal funds; (2) ensure that this financial data is accurately posted and displayed on USASpending.gov (or successor system); (3) ensure the established data standards are applied to the financial data made available on USASpending.gov (or successor system); and (4) establish a data analysis center or expand an existing service to provide data, analytic tools, and data management techniques to support the prevention and reduction of improper payments by Federal agencies and improving efficiency and transparency in Federal spending.

Do Not Pay Program

We plan to assess the ongoing effectiveness of Fiscal Service's Do Not Pay program as a tool to assist agencies in identifying and preventing improper payments. During fiscal year 2015, we plan to audit the Do Not Pay Business Center's analytical activities.

State Reciprocal Program Initiative

The Debt Collection Improvement Act of 1996 allows states to enter into reciprocal agreements with Treasury to collect unpaid state debt by offset of Federal nontax payments, and the Federal Government to collect delinquent Federal nontax debt by offset of state payments.

We plan to assess Fiscal Service's use of reciprocal agreements with states.

Direct Express Corrective Action Validation

We plan to assess whether Fiscal Service implemented corrective actions planned in response to our audit report *Fiscal Service Needs to Improve Program Management of Direct Express* (OIG-14-031).

myRA

In late 2014, Treasury plans to roll out the myRA (My Retirement Account), a retirement savings account for individuals looking for a simple, safe, and affordable way to save.

We plan to assess Treasury's development and implementation of the program and the controls put in place over these accounts.

Dormant Grant Accounts

GAO reported in April 2012 that a Fiscal Service payment system, Automated Standard Application for Payments, held \$126 million in grant accounts for which there had been no activity for 2 years or more. To help reduce unused funding, Fiscal Service issues dormant account reports to agencies who own the funds.

We plan to assess Fiscal Service's efforts to work with agencies to resolve dormant accounts with balances.

Projects under Consideration for Future Fiscal Years

Direct Express Debit Card Call Center Service

We plan to assess call center performance under the financial agency agreement, including the reliability of performance data provided by the financial agent.

Direct Express Debit Card Fees

The financial agent for the Direct Express Debit Card Program is allowed to assess certain fees to cardholders. We plan to perform a case study of the impact of the fees on individual cardholders.

Delinquent Debt Referrals

Prompt referral of eligible debt to Fiscal Service by Federal program agencies is critical to the success of collection efforts.

We plan to evaluate Fiscal Service's efforts to work with creditor Federal agencies so that delinquent nontax debt is referred to Fiscal Service for collection in a timely manner.

DATA Act – Compliance

As required by the DATA Act, we plan to: (1) review a statistically valid sampling of the spending data submitted under this Act by Treasury, and, (2) submit to Congress and make publicly available a report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the Treasury. We plan to start our first audit under this requirement in fiscal year 2016.

Survey of TreasuryDirect

TreasuryDirect is the primary element of Treasury's retail securities services program. It is a self-service, internet accessed system which allows customers to establish accounts, purchase savings bonds and marketable securities, and manage their holdings.

We plan to perform a survey of the Treasury Direct program and related controls to identify risk areas that should be audited in more depth.

Controls over the Check Forgery Insurance Fund

The Check Forgery Insurance Fund is a revolving fund administered by Fiscal Service to settle claims of non-receipt of Treasury checks. The fund's purpose is to ensure that the intended payees, whose checks were fraudulently negotiated, receive settlement in a timely manner. The Check Forgery Insurance Fund's balance the end of fiscal year 2013 was nearly \$5 million. During that fiscal year, 22,000 claims for lost/stolen/forged checks filed, reimbursements totaled \$17 million and recoveries totaled \$16 million. The OIG Office of Investigation is currently involved in a joint initiative with Fiscal Service in an effort to combat Treasury check fraud.

We plan to assess the controls over this fund.

Survey of Debt Check Program

Debt Check is an Internet-based system intended to assist agencies with preventing delinquent debtors from obtaining new loans, loan guarantees, or loan insurance. Agencies can search the Debt Check database to determine if assistance applicants owe delinquent nontax debt to the Federal Government or owe delinquent child support. Ten agencies are using the system.

We plan to perform a survey of the Debt Check program and related controls to identify risk areas that should be audited in more depth.

Fiscal Service's Collections Practices

Fiscal Service is the government's central debt collection agency, managing the government's non-tax delinquent debt portfolio. Fiscal Service uses a number of tools to collect these delinquencies, including the Treasury Offset Program, debtor demand letters, administrative wage garnishments, and credit bureau reporting.

We plan to assess Fiscal Service's controls over debt collection.

Survey of the Invoice Processing Platform

The Invoice Processing Platform is an Internet-based payment information portal provided by Fiscal Service for use, free of charge, to Federal agencies and their vendors. It was established to improve the flow of information between Federal agencies and suppliers by providing a centralized location to exchange electronic purchase orders, invoices, and related payment information.

We plan to gain an understanding of security measures and controls Fiscal Services uses for the portal to identify areas that, based on our assessment of risk, should be audited in more depth.

Survey of Fiscal Service Collection and Cash Management Functions

The Fiscal Service collected over \$700 billion in funds received by non-IRS agencies in fiscal year 2013 with approximately 97 percent of these funds collected electronically.

We plan to determine what processes and systems Fiscal Service has in place to collect and management receipts to identify areas that, based on our assessment of risk, should be audited in more depth.

Use of Permanent and Indefinite Appropriation Funds

We plan to determine if selected Fiscal Service permanent and indefinite appropriation funds are used in accordance with the underlying legislation.

Managing Interchange Fees

In fiscal year 2013, Treasury, through Fiscal Service, collected approximately \$11.3 billion in revenue through credit and debit cards and paid interchange fees of approximately \$145.5 million.

Interchange fees are payments that card-acquiring banks make to banks that issued the cards.

We plan to determine how Fiscal Service manages costs associated with interchange fees. As part of this audit, we plan to follow up on findings and recommendations from GAO's 2008 report, *Credit and Debit Cards: Federal Entities Are Taking Actions to Limit Their Interchange Fees, but Additional Revenue Collection Cost Savings May Exist* (GAO-08-558; May 15, 2008).

Controls over the Treasury Check Information System

The Treasury Check Information System records and reconciles the issuance and payment of Treasury checks and allows end users to query Treasury's Payments, Claims and Enhanced Reconciliation system for claim status on Automated Clearing House payments. The system enables Federal agencies to access all claim information in one system and is accessible through a standard web browser.

We plan to determine if the Treasury Check Information System is achieving its intended purposes.

Debt Collection Improvement Act Exemptions

The Debt Collection Improvement Act of 1996 authorizes Treasury to grant Federal agencies exemptions from transferring nontax delinquent debt to Fiscal Service. Treasury has granted exemptions to four agencies – the Department of Education, the Department of Health and Human Services, the Social Security Administration, and the Small Business Administration.

We plan to study the level of collection success and contributing factors/challenges of exempted agencies/programs compared to Fiscal Service's collection success on referred nontax delinquent debt.

Vendor Identity

We plan to assess Fiscal Service's controls to ensure vendors provide correct taxpayer information as required by the Debt Collection Improvement Act of 1996.

Use of Beneficiary Data

We plan to assess controls that prevent financial agents from using customer data obtained through their activities under financial agent agreements to market other financial products.

Safety, Soundness, and Accessibility of Financial Services

Issue Area Discussion

One of Treasury's strategic goals is to promote domestic economic growth and stability while continuing reforms of the financial system. Two of Treasury's strategies to reach that goal are to (1) complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability and (2) develop a sustainable housing finance system that meets the needs of a diverse population of borrowers, including long-term reform of the mortgage finance system and the smooth wind-down of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) made sweeping changes to the U.S. financial regulatory framework, affecting all financial regulatory agencies, including OCC. It also established four offices within Treasury, the Office of Financial Research, the Federal Insurance Office, and Offices of Minority and Women Inclusion within Departmental Offices and OCC.

The Office of Financial Research, established by Title I of Dodd-Frank, is tasked with supporting the activities of the Financial Stability Oversight Council and its member agencies by performing activities such as collecting data on behalf of the council, providing data to the council and member agencies, standardizing the types and formats of data reported and collected, and performing essential long-term research. The Federal Insurance Office, established by Title V of Dodd-Frank, is tasked with addressing problems and concerns in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the U.S. financial system. The Offices of Minority and Women Inclusion, established by Title III of Dodd-Frank, are responsible for all matters relating to diversity in management, employment, and business activities within their respective organizations.

OCC, with over 3,800 employees, is responsible for licensing, regulating, and supervising nearly 1,245 nationally chartered banks, 515 Federal savings associations, and 48 Federal branches or agencies of foreign banks. OCC-supervised banks hold over \$10.4 trillion in total assets. OCC has four strategic goals: (1) a safe and sound national banking and thrift system; (2) fair access to financial services and fair treatment of customers; (3) a flexible legal and regulatory framework that enables their respective industries to provide a full competitive array of financial services; and (4) an expert, highly motivated, and diverse workforce. OCC funds its operations largely through assessments levied on the financial institutions and from various licensing fees. OCC also receives rental income from the former OTS headquarters building which transferred to OCC under Dodd-Frank; the primary tenant of the building in the Consumer Financial Protection Bureau.

From September 2007 to June 30, 2014, 501 commercial banks and Federal savings associations failed, resulting in an estimated \$86.6 billion in losses to the Deposit Insurance Fund. Of these 501 failures, 141 were national banks or Federal savings associations regulated by OCC and/or the former OTS. Our office is mandated by Section 38(k) of the Federal Deposit Insurance Act to review

and produce a report on failures of OCC-regulated financial institutions that result in material losses to the fund. The law also requires that the report be completed within 6 months after it becomes apparent that a material loss has incurred. Dodd-Frank established the threshold loss amount triggering a material loss review to \$50 million beginning in 2014 and thereafter, with a provision for increasing the threshold to \$75 million under certain circumstances. To date, during the recent economic downturn, we have completed 55 material loss reviews. Dodd-Frank also requires a more limited review for any failure of an OCC-regulated bank or thrift with a loss to the Deposit Insurance Fund under the material loss threshold. To date, we have completed 69 limited reviews and are engaged in 2 other.

In-Progress and Planned Fiscal Year 2015 Projects

Reviews of Failed OCC-Regulated Financial Institutions (Ongoing)

The purpose of a material loss review is to provide (1) an independent analysis of why the institution failed and resulted in a material loss; (2) evaluate the relevant regulator's supervision of the institution; and (3) as appropriate, make recommendations to prevent similar losses in the future.

For failed financial institutions with estimated losses under the material loss review threshold, we plan to determine (1) the grounds identified by OCC for appointing Federal Deposit Insurance Corporation as receiver; and (2) whether any unusual circumstances exist that might warrant an in-depth review of the loss.

Supervision of Bank Processes to Prevent, Detect, and Report Criminal Activity by Bank Employees (In-Progress)

We plan to (1) identify the extent and nature of criminal and other suspicious activity committed by bank and thrift employees reported to FinCEN under BSA through a review of SARs and related analytical studies; (2) identify OCC processes for pursuing enforcement action against current or former bank employees in which there is evidence of wrongdoing involving dishonesty or a breach of trust or money laundering; (3) identify OCC examination procedures to ensure national banks and Federal savings associations have sufficient processes to prevent, detect, and report internal criminal activities; (4) determine if the procedures are applied effectively; and (5) determine if deficiencies identified during the examination process result in appropriate supervisory actions which are tracked and satisfactorily resolved.

Treasury's Implementation of Presidential Policy Directive -21 and Executive Order Relating to Critical Infrastructure (In Progress)

We plan to assess Treasury's coordination efforts with private sector entities and other government entities to protect the banking and finance portions of the nation's critical infrastructure in accordance with Presidential Policy Directive-21, *Critical Infrastructure Security and Resilience* (February 2013), and E.O. 13636, *Improving Critical Infrastructure Cybersecurity*.

Lessons Learned from Bank Failures (In-Progress)

We plan to review completed material loss reviews and other reviews of Treasury-regulated failed financial institutions to (1) identify common themes related to the causes of failure and supervision of institutions and (2) assess OCC's actions to strengthen the supervisory process in response to our audit recommendations as well as other initiatives by OCC.

Review of OCC's Financial Institution Assessment Process (In-Progress)

We plan to evaluate (1) OCC's authority and decision-making process to waive certain erroneously under assessments; and (2) the actions taken by OCC to identify and correct internal control deficiencies in the financial institution assessment process.

Establishment of the Office of Minority and Women Inclusion Within Departmental Offices (In-Progress)

We plan to determine whether the Office of Minority and Women Inclusion was established and is carrying out its functions consistent with Section 342 of Dodd-Frank.

Treasury's Controls over the Separation of Funds and Activities (In-Progress)

Consistent with a directive in House Report 112-550, we plan to assess the separation of funds and activities between mandatory-funded offices, such as the Office of Financial Research and the Office of Financial Stability, and discretionary-funded offices that carry out related work, such as Treasury's Office of Domestic Finance or Office of Economic Policy.

CIGFO Working Group Audit (In-Progress)

The Council of Inspectors General on Financial Oversight (CIGFO), which is chaired by the Treasury Inspector General, is comprised of the Inspectors General of the eight Federal financial regulators and the Special Inspector General for the Troubled Asset Relief Program (TARP). CIGFO meets quarterly to share information on financial oversight, provides annual reports to the Financial Stability Oversight Council and the Congress with the individual and collective perspectives of the inspectors general on ways to improve financial oversight, and evaluates the council's activities through working groups. Each fiscal year, we plan to participate on at least one review as a member of a CIGFO working group. At the end of fiscal year 2014, a CIGFO working group audit was in progress. The objective of that audit, which is being led by the Inspector General for the Federal Housing Finance Agency is to assess Financial Stability Oversight Council and its members' response to the recommendation in the council's 2013 and 2014 annual reports related to interest rate risk.²

² In its 2014 annual report, the Financial Stability Oversight Council recommended for depository institutions, broker-dealers, and bank holding companies that supervisors, regulators, and firm management continue to monitor and assess the growing risks resulting from the continued search-for-yield behaviors as well as the risks from potential severe interest rate shocks. The council recommended for insurance companies that the Federal Insurance Office and state insurance regulators continue to monitor and assess interest rate risk resulting from severe interest rate shocks.

Office of Financial Research Performance Measures (In-Progress)

We plan to assess the design and implementation of performance measures by the Office of Financial Research.

Supervision of Student Loan Products (In Progress)

We plan to assess OCC's supervision of financial institutions' student loan lending activities.

Review of OCC's Personnel Practices (In Progress)

In response to a Congressional request, we plan to assess OCC's personnel operations and other efforts to increase agency diversity, create a workplace free of systemic discrimination, and provide equal opportunity for minorities and women to obtain senior management positions.

Abandoned Foreclosures (In Progress)

We plan to assess OCC's oversight of banks' controls over risks associated with abandoned foreclosures.

Office of Financial Research Procurement Activities (In Progress)

We plan to determine if the Office of Financial Research's procurement process ensures that the office effectively and efficiently acquires the goods and services needed to accomplish its mission and that procurements are made in compliance with applicable laws and regulations.

Federal Housing Finance Agency OIG Support (On-going)

We plan to perform reviews in support of the Federal Housing Finance Agency OIG's civil fraud initiative.

Supervision of Large Institutions

We plan to assess OCC examinations of institutions with assets exceeding \$100 billion.

OCC's Oversight of Servicers' Operational Improvements Required by the 2011 Foreclosure-Related Consent Orders

We plan to assess OCC's oversight of actions taken by servicers to address those articles of the 2011 foreclosure related consent orders designed to correct the unsafe and unsound operational practices.

Supervision of Small Banks

We plan to assess the safety and soundness challenges facing small banks and OCC's supervisory response to those challenges. Preliminarily, our focus will be on institutions with total assets of \$250 million or less.

OCC Supervision of Payday Loans and Advanced Deposit Activities

We plan to assess OCC's supervision of payday loans and advanced deposit activities at financial institutions to ensure the use of safe and sound lending practices.

Supervision of Financial Institutions' Other Real Estate Owned Property

We plan to evaluate OCC's supervision of other real estate owned property in financial institutions.

Supervision of Interest Rate Risk

We plan to assess OCC's examination coverage related to financial institutions' risk management over interest rate risk.

Identification and Reduction of Regulatory Burdens

We plan to assess OCC's compliance with the Economic Growth and Regulatory Paperwork Act of 1996 regarding its periodic review of all regulations prescribed by the Federal Financial Institutions Examination Council and the regulators to eliminate unnecessary regulations, as appropriate.

Projects Under Consideration for Future Fiscal Years

OCC's Supervision of Banks' Use of Independent Consultants under Enforcement Actions

We plan to evaluate OCC's supervision when requiring banks to employ independent consultants as part of enforcement actions to address significant violations of law, fraud, or harm to consumers.

Supervision of Foreign Country Risk

We plan to assess OCC's supervision of financial institutions' international exposures

Supervision of Federal Branches of Foreign Banks

We plan to assess OCC's supervision of foreign banking organizations operating in the U.S.

Examination Coverage of Identity Theft Risk at Financial Institutions

We plan to determine how OCC examinations of financial institutions address privacy risks, including identity theft.

Legal Entity Identifier Implementation

We plan to assess the progress made by the Office of Financial Research to implement a Legal Entity Identifier regime as a universal standard for identifying all parties to financial contracts.

Supervision of Incentive-Based Compensation Provisions of Dodd-Frank

Section 956 of Dodd-Frank requires financial institutions, with total consolidated assets of \$1 billion or more, to disclose to the appropriate regulator the structures of all incentive-based compensation arrangements. The disclosure should allow the regulator to determine if the incentive-based compensation structure (1) provides executives, employees, directors, or principal shareholders with excessive compensation, fees or benefits or (2) could lead to material financial losses to the financial institution. Further, the law requires the Federal regulators to jointly prescribe regulations or guidelines to provide for the disclosure of compensation arrangements and to prohibit any types of incentive-based payment arrangement that encourages inappropriate risks by the covered financial institution.

After the final rules are in place, we plan to assess OCC's supervision of incentive-based compensation structures in OCC-regulated financial institutions.

Treasury's Implementation of Regulatory Initiatives

To improve the transparency and accountability of agency rulemaking, the President issued E.O. 13563, *Improving Regulation and Regulatory Review*, in January 2011. The E.O. calls on agencies to promote public participation and an open exchange of information, and perspectives among State, local, and tribal officials, experts in relevant disciplines, affected stakeholders in the private sector, and the public as a whole. The E.O. also emphasizes the importance of retrospective analyses of existing rules, which states that that within 120 days, each agency shall develop a preliminary plan which should facilitate the periodic review of existing significant regulations and promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. In May 2012, the President issued E.O. 13610, *Identifying and Reducing Regulatory Burdens*, to modernize the regulatory systems and reduce unjustified regulatory costs and burdens. The E.O. requires agencies to conduct retrospective analyses of current rules to examine whether they should be modernized or remained justified. The E.O. also states that agencies should promote public participation in retrospective review and report on the status of their retrospective efforts to Office of Information and Regulatory Affairs on a bi-annual basis.

We plan to assess Treasury's implementation of E.O. 13563 and E.O. 13610.

Development, Training, and Rotation of OCC Examiners

We plan to assess OCC processes for developing, training, and rotating examiners.

OCC Supervision of Insider Activities

We plan to assess OCC's supervision of insider activities at financial institutions.

OCC Supervision of Financial Institutions' Stress Testing Program

We plan to assess OCC's oversight of financial institutions' stress testing programs.

OCC's Office of Enterprise Governance and the Ombudsman

OCC's Office of Enterprise Governance and the Ombudsman serves as an independent arbiter of the OCC's regulated banks and their customers by operating apart from the OCC bank supervision function and by reporting directly to the Comptroller of the Currency. The Office of Enterprise Governance and the Ombudsman provides customer service and resolves consumer and bank supervisory disputes through two distinct units: the Customer Assistance Group and the Bank Appeals program. We plan to assess the OCC's Office of Enterprise Governance and the Ombudsman.

Development and Communication of OCC Issuances and Comptrollers Handbook

We plan to assess OCC's processes to develop, update, communicate, and promote the consistent use of OCC issuances (bulletins, alerts) and the Comptrollers Handbook.

Supervision of Real Estate Appraisal Activities

We plan to assess OCC's supervision of financial institutions' real estate appraisal and evaluation policies and procedures.

OCC's Supervision of Financial Institutions' Use of Social Media

We plan to evaluate OCC's supervision of financial institutions' risk management programs that identify, measure, monitor, and control the risks related to social media.

OCC's Oversight of Leveraged Loans

In March 2013, OCC, FRB, and the Federal Deposit Insurance Corporation issued guidelines to banks in order to limit their risk-taking for leveraged loans. The effective date of the guidance was March 22, 2013 and the compliance date was May 21, 2013. Financial institutions are expected to properly evaluate and monitor underwritten credit risks in leveraged loans, to understand the effect of changes in borrowers' enterprise values on credit portfolio quality, and to assess the sensitivity of future credit losses to these changes in enterprise values. The final guidance is intended to be consistent with sound industry practices and to expand on recent interagency issuances on stress-testing. We plan to assess OCC's supervision of financial institutions' implementation of guidance relating to leverage loans.

OCC's Licensing and Charter Approval Process

We plan to assess the OCC's licensing and charter conversion process for financial institutions.

Safeguards Over Financial Institutions' Sensitive Information

We plan to determine if OCC examiners adhere to applicable laws, regulations, and policies and procedures for safeguarding the privacy and confidentiality of sensitive information financial institutions provide to OCC during the examination process.

Supervision of Nonbanking Activities of Financial Institutions

We plan to assess OCC supervision of nonbanking activities of regulated financial institutions and their affiliates.

OCC's Alternatives to the Use of Credit Ratings

Section 939A of Dodd-Frank contains two directives to Federal agencies including the OCC. First, Section 939A directs all Federal agencies to review, no later than 1 year after enactment, any regulation that requires the use of an assessment of creditworthiness of a security or money market instrument and any references to, or requirements in, such regulations regarding credit ratings. Second, the agencies are required to remove any references to, or requirements of reliance on, credit

ratings and substitute such standard of creditworthiness as each agency determines is appropriate. The statute further provides that the agencies establish, to the extent feasible, uniform standards of creditworthiness, taking into account the entities the agencies regulate and the purposes for which those entities would rely on such standards.

We plan to assess OCC's implementation of guidance on alternatives to the use of credit ratings by financial institutions.

Supervisory Use of Individual Minimum Capital Requirements

We plan to assess how OCC applies capital restrictions and risk-weighting to institutions they supervise to include (1) OCC's use of individual minimum capital requirements as an enforcement action, (2) the criteria used to calculate the capital requirement, and (3) how the minimum capital requirements are enforced.

Supervision of Large Banks' Internal Audit Function

We plan to assess the effectiveness and adequacy of OCC's supervision of the overall audit function of banks with assets exceeding \$100 billion.

OCC Oversight of Credit Risk Retention

Section 941 of the Dodd-Frank Act requires securitizers of mortgages not meeting criteria associated with lower default rates to retain at least five percent of the credit risk, though Federal rulemaking agencies may vary this amount. OCC is one of the Federal rulemaking agencies. Dodd-Frank also charged the Federal rulemaking agencies with formulating rules that required lenders to retain a five percent interest in any assets not held on their books, while authorizing exemptions for loans with the lowest credit risk, particularly qualified residential mortgages. We plan to assess OCC's oversight of financial institutions credit-risk retention once the final rules are issued.

OCC Enforcement Practices

We plan to assess OCC's enforcement practices, including (1) the factors used to determine the use of formal and informal enforcement actions, (2) the timeliness of enforcement actions, (3) controls to ensure consistency in the use of enforcement actions, and (4) the manner in which OCC ensures compliance with enforcement actions.

Federal Insurance Office Performance Measures

We plan to assess the design and implementation of performance measures by the Federal Insurance Office.

OCC's Participation in the Shared National Credit Program

The Shared National Credit Program was formed in 1977 to provide an efficient and consistent review and classification of large syndicated loans. The program was established by OCC, Federal Deposit Insurance Corporation, and FRB. The program covers any loan or loan commitment of at least \$20 million and shared by three or more supervised institutions. The agencies' review is

conducted annually. We plan to evaluate OCC's participation in the Shared National Credit Program. Our specific objectives are to (1) identify the guidance promoting effective review of shared national credits; (2) determine if existing monitoring, risk assessments and examination procedures are sufficient to address risk to the banking industry by shared national credits; (3) determine if the procedures are applied effectively; and (4) determine if deficiencies identified during the examination process resulted in appropriate supervisory actions which are tracked and satisfactorily resolved.

Commercial Real Estate Concentrations

We plan to determine the risks associated with financial institutions having high commercial real estate concentrations and related OCC supervisory approaches.

Revenue Collection and Industry Regulation

Issue Area Discussion

TTB collects Federal excise taxes on tobacco products, alcohol, and firearms and ammunition. The bureau also ensures compliance with tobacco and alcohol permitting requirements as well as ensures alcohol products are properly labeled, advertised, and marketed. In addition, the bureau ensures fair trade practices and facilitates the international trade of alcohol beverage products. TTB administers and enforces the (1) Internal Revenue Code pertaining to the excise taxation and authorized operations of alcohol and tobacco producers and related industries; (2) Federal Alcohol Administration Act; (3) Alcohol Beverage Labeling Act; and (4) Webb-Kenyon Act, which prohibits the shipment of alcohol beverages into a state in violation of the state's laws. The bureau is headquartered in Washington, D.C., and maintains its tax and permit processing center at the National Revenue Center, in Cincinnati, Ohio. TTB has 12 locations throughout the U.S. that support 17 field offices, including six district field offices for TTB's Tax Audit and Trade Investigation Divisions. TTB also has alcohol and tobacco laboratories in Maryland and California.

TTB collects approximately \$23 billion in excise taxes and other revenues annually from about 9,300 taxpayers. Congress authorized funding in 2010 to establish a criminal enforcement program to address tobacco smuggling and other diversion activity. TTB entered into an agreement with the IRS Criminal Investigation office for criminal investigative services to enforce its criminal jurisdiction. With a continued appropriation of \$2 million in each of fiscal years 2012 and 2013, TTB continued its criminal enforcement program with the use of IRS special agents. In its 3 years of operation, TTB has opened a total of 64 investigation cases with an estimated tax liability of \$350 million.

In fiscal year 2011, TTB launched two e-Gov systems—Permits Online and Formulas Online—allowing customers to access these TTB functions through the Web. In fiscal year 2013, TTB completed two major releases of the Permits Online system designed to help industry members file permit applications electronically and download encrypted copies of application data for use in obtaining equivalent state licenses. The overall adoption rate for Permits Online in fiscal year 2013 was 70 percent. TTB's monitoring of compliance with permitting requirements through data analysis and investigative techniques identified 11 percent of active tobacco importers imported products without a permit. TTB issued cease and desist letters to these importers.

In fiscal year 2013, TTB enhanced its Formulas Online system to provide industry members with a more efficient, user friendly environment for submitting applications. TTB received 73 percent of its alcohol beverage formula submissions electronically through Formulas Online, an increase of 24 percent over fiscal year 2012.

The bureau also reviews labels and formulas for domestic and imported beverage alcohol products and maintains public access to approved Certificates of Label Approval (COLA), which are required for every alcoholic beverage. Nearly 92 percent of the 140,000 COLA applications received by TTB in fiscal year 2013 were submitted online. TTB monitors labeling compliance through the Alcohol

Beverage Sampling Program and tests samples of wine, distilled spirits, and malt beverages for content in its laboratories.

In addition to its tax and regulatory functions, TTB helps facilitate global alcohol trade, including exports of alcohol beverages valued at over \$3 billion. TTB contributed to advancements in tobacco science through innovative testing techniques providing an international standard for regulators to classify certain tobacco products.

The Secretary of the Treasury has authority for Customs revenue functions, and this authority is delegated to the Office of Tax Policy. The Homeland Security Act of 2002 transferred the legacy U.S. Customs Service from Treasury to the Department of Homeland Security in March 2003, where it became Customs and Border Protection. However, as provided by the act, Treasury retained sole authority to approve any regulations concerning import quotas or trade bans, user fees, marking, labeling, copyright and trademark enforcement, and the completion of entry or substance of entry summary, including duty assignment and collection, classification, valuation, application of the U.S. Harmonized Tariff Schedules, eligibility or requirements for preferential trade programs, and the establishment of related recordkeeping requirements. Treasury also reviews Customs and Border Protection rulings involving these topics if they constitute a change in practice.

Potential Integrity Risks

The major integrity risks for TTB involve not collecting all revenue rightfully due and having alcohol products in the marketplace that are improperly labeled. The failure by industry members to pay all taxes due, either intentionally or otherwise, coupled with the risk that the TTB tax verification and audit program may not detect these underpayments, or that industry members could attempt to corrupt government officials through bribery or other means, could seriously undermine TTB's tax collection activity. Similarly, fraudulent manufacturers or distributors could attempt to place untaxed, unsafe, or deceptively advertised products into the marketplace.

Notwithstanding the attractiveness of evading alcohol taxes through product diversion and smuggling, the passage of the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) provided added incentive to evade tobacco taxes. Specifically, CHIPRA increased the Federal excise tax on all tobacco products, including an increase of more than 150 percent on cigarettes. A post-CHIPRA study conducted by Treasury found that accurately measuring the amount of Federal tax receipts lost from tobacco diversion and smuggling was difficult due to its inherently clandestine nature, but that significant losses could be occurring. The study also identified several weaknesses in the control of tobacco products which can directly affect tax collection. While manufacturers and importers of tobacco products and processed tobacco must have permits to operate and are subject to recordkeeping requirements, the same is not true of tobacco brokers, wholesalers, and retailers of tobacco products. Also, access to machinery used to manufacture cigarettes is unrestricted and may be used to violate the tax code.

In its 2013 annual report, TTB stated that revenue from tobacco had decreased by 5 percent over fiscal year 2012 levels. TTB attributed the decline in revenues to decreased consumption, significant shifts in demand to lower priced tobacco products, and increased illicit activity.

Enacted in July 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) addressed the legal status of retailers that provide cigarette making equipment on their premises for use by customers to manufacture cigarettes using roll-your-own or pipe tobacco. Under MAP-21, any person who, for commercial purposes, makes available for consumer use a machine capable of making tobacco products (including cigarettes), is a manufacturer of tobacco products under the Internal Revenue Code. As manufacturers of tobacco products, these establishments fall under the jurisdiction of TTB. Manufacturers of tobacco products, however small, must comply with all applicable statutory and regulatory requirements. TTB issued guidance in October 2012 clarifying that these retailers, including non-profit organizations, social clubs, cooperatives, and similar organizations making roll-your-own machines available to members were not exempt from TTB regulatory requirements. TTB estimates that over 1,300 of these new manufacturers are in operation throughout the US, a significant challenge to TTB's enforcement efforts.

TTB's annual report also notes that similar to the tobacco industry, diversion in alcohol products is a concern. TTB has no measure of the potential tax losses due to illicit alcohol trade.

Despite enhancements to Permits Online, and a reduction in the number of permit applications received in 2013, TTB's application processing time increased 17 percent, from 69 days to 81 days. Although TTB anticipates reduced processing time through additional enhancements scheduled through fiscal year 2015, processing delays can pose hardships to industry members and delay their entry or continuation in the business community.

In-Progress and Planned Fiscal Year 2015 Projects

TTB's Use of Collection Procedures and Offers in Compromise to Collect Revenue (In-Progress)

TTB is responsible for collection efforts on delinquent taxpayer accounts including the assessment of interest and penalties on late or unfiled tax returns as well as late or underpayments of taxes due. TTB uses several collection tools including the levy of bank accounts, liens placed on taxpayer property, and forfeiture of bond proceeds to resolve delinquent tax cases. TTB also uses offers in compromise to resolve outstanding taxes due in lieu of civil or criminal proceedings.

We plan to assess TTB's collection procedures for delinquent accounts, including write-offs of delinquent debts that are no longer collectable. We also plan to assess TTB's use of offers in compromise in its collection activities.

TTB's Online Certificate of Label Approval and Formulas Online Programs (In-Progress)

TTB's COLA program is designed to protect the public from false or misleading labels on alcohol beverage products. Importers and bottlers of alcohol beverages are required to obtain a COLA or certificate of exemption prior to placing the beverages into interstate commerce. In 2003, TTB

initiated COLA Online, allowing users to electronically file COLA applications. In fiscal year 2013, approximately 92 percent of the COLA applications were submitted online exceeding TTB's target goal of 90 percent.

COLA Online was enhanced in January 2011 with the deployment of Formulas Online, enabling alcohol beverage producers and importers to electronically file their formulae with TTB for approval. Formulas Online is a Web-based system that allows external users to draft, submit, and track formula applications for alcohol beverage products and for flavors that contain alcohol. Filers can also use information from approved formulas to complete COLA applications.

We plan to determine if the COLA Online and Formulas Online applications are operating as intended, including whether any user problems have been identified and, if so, corrected.

Controls Over TTB's Permit and Registration Processes

We plan to assess TTB's controls over application processing and the issuance of permits and registrations to industry members. As part of this work, we plan to assess TTB's Permits Online program and evaluate TTB's efforts to identify and obtain permits from new industry members added under CHIPRA, and MAP-21.

Effect of CHIPRA on Tax Paid Removals of Tobacco Products

Federal excise taxes are imposed on tobacco products when they are removed for sale from manufacturers or when they are imported into the U.S. In 2009, CHIPRA significantly increased the tax rates on all tobacco products. The tax rates for pipe tobacco and roll-your-own tobacco, previously taxed at similar rates, were increased to \$2.83 per pound and \$24.78 per pound, respectively. TTB data suggests dramatic shifts in post CHIPRA removals of roll-your-own tobacco in favor of lower taxed pipe tobacco and small cigars to lower taxed large cigars. Revenue loss estimates associated with these transitions may exceed \$1 billion. A 2012 study by GAO confirmed TTB's revenue loss estimates and concluded that TTB will face significant challenges ensuring the proper amounts of tax are paid.

We plan to assess TTB's efforts to ensure proper reporting of removals and payment of all appropriate taxes, and determine the impact of CHIPRA tax increases on reported removals of other products such as large and small cigars that are subject to different tax rates.

TTB's Efforts to Implement Controls over Exports of Alcohol and Tobacco Products

Exports of alcohol and tobacco products are generally exempt from Federal excise tax. Prior OIG audit work identified weaknesses at TTB that needed to be addressed regarding exports. In its response, TTB proposed new processes be developed to ensure documentation on alcohol and tobacco exports were maintained by exporters and subject to verification by TTB audits and investigations.

We plan to assess procedures implemented by TTB to ensure proper tracking of export data and the effectiveness of TTB's audits and investigations in verifying that exemptions claimed on exports are appropriate.

Projects Under Consideration for Future Fiscal Years

TTB's Oversight of Newly Defined Manufacturers of Tobacco Products under MAP-21

We plan to assess TTB's efforts in identifying new tobacco product manufacturers defined under MAP-21, enforcing regulatory requirements on these new manufacturers, and monitoring the labeling of tobacco used in the on-site manufacturing of tobacco products.

TTB Designation of American Viticultural Areas

An American Viticultural Area is a designated wine-grape-growing region with features that affect the growing conditions of the area (climate, soil, elevation, physical features) and that distinguish it from surrounding areas.

We plan to assess the controls in place over TTB's program to designate American Viticultural Areas.

TTB's Tax Verification Process

TTB's tax verification process incorporates a strategic risk-based approach to conduct targeted compliance audits and investigations of industry members. Since fiscal year 2012, TTB has increased its use of automated techniques for its investigative targeting models. TTB uses data for enforcement actions to identify industry members and others that could be involved in diversion and tax fraud. We plan to assess TTB's excise tax verification process.

TTB's Efforts to Ensure the Accurate Collection of Federal Excise Taxes on Imports

We plan to assess TTB's efforts to identify Federal excise taxes due on undeclared and misclassified alcohol and tobacco product imports and TTB's coordination with the Customs and Border Patrol to ensure all Federal excise taxes due are paid by importers.

TTB Alcohol and Tobacco Laboratory Services

We plan to review TTB's alcohol and tobacco laboratories service to TTB program units. As part of the audit, we plan to assess TTB's efforts to ensure the safety of imported beverage products through pre-import activities, post-market sampling, and laboratory analysis.

TTB Reviews of Manufacturer Nonbeverage Drawback Claims

When a manufacturer uses alcohol to produce a food, flavor, medicine, or perfume that is approved by TTB's Nonbeverage Products Laboratory as unfit for beverage purposes, the manufacturer can claim a return, or drawback, on most of the distilled spirits excise tax paid. In fiscal year 2013, approved nonbeverage drawback claims totaled \$345 million.

We plan to assess TTB's controls over nonbeverage product manufacturer claims.

TTB's Oversight of Manufacturers of Processed Tobacco

CHIPRA established TTB's responsibility for oversight of manufacturers of processed tobacco. These manufacturers receive tobacco plants from growers, remove the stems, and cut the tobacco leaves. The processed tobacco is used by manufacturers that produce tobacco products. Processed tobacco is generally not subject to Federal excise tax until manufactured into products and removed for consumption in the U.S. In 2010, the market for processed tobacco was approximately 1.1 billion pounds. Manufacturers of processed tobacco can legally sell processed tobacco to product manufacturers, other businesses that further process the tobacco, or tobacco brokers, many of whom are not licensed to operate by TTB. Manufacturers of processed tobacco are required to notify TTB of processed tobacco sold to businesses without TTB permits.

We plan to (1) determine what actions TTB has taken to regulate manufacturers of processed tobacco, (2) determine how TTB has used its authority to detect and prevent processed tobacco from entering the illicit market, and (3) identify regulatory-related issues impacting TTB's ability to prevent illicit tobacco trade related to processed tobacco.

Coordinating Participation in the International Trade Data System Project

The Security and Accountability for Every Port Act formally established the International Trade Data System, a system for processing imports and exports. The system is operated by Customs and Border Protection in collaboration with 43 agencies. The act gave the Secretary of the Treasury responsibility for coordinating interagency participation in the system. One of its features allows TTB to review data on importations of alcohol and tobacco through the Customs and Border Protection automated commercial environment portal. TTB is also to provide Customs and Border Protection access to its database of approved alcohol labels, which will allow Customs inspectors to compare the approved labels with the actual labels on the imported products.

We plan to determine if Treasury is fulfilling its responsibility under the Security and Accountability for Every Port Act. We also plan to determine if the information sharing between TTB and Customs has proved beneficial in ensuring only approved products are imported.

Review of TTB Policies and Procedures

We plan to determine if TTB has established a process to ensure that adequate policies and procedures are developed for its tax and revenue responsibilities, including the functions performed by the National Revenue Center and that TTB's policies and procedures are updated timely.

TTB's Implementation of a Criminal Investigations Program

We plan to assess the benefits and challenges of TTB's decision to obtain criminal investigative support from IRS.

TTB Controls over Cover-Over Payments

Taxes collected on rum produced in Puerto Rico or the U.S. Virgin Islands and transported to the U.S. are "covered over" or transferred to the territory where the rum is produced. Taxes collected on

rum imported into the U.S. from foreign countries are also covered over to the two territories; the payments are split between Puerto Rico and the U.S. Virgin Islands. In fiscal year 2013, TTB processed cover over payments totaling \$358 million to the treasuries of Puerto Rico and the U.S. Virgin Islands.

We plan to determine if TTB's controls ensure that cover-over reimbursements are made for the correct amounts and in a timely manner.

TTB Controls over Sensitive Taxpayer Information

We plan to determine if TTB has established effective controls to ensure sensitive taxpayer information have been developed, maintained, and are periodically reviewed by TTB.

TTB Use of Collateral to Protect Revenue

TTB protects excise tax revenue by mandating that taxpayers pledge collateral—such as a bond, note, or securities—to offset tax liability if payments are not made.

We plan to determine if collateral requirements are sufficient to meet TTB's needs and if TTB is ensuring that taxpayers maintain adequate collateral to protect tax revenue.

Bill and Coin Manufacturing, Marketing, and Distribution Operations

Issue Area Discussion

BEP produces U.S. currency and other security documents issued by the Federal Government. BEP also processes claims for the redemption of mutilated paper currency and provides technical assistance and advice to other Federal agencies on the design and production of documents requiring counterfeit deterrence. BEP has production facilities in Washington, D.C., and Fort Worth, Texas.

In fiscal year 2013, BEP delivered 6.6 billion Federal Reserve notes to FRB compared to the 8.4 billion delivered in fiscal year 2012. BEP planned delivery of the redesigned NexGen \$100 notes to FRB in late 2010 for the anticipated public release in February 2011. However, problems in the production process of these notes delayed the release of the new note until October 2013.

The Mint's principal mission is to produce the nation's circulation coinage for trade and commerce. The Mint also produces commemorative and investment products for collectors and investors. In addition to its headquarters in Washington, D.C., the Mint has four production facilities located in Philadelphia, Pennsylvania; West Point, New York; Denver, Colorado; and San Francisco, California. It also maintains the U.S. bullion depository at Fort Knox, Kentucky.

In fiscal year 2013, the Mint manufactured 10.7 billion coins for the FRB which is an increase of 18 percent compared to the 9.1 billion coins produced in fiscal year 2012. The Mint expects circulating coin production volumes in 2014 to decrease to 9.5 billion, about an 11 percent decrease over fiscal year 2013 production of 10.7 billion coins.

In fiscal year 1996, the Mint Public Enterprise Fund was created to enable the Mint to operate as a revolving fund. All receipts deposited into the fund are available for Mint operations and the cost of safeguarding Federal Government assets in the Mint's custody, without fiscal year limitations. Even though the Mint is not dependent on appropriated funds, its spending authority is approved by Congress each fiscal year. The Secretary of the Treasury must annually determine the amount of excess in the fund that is not needed for Mint operations for transfer to the Treasury General Fund. For fiscal year 2013, the Mint transferred \$392 million to the Treasury General Fund. This amount is significantly higher than fiscal years 2012 and 2011 when the Mint transferred \$77 million and \$51 million, respectively. A continuing challenge facing the Mint is the rising cost of metals. During fiscal year 2013, the cost to produce the penny and nickel continue exceed the coins' face value.

Potential Weaknesses

Because their operations are financed through revolving funds, BEP and the Mint are subject to fewer congressional controls than appropriated agencies. The Mint also has greater flexibility in conducting its procurement activities, because the Mint is exempt from the Federal Acquisition Regulation. Prudent use by the Mint of its fund authority flexibilities is necessary to ensure a maximum return to the Treasury General Fund.

Continuing Issue with BEP Concerning Currency Products that Cannot Be Readily Recognized by Blind and Visually Impaired Individuals

In 2006, a Federal judge ruled that the Department's failure to design, produce, and issue paper currency that is readily distinguishable to blind and visually impaired individuals violated Federal law. Two years later, a Federal appeals court ruled that the U.S. discriminates against blind and visually impaired individuals by producing currency that they cannot recognize without the assistance of others. In conjunction with this decision and in consultation with BEP and Department of Justice attorneys, a Federal judge ruled that the next generation of \$5, \$10, \$20, and \$50 notes must be manufactured so that blind and visually impaired individuals can tell them apart. This ruling did not affect the design of the new \$100 note, but future designs must ensure that all denominations, except for the \$1 note, be distinguishable from other notes.

GAO issued an opinion that BEP may use appropriated funds to purchase and give currency readers to blind and visually impaired individuals as part of its compliance with the Federal district court order to provide such individuals with meaningful access to U.S. currency. BEP also developed a smartphone app call "EyeNote" to assist individuals in recognizing U.S. currency denominations. BEP plans to include tactile features in the next redesign of notes, starting with the \$10 note. The new \$10 notes are expected to be issued in 2020.

Potential Integrity Risks

Past audits have noted various weaknesses in BEP's physical security. As noted in the most recent report, *Bill and Coin Manufacturing: Improved Security Over the NexGen \$100 Notes Is Necessary*, (OIG-11-068; May 13, 2011), management took corrective action on a serious weakness found by our auditors in the security over approximately 1.4 billion of NexGen \$100 finished notes and work-in-process sheets at both BEP's Eastern Currency Facility and Western Currency Facility. Those notes have not yet been accepted by FRB and remain in BEP vaults. Past audits and investigations have identified control weaknesses at both BEP and the Mint that permitted product theft by employees.

In-Progress and Planned Fiscal Year 2015 Projects

BEP's Project Management of the BEN Enterprise (In-Progress)

The BEP Enterprise (BEN) project is intended to simplify and standardize procedures, increase efficiency, and eliminate unnecessary processes at BEP to increase product quality, reduce spoilage, and improve accountability.

We plan to determine if (1) the BEN project business case is based on appropriate and supportable assumptions and cost/benefit estimates; (2) sound project management principles are followed in carrying out BEN; and (3) Federal regulations and guidance, Treasury directives, and BEP policies and procedures are followed in conjunction with the project.

Physical Security at Mint Facilities (In-Progress)

Because Mint facilities house precious metals (gold, silver and platinum), investment grade bullion products, and billions of circulating coins, it is imperative that the products stored are protected from theft and other unauthorized access.

We plan to (1) assess the Mint's physical security policies and procedures and (2) determine if the facilities' physical security conforms to those policies and procedures.

Mint Controls Over the Sales of Limited-Production, Investment-Grade Products (In-Progress)

In addition to manufacturing circulating coins and numismatic products made available to the public, the Mint also sells precious metal (gold, silver, and platinum) investment grade bullion coins to pre-qualified authorized purchasers for resale to the public.

We plan to determine if the Mint has adequate controls to ensure the broadest and most fair access to its products.

Mint's Pitney Bowes Contract (In-Progress)

The Mint uses Pitney Bowes to perform order fulfillment of precious metal (gold, silver and platinum), investment grade bullion, and commemorative products at a non-Mint location.

We plan to assess controls at the contractor's facility operations.

BEP's Production Process for the NexGen \$100 Notes (In-Progress)

In response to significant problems encountered by BEP in the production process and at the request of the Department, we plan to assess BEP's (1) planning and implementation of the NexGen \$100 Notes production process and the events that lead to the problems in the production process; (2) on-going physical security over the notes that have been produced; (3) plans for the disposition of those notes; and (4) actions, taken and planned, to address the production problems. In May 2011, we issued the first report on our observations regarding physical security over the NexGen \$100 notes (*Bill Manufacturing: Improved Security Over the NexGen \$100 Notes Is Necessary*, OIG-11-068). In January 2012, we issued a second report detailing findings and recommendations regarding BEP's project management (*Bill Manufacturing: Improved Planning and Production Oversight Over the NexGen \$100 Note Is Critical*, OIG-12-038). We plan to issue a third report during fiscal year 2015 related to physical security as a follow-up to our first report.

BEP and Mint Human Resources Practices (in Progress)

We plan to determine if the BEP and the Mint conducts the human resources activities with respect to hiring senior level positions in accordance with Federal and Treasury requirements, BEP and Mint policies and procedures. We began an audit at the Mint during fiscal year 2014 to determine whether the bureau conducts its human resources activities with respect to hiring for senior level position in accordance with Federal and Treasury requirements and Mint policies and procedures.

BEP Efforts to Provide Meaningful Access to U.S. Currency

We plan to assess BEP's plan to provide meaningful access to U.S. currency for blind and visually impaired individuals.

BEP and Mint Strategic Planning: Impact of Electronic Payments

We plan to assess efforts to strategically analyze currency and coin needs based on consumer usage preferences, and to determine how the BEP and Mint incorporate changing payment trends (cash vs. electronic payments) into their long-range planning activities.

Mint Production Costs Studies

The Mint's costs (e.g., cost of the metal, fabrication, and other direct and indirect expenses) to produce pennies and nickels are now more than double the face value of the coins. This is the seventh straight year where production costs for these coins exceeded their face values.

We plan to assess actions that by the Mint to comply with the intent of the Coin Modernization, Oversight, and Continuity Act of 2010.

BEP's Facilities Studies and Continuity of Operations Planning

In early 2012, BEP completed a study of the infrastructure and repairs needs of the Eastern Currency Facility, which was built in the early 1900's. Within the next several years, BEP plans to coordinate with FRB to decide whether to upgrade its current facility and/or procure a new facility.

We plan to determine if BEP's facilities study and resulting investment decisions are based on appropriate and supportable assumptions and cost/benefit estimates. We also plan to determine if BEP comprehensively developed and tested continuity of operations plans for currency production should a major disruption occur at one or both its production facilities.

Projects under Consideration for Future Fiscal Years

Mint Commemorative Coin Programs

Congress authorizes commemorative coins that celebrate and honor American people, places, events, and institutions. Although these coins are legal tender, they are not intended for general circulation. The Mint produces limited quantities of commemorative coins and makes them available for a short period of time.

We plan to assess the Mint's management of the commemorative coin programs and related surcharges.

BEP and Mint Employee Safety

We plan to assess BEP and Mint's efforts to ensure safe working conditions in the production facilities. Separate audits are planned of the facilities.

BEP's Capital Investment Program

We plan to determine if BEP's capital investment program ensures that all capital needs are identified and that sufficient funds are allocated and set aside to meet current and future capital needs.

Mint Order Fulfillment

We plan to determine if the Mint implemented adequate controls for its customer service and order fulfillment process to ensure adequate customer service is provided and costs are controlled.

America the Beautiful Silver Coin Program

Public Law 110-456 enacted the America the Beautiful Quarters program which also allows the Mint to manufacture silver bullion quarters coins with the same design as the circulating coins. The act requires that the bullion coins be available for sale no sooner than the first day of the calendar year in which the corresponding circulating quarter coin is issued and only during the year in which the circulating quarter coin is issued.

We plan to determine if the Mint is effectively managing the America the Beautiful bullion coin program and ensuring compliance with Public Law 110-456, as it relates to the sales period for each coin.

Mint Sales General and Administrative Expense Allocation

In 2011, the Mint reported a change to its sales, general, and administrative expenses allocation methodology intended to more accurately represent costs incurred for each coin denomination.

We plan to determine if the Mint's recent changes to the allocation of selling, general, and administrative expenses are consistent with managerial cost accounting principles.

Domestic and International Assistance Programs

Issue Area Discussion

Treasury plays an important role in a number of domestic and international assistance programs that have a significant impact on the economy. Domestic programs range from those that enhance the availability of financial education, credit, investment capital, and financial services to communities around the U.S., to programs that assist in coping with the effects of the current economic conditions. Treasury's role in these areas expanded under HERA, the Emergency Economic Stabilization Act of 2008 (which created TARP), the Recovery Act, Dodd-Frank, and the Small Business Jobs Act of 2010.

International programs address the role of international financial institutions and promote economic stability and growth in other countries.

HERA

The purpose of the act is to address problems and concerns in the mortgage and banking industries. Among other things, the act established the Federal Housing Finance Agency as an independent agency to oversee Fannie Mae and Freddie Mac, and the Federal Home Loan Banks. The act also established the Federal Housing Finance Oversight Board to advise the agency with respect to overall strategies and policies in carrying out its responsibilities. The Secretary of the Treasury is a member of this board. Furthermore, the act assigned Treasury new authorities and responsibilities. Although certain Treasury purchase authorities under HERA expired in December 2009, Treasury maintains a sizeable investment in the Fannie Mae and Freddie Mac.

- **Government Sponsored Enterprises** In connection with the increased Federal regulatory oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, the act increased Treasury's authority over existing lines of credit to the entities that gave the Secretary of the Treasury standby, unlimited authority to buy stock or debt in them. To do so, the Secretary made an emergency determination required by HERA that use of the authority was necessary to stabilize markets, prevent disruptions in mortgage availability, and protect the taxpayer. Through Senior Preferred Stock Purchase Agreements, Treasury has provided financial support to Fannie Mae and Freddie Mac after any quarter that the entities report net worth deficiencies. In exchange, the liquidation preference of Treasury-owned senior preferred stock is increased. In August 2012, Treasury announced a set of modifications to the Senior Preferred Stock Purchase Agreements to facilitate the wind down of Fannie Mae and Freddie Mac and support the continued flow of mortgage credit toward a responsible transition to a reformed housing finance market. The modified agreements required an accelerated reduction of Fannie Mae and Freddie Mac's investment portfolios, to 15 percent annually from 10 percent annually. As a result of this change, the Government Sponsored Enterprises' investment portfolios are to be reduced to the \$250 billion target set in the previous agreements 4 years earlier than previously scheduled. The modified agreements also require

that on an annual basis, each Government Sponsored Enterprise will submit a plan to Treasury on its strategy to reduce financial and operational risk, as well as an assessment of their performance relative to their prior year's plan. Furthermore, the modified agreements replaced the 10 percent dividend payments made to Treasury on its preferred stock investments in Fannie Mae and Freddie Mac with a quarterly sweep of the net worth amount less a capital reserve amount which begins at \$3 billion and reduces annually by an equal amount until it reaches zero beginning January 1, 2018. As of June 30, 2014, Treasury reported investments totaling \$187 billion in senior preferred stock of the two Government Sponsored Enterprises.

- **Housing Finance Agencies Initiative** Treasury implemented the Housing Finance Agencies Initiative with two programs to support state and local Housing Finance Agencies. Through those programs, Treasury purchased securities from Fannie Mae and Freddie Mac backed by state and local Housing Finance Agency bonds (New Issue Bond Program) and participation interests in liquidity facilities provided to the Housing Finance Agencies by Fannie Mae and Freddie Mac (Temporary Credit and Liquidity Program). As of June 30, 2014, Treasury owns \$8.8 billion of Fannie Mae and Freddie Mac securities supporting the New Issue Bond Program and an approximately \$998 million participation interest in the Temporary Credit and Liquidity Program.
- **Capital Magnet Fund** The act authorized a new program for the CDFI Fund to administer—the Capital Magnet Fund. It is intended to create a new source of grants for both rental and for-sale housing, as well as for community and economic development. The program is supposed to increase the flow of capital to organizations that will engage in housing-related investments. The Capital Magnet Fund is a competitive grant program expected to attract private capital. There are two types of eligible grantees under the fund: (1) CDFIs that have been certified by the CDFI Fund and (2) nonprofit organizations having as one of their principal purposes the development or management of affordable housing. The eligible grant activities and entities eligible to receive grants through the Capital Magnet Fund represent a significant expansion for the CDFI Fund's core programs. The Capital Magnet Fund was funded \$80 million through appropriation in fiscal year 2010 for its inaugural award round. Since then, Treasury has not requested funding for the fund. Under HERA, it was intended that the Capital Magnet Fund would be financed through appropriation and transfers from Fannie Mae and Freddie Mac which has not occurred due to the financial condition of the two entities.

Recovery Act

The purpose of the Recovery Act was to provide relief during the current economic downturn by expanding tax, bond, and cash assistance to segments of the economy most affected. Treasury is responsible for overseeing an estimated \$150 billion provided through tax relief and Recovery Act funding. An estimated \$24 billion in Recovery Act Funds, administered by Departmental Offices through two tax credit exchange programs, provide payments in lieu of tax credits for specified

energy properties and payments to the states in lieu of tax credits for rehabilitation and development of low-income housing projects.

Other Domestic Assistance

Treasury provides assistance to promote economic growth and raise the standard of living in distressed communities in the U.S. by increasing the availability of business capital and financial services. The CDFI Fund, for example, promotes access to capital and local economic growth by (1) directly investing in, supporting, and training CDFIs that provide loans, investments, financial services, and technical assistance to underserved populations and communities; (2) providing incentives to banks to invest in their communities and in other CDFIs; and (3) providing financial and other assistance to Native CDFIs and other Native entities proposing to become or create Native CDFIs through its Native Initiatives. The New Markets Tax Credit Program provides investors with a tax credit for investing in communities that are economically distressed or consist of low-income populations. The CDFI Fund is authorized to allocate tax credit authority under the program to Community Development Entities, which manage the program's investments in low-income community development projects. In return for a tax credit, investors supply capital to Community Development Entities.

The CDFI Fund's activities have been affected by recent economic events, resulting in significant funding increases and new program initiatives in fiscal years 2009 through 2014. Funding for the competitive grant programs doubled in fiscal year 2009, with a \$100 million increase provided through the Recovery Act. CDFI Fund's programs were supported in fiscal years 2013 and 2014 with funding levels of \$209 million and \$226 million, respectively. Capital Magnet Fund, a program discussed above, received \$80 million for fiscal year 2010 for its inaugural funding round which was awarded in the beginning of fiscal year 2011. There has been increased interest in this program during fiscal year 2014 given the positive returns reported by the Government Sponsored Enterprises. The New Markets Tax Credit Program was also expanded, with additional allocation authority provided through the Recovery Act that increased the 2008 and 2009 allocation rounds to \$5 billion each. In years 2010 through 2014, the program received \$3.5 billion of allocation authority a year. Since the program's inception in 2000, the CDFI Fund has awarded \$40 billion of tax credit allocations to Community Development Entities.

The Small Business Jobs Act of 2010 authorized Treasury to guarantee the full amounts of notes and bonds issued by CDFIs that make investments in eligible community and economic development. Guarantees in total may not exceed \$1 billion in any fiscal year and are available through September 30, 2014. As administrator, the CDFI Fund was required to establish the program's regulations by September 27, 2011, 1 year after the law's enactment date, and implement the program by September 27, 2012. Additionally, the act appropriated \$13.5 million to cover CDFI Fund's costs to implement and administer a bond guarantee program. The CDFI Fund announced the CDFI Bond Guarantee Program in fiscal year 2011, but did not meet the mandated deadlines to establish program regulations by September 27, 2011, and stand up this program by September 27, 2012. Another key component of the CDFI Bond Guarantee Program is the financing vehicle used by

CDFIs issuing bonds and notes that are 100 percent guaranteed by the Federal Government. Consistent with Federal credit policy contained in the OMB's Circular No. A-129, the Federal Financing Bank is to purchase the CDFIs' 100 percent guaranteed issues. In fiscal year 2013, the CDFI committed to guarantee \$325 million in bonds and in fiscal year 2014 has the authority to guarantee a total of \$750 million.

The fiscal 2014 budget proposes to increase the CDFI Fund's allocation authority to \$5 billion for the New Markets Tax Credit Program in fiscal year 2015. The budget also proposes a new allocated tax credit, the Manufacturing Communities Tax Credit, to support qualified investments in communities affected by mass layoffs and military base closures. Approximately \$2 billion of credits would be provided for qualified investments approved in each year from 2015 through 2017.

International Assistance

A prosperous world economy serves the U.S. in many ways, including creating markets for U.S. goods and services and promoting stability and cooperation among nations. Treasury focuses on preventing crises and minimizing the impact of those that occur. International financial institutions, such as the International Monetary Fund and the multilateral development banks, including the World Bank, play a key role in enabling global economic growth and stability. Recent focus has been to resolve and prevent further spread of the financial crisis worldwide.

The Office of International Affairs oversees U.S. interests in international financial institutions. The U.S. participates in these institutions to support poverty reduction, private sector development, the transition to market economies, and sustainable economic growth and development; and thereby advance U.S. economic, political, and commercial interests abroad. Treasury has the responsibility for ensuring that these institutions appropriately use the resources the U.S. contributes, and for this reason reviews how these institutions use the money the U.S. government invested. Improving the effectiveness of the multilateral development banks has been a high priority for the Administration. Accordingly, Treasury has been pursuing a reform agenda that emphasizes raising living standards and reducing poverty; measuring the results of U.S. contributions; and strengthening efforts to stimulate private-sector investment, promote good government and the rule of law, and fight corruption.

Exchange Stabilization Fund

The Gold Reserve Act of 1934 established the Exchange Stabilization Fund, a fund to be operated by the Secretary of the Treasury, with the approval of the President. The act authorized the Exchange Stabilization Fund to use its assets to deal in gold and foreign exchange to stabilize the exchange value of the dollar. The fund is used to implement U.S. international monetary and financial policy,

including exchange market intervention policy. The fund mainly consists of three types of assets: U.S. Government securities, foreign currency assets, and Special Drawing Rights³.

The Exchange Stabilization Fund investment guidelines require that to ensure the highest degree of confidence in the underlying securities, the fund's investments are to be limited to claims on respective central banks, the Bank for International Settlements, and sovereign governments and their agencies.⁴ The Exchange Stabilization Fund's foreign currency holdings are to be invested so as to ensure that adequate liquidity is maintained to meet anticipated intervention financing needs. Investment maturities are to be timed such that substantial funds come available on a regular basis to meet potential intervention financing needs. In addition, the investment objective of the fund's portfolio is to seek a rate of return on each of its currency components that is as high as possible over a full interest rate cycle.

Office of Technical Assistance

The Office of Technical Assistance provides technical assistance to developing and/or transitional countries to help strengthen their financial management capacities as authorized under Section 129 of the Foreign Assistance Act of 1961. The office focuses on the following five core development program areas: (1) budget and financial accountability, (2) government debt issuance and management, (3) banking and finance services, (4) revenue policy and administration, and (5) economic crimes. Treasury provides on-site resident advisors, as well as temporary advisors, to work with finance ministries and central banks in developing countries to strengthen their capacity to manage public financial resources. The office's staff also monitors and evaluates projects in each developing and transitional country selected to receive assistance under one or more of Treasury's five core development areas.

Committee on Foreign Investment in the U.S.

The Committee on Foreign Investment in the U.S. was delegated the presidential function, authorized by Section 721 of the Defense Production Act of 1950, to investigate the merger or acquisition of U.S. companies by foreign persons for national security implications. The Secretary of the Treasury chairs the committee, and the Office of International Affairs manages this function on the Secretary's behalf. The committee is required to annually report on (1) whether there is credible evidence of a coordinated strategy by one or more countries or companies to acquire U.S. companies involved in research, development, or production of critical technologies for which the U.S. is a leading producer; and (2) whether there are industrial espionage activities directed or directly assisted

³ Special Drawing Rights is an international reserve asset created by the International Monetary Fund to supplement existing reserve assets. In addition to its role as a supplementary reserve asset, the Special Drawing Rights serves as a means of payment within the International Monetary Fund, as well as a unit of account for the fund and several other international organizations.

⁴ The Bank for International Settlements is an international central bank whose mission is to serve central banks in their pursuit of monetary and financial stability and to foster international cooperation in those areas.

by foreign governments against private U.S. companies aimed at obtaining commercial secrets related to critical technologies.

Potential Integrity Risks

We believe that integrity risks for domestic and international assistance programs include the potential (1) unauthorized release of sensitive or classified data; (2) falsification of applications or statements; (3) misuse or mismanagement of Federal funds, including irregularities in the award of contracts and misallocation of grant proceeds, payments in lieu of tax credits, or Federal tax credits; and (4) failure by assisted entities to deliver on promised services. Of particular concern would be contracts grants, tax credits, or cash payments in lieu of tax credits that may be awarded, without following standard operating procedures that include appropriate monitoring of funded activities. In addition, we recognize program risks could exist that include the failure to promote economic growth within financially underserved areas of the U.S. or to foster economic stability in other nations. There may also be a corresponding loss of credibility with taxpayers in this country or a loss of U.S. credibility on an international level if these Treasury programs do not function as intended, or with the appropriate transparency.

In Progress and Planned Fiscal Year 2015 Projects

Oversight of Recovery Act Programs (In Progress)

The overall objective of our audit oversight of Treasury's Recovery Act programs is to evaluate management's accountability, control, and oversight of the Department's non-IRS funds and provide recommendations for improving operations and preventing fraud, waste, and abuse with respect to those funds. Through a series of audits, described below, we will determine if Treasury timely and effectively implemented program activities for awarding Recovery Act funding.

Payments in Lieu of Tax Credits for Specified Energy Properties (In Progress)

We plan to assess Treasury's continued administration of the specified energy program to ensure proper awarding and compliance monitoring of payments in lieu of tax credits for specified energy properties under the Recovery Act. Audit work for this project began in April 2009 and will continue in fiscal year 2015 focusing on audits of awards made to selected recipients .

We also plan to coordinate with TIGTA to determine if Treasury established and maintained internal control procedures to prevent recipients from improperly receiving both tax credits and Recovery Act payments for the same specified energy properties.

Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credit (In Progress)

We plan to assess Treasury's administration and program activities for continued monitoring of payments to the states in lieu of tax credits for low-income housing projects under the Recovery Act. Specifically, for selected states, we will assess (1) the eligibility of grant applicants at both the state and subaward level, (2) subawardees' compliance with award requirements, and

(3) internal control procedures to determine if subawardees are receiving both tax credits and payments. Audit work for this project began in April 2009 and will continue in fiscal year 2015. We will coordinate with TIGTA to determine if subawardees are receiving both Recovery Act funds and low-income housing credits for the same properties.

Senior Preferred Stock Purchase Agreements (In Progress)

We plan to evaluate Treasury's process for providing solvency to Fannie Mae and Freddie Mac through the purchases of senior preferred stock of the entities. Specifically, we will assess Treasury's (1) determinations and considerations required under HERA for entering into the purchase agreements, (2) funding decisions, (3) monitoring of Government Sponsored Enterprises' compliance with the agreements, and (4) rationale for including dividend and commitment fee requirements in the agreements. Given the size of Treasury's investment in Fannie Mae and Freddie Mac and Treasury's continued support of them, we plan future work in this area to evaluate Treasury's monitoring of its investment and the housing market.

CDFI Bond Guarantee Program

We plan to assess the CDFI Fund's program activities to carry out its responsibility to administer the CDFI Bond Guarantee Program as required by the Small Business Jobs Act of 2010.

CDFI Fund Implementation and Administration of the Healthy Foods Financing Initiative

We plan to evaluate CDFI Fund's program activities for carrying out its responsibility to administer the Healthy Food Financing Initiative. Specifically, we plan to (1) determine whether the CDFI Fund awarded funds to eligible recipients in accordance with applicable laws and regulations, (2) ensure that the CDFI Fund has established and maintained proper internal control procedures and oversight over grants to determine if program recipients meet eligibility requirements and properly comply with award agreements, and (3) assess the CDFI Fund's process for measuring the Healthy Food Financing Initiative's performance/outcomes to ensure that the program objectives are achieved.

Awards to ASI Federal Credit Union under the Healthy Food Financing Initiative

We plan to determine the eligibility and use of grant funds by ASI Federal Credit Union for meeting its target markets under the CDFI Fund's Healthy Food Financing Initiative.

Certification Progress under the CDFI Fund's Technical Assistance Awards

We plan to assess the CDFI Fund monitoring activities to ensure non-certified awardees of Technical Assistance awards achieve certification requirements within timeframes established in awardees' assistance agreements.

Corrective Action Verification on CDFI Fund Recovery Act Report

We plan to determine if CDFI Fund management took corrective action responsive to our recommendations in audit report, *Recovery Act: The Community Development Financial Institutions Fund Needs to Improve Its Process for Awarding Assistance to Applicants*, (OIG-11-079; July 8, 2011).

CDFI Fund's Closeout of Recovery Act Grants

We plan to evaluate the CDFI Fund's activities for the closeout of grants issued using Recovery Act funding.

CDFI Program's Grant Administration

We plan to assess the CDFI Fund's overall administration of grants awarded under the CDFI Program. Specifically, we plan to evaluate the CDFI Fund's process for awarding grants and the effectiveness of internal control over grant awards to ensure recipient compliance with award agreements.

CDFI Fund's Re-certification Process

We plan to assess the CDFI Fund's process for re-certifying CDFIs to ensure entities remain eligible to receive funding under the CDFI Fund's financial assistance and Native Initiative grant programs.

Corrective Action Verification on CDFI Fund New Markets Tax Credit Program Policies and Procedures

We plan determine if CDFI Fund management took corrective action responsive to our recommendations in audit report, *Recovery Act: The Community Development Financial Institutions Fund Should Revise Policies and Procedures to Clarify Eligibility Reviews Under the New Markets Tax Credit Program*, (OIG-12-065; August 3, 2012).

New Markets Tax Credit Program Award Process and Compliance Monitoring

We plan to assess the effectiveness of the New Markets Tax Credit Program's (1) application and tax credit allocation process, (2) assessment of the eligibility of potential award recipients, (3) internal control over and monitoring of program tax allocations, and (4) process for ensuring recipient compliance with tax credit allocation agreements. As part of this audit, we will follow up on issues identified in GAO's 2010 report, *New Markets Tax Credit: The Credit Helps Fund a Variety of Projects in Low-Income Communities, but Could Be Simplified*, (GAO-10-334; Jan. 29, 2010).

Corrective Action Verification on EcoGrove LLC Payment under 1603 Program

We plan to determine if Treasury management took corrective action responsive to our recommendations in audit report, *Recovery Act: Audit of EcoGrove LLC Payment Under 1603 Program*, (OIG-11-103; Sept. 11, 2011).

Corrective Action Verification on Treasury Needs Written Policies and Procedures for Its Oversight of the Housing Finance Agency Initiative

We plan to determine if Treasury management took corrective action responsive to our recommendations in audit report, *Treasury Needs Written Policies and Procedures for Its Oversight of the Housing Finance Agency Initiative*, (OIG-13-040; May 30, 2013).

Treasury's Tribal Policy

The Office of Economic Policy is responsible for implementing E.O. 13175, *Consultation and Coordination with Indian Tribal Governments* (Nov. 2000), on behalf of Treasury. The E.O. requires meaningful consultation and collaboration with tribal officials in the development of Federal policies having tribal implications. The order is also meant to strengthen the U.S. relationship with tribal governments and reduce the imposition of unfunded mandates on Indian tribes. In 2009, the President issued memorandum directing department and agency heads to submit to OMB a detailed plan of action for carrying out the requirements of the E.O.

We plan to assess Treasury's process for carrying out the Administrations' policy to consult and collaborate with tribal governments and officials when developing Federal legislation, regulation, and policy having tribal implications and resolving any issues and concerns raised by tribal officials.

Other Planned Fiscal Year 2015 Projects

Oversight of Programs Authorized by HERA (In Progress)

The overall objective of our audit oversight of HERA programs is to assess Treasury's use of its authorities under the act. We identified distinct and separate areas of concern that we plan to review in the fiscal year 2015.

Treasury's Monitoring of Government Sponsored Enterprises

We plan to evaluate Treasury's continued monitoring of its investment in the Government Sponsored Enterprise and the overall housing finance market.

Treasury's Monitoring of the Housing Finance Agency Initiative's Performance

We plan to assess Treasury's monitoring of the housing finance market indicators to assess the health of the housing finance agencies participating in the Housing Finance Agencies Initiative.

CDFI Fund Administration of the Capital Magnet Fund

We plan to determine whether the CDFI Fund established adequate controls for awarding and administering the Capital Magnet Fund grant activities. Specifically, we plan to assess the CDFI Fund's processes to (1) review whether funds were properly and timely awarded to eligible recipients and (2) determine awardees' compliance with program requirements to include leveraging award dollars intended to provide a dedicated source of funding. We also plan to assess the programs resulting from any future funding from Fannie Mae and Freddie Mac.

Corrective Action Verification on CDFI Fund Program Administration

We plan to assess whether CDFI Fund management took corrective action responsive to our recommendations in audit report, *Awards Made to OneUnited Bank Were Consistent with Requirements But Certain Aspects of CDFI Fund Program Administration Need to be Revisited*, (OIG-11-091; Aug. 3, 2011).

Survey of the Committee on Foreign Investment in the U.S.

We plan to assess how Treasury supports the Committee on Foreign Investment in the U.S. in identifying and addressing national security concerns arising from covered transactions with foreign investors. We will also assess whether measures have been implemented to identify foreign investors who have not filed with the committee.

Office of Technical Assistance Programs

We plan to assess Treasury's Office of Technical Assistance administration of programs established to provide technical assistance to foreign governments and foreign central banks in developing and transitional countries. As part of this audit, we plan to evaluate the office's process for selecting foreign governments and foreign central banks for receiving assistance under the office's five technical assistance programs, as well as how the office selects technical experts. We also plan to assess the office's monitoring of its program projects.

Transfer of Funds under the Foreign Assistance Act of 1961

The U.S. Agency for International Development transferred \$66.6 million to Treasury in fiscal year 2010 for contributions to the Global Agriculture and Food Security Program Trust Fund. The agency transferred another \$125 million in fiscal year 2011 funds to Treasury for contributions to the Haiti Reconstruction Fund. Under memoranda of understanding between the U.S. Agency for International Development and Treasury, we are responsible for performing periodic program and financial audits of the use of the transferred funds, and the cost of the audits may be paid from transferred funds.

We plan to assess whether Treasury administered funds transferred from the U.S. Agency for International Development in accordance applicable laws.

Projects under Consideration for Future Fiscal Years

Single Audits

We plan to perform quality control reviews to determine if audits obtained by CDFIs were performed in accordance with the Single Audit requirements and applicable professional standards, and may be relied upon for ensuring accountability of CDFI Fund awards.

Bank Enterprise Awards

We plan to assess the CDFI Fund's process for awarding and monitoring awards made through the Bank Enterprise Awards Program. Specifically, we plan to (1) determine if CDFI Fund awarded the appropriated funds to eligible recipients based on qualified activities in accordance with applicable laws and regulations; (2) to determine if the CDFI Fund established and maintained proper internal control procedures and oversight over program awards to include follow-up on recommendations provided in our audit report entitled *Awards Made to OneUnited Bank Were Consistent with Requirements But Certain Aspects of CDFI Fund Program Administration Need to be Revisited*, (OIG-11-091; Aug. 3,

2011), and (3) assess the CDFI Fund's process for measuring the Bank Enterprise Award program's performance outcomes to ensure that the program objectives are achieved.

CDFI Fund's Tracking of Awardees Across Multiple Assistance Programs

We plan to assess the effectiveness of the CDFI Fund's coordination for the tracking of awardees benefitting from multiple program awards to determine if funds are used appropriately in target markets.

CDFI Program Evaluation Project

We plan to assess the CDFI Fund's progress in evaluating how and to what extent investments in CDFIs have benefitted and contributed to developing underserved communities.

Survey of the Federal Financing Bank

Created by Congress in 1973, the Federal Financing Bank is a government corporation under the general supervision of the Secretary of the Treasury. Its mission is to reduce the costs of Federal and Federally assisted borrowings, to coordinate those borrowings with Federal fiscal policy, and to ensure that those borrowings are done in ways least disruptive to private markets. To accomplish this mission, the Federal Financing Bank has broad statutory authority to purchase obligations issued, sold, or guaranteed by Federal agencies.

We plan to perform a survey of the Federal Financing Bank to identify and assess areas of high risk that should be audited in more depth.

Survey of Treasury's Participation in the International Monetary Fund

We plan to gain an understanding of Treasury's role for promoting U.S. policy with respect to the International Monetary Fund in order to identify potential risks related to the U.S. financial system.

Survey of Multilateral Development Banks

We plan to gain an understanding of Treasury's process for ensuring U.S. policy is carried out through the multilateral development banks. As part of this project, we plan to assess Treasury's participation, role, and risk exposure associated with respect to global initiatives.

Survey of Treasury's Global Agriculture and Food Security Program

We plan to gain an understanding of Treasury's role in the Global Agriculture and Food Security Program and Climate Investment Funds, including how funds are granted in accordance with applicable guidance and collectively how funds are used to improve impoverished nations.

Debt Relief Programs

We plan to gain an understanding and perform appropriate independent oversight of Treasury's role in debt reduction programs with nations indebted to the U.S., its process to ensure indebted nations meet eligibility requirements for relief and the risks associated with these programs.

Treasury's Role in the Middle East & North Africa Transition Fund

In the fiscal year 2015 President's budget, Treasury requested \$5 million for the Middle East and North Africa Transition Fund, a multi-donor trust fund administered by the World Bank, to assist members of the Deauville Partnership with Arab Countries in Transition (currently Egypt, Tunisia, Jordan, Morocco, Libya, and Yemen). As these countries go through transformations and address their diverse economic challenges, the intent of the Transition Fund is to help promote a broad reform agenda and support inclusive development. The Transition Fund provides small grants to help countries put in place economic policies and government reforms which will allow the countries to attract greater flows of capital while they address diverse economic challenges during their political transition. The agreed contribution from the U.S. is 20 percent of total donor contributions to the Transition Fund, or up to \$50 million of an anticipated \$250 million, over several years. The Deauville Partnership officially launched the Transition Fund on October 12, 2012. Several donors – including the United Kingdom, France, and Canada – immediately provided contributions.

We plan to gain an understanding of Treasury's role in the Middle East and North Africa Transition Fund for providing grants and technical assistance to Arab countries in political transition, as well as identify the risks to Treasury's investment.

Treaties and International Agreements

We plan to gain an understanding of the treaties and international agreements with foreign governments Treasury entered into on behalf of the U.S. Government and Treasury's coordination and/or consultation with the Department of State in connection with those agreements.

Exchange Stabilization Fund Investment Portfolio

We plan to (1) gain an understanding of the policy for the Exchange Stabilization Fund's investments in securities and foreign currency denominated assets and the factors considered in implementing the investment policy and (2) determine whether the Fund complied with the investment policy on its purchases, management, and sales of investments and foreign currency denominated assets.

Gulf Coast Restoration Trust Fund Oversight

Issue Area Discussion

The Gulf Coast Restoration Trust Fund was established by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) (Public Law 112-141). The act requires the Secretary of the Treasury to deposit in the trust fund 80 percent of all administrative and civil penalties paid by responsible parties after July 6, 2012, pursuant to a court order, negotiated settlement, or other instrument in accordance with the Federal Water Pollution Control Act in connection with the explosion on, and sinking of, the mobile offshore drilling unit Deepwater Horizon. The Trust Fund is to be available (1) for expenditure to help restore the Gulf Coast region from the Deepwater Horizon oil spill; (2) for undertaking projects and programs to restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, and economy of that region; and (3) solely to the Gulf Coast states of Alabama, Florida, Louisiana, Mississippi, and Texas to restore the ecosystems and economy of the Gulf Coast region. The RESTORE Act also established the Gulf Coast Ecosystem Restoration Council, a new independent entity within the Federal Government, comprised of the governors from the five affected Gulf Coast States; the Secretaries from the U.S. Departments of the Interior, Commerce, and Agriculture; the head of the department housing the Coast Guard (currently the Secretary of the Department of Homeland Security); the Secretary of the Army; and the Administrator of the U.S. Environmental Protection Agency.

Of the total amount made available for disbursement from the Trust Fund during any fiscal year:

- 35 percent under the Direct Component shall be available to the Gulf Coast states, in equal shares, for expenditure for ecological and economic restoration of the Gulf Coast region;
- 30 percent under the Comprehensive Plan Component shall be disbursed to the Gulf Coast Ecosystem Restoration Council pursuant to the council's approval of its comprehensive plan to undertake projects and programs using the best available science that would restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, and economy of the Gulf Coast region;
- 30 percent under the Spill Impact Component shall be disbursed to the Gulf Coast Ecosystem Restoration Council for allocation to the Gulf Coast states for eligible oil spill restoration activities, pursuant to the council's approval of the state's plan to improve the ecosystems or economy of the Gulf Coast region, using a regulatory formula;
- 2.5 percent under the Gulf Coast Ecosystem Restoration Science Program Component shall be allocated to the National Oceanic and Atmospheric Administration (NOAA) for its Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program. This program is to carry out research, observation, and monitoring to support, to the maximum extent practicable, the long-term sustainability of the ecosystem, fish stocks, fish

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habitat, and the recreational, commercial, and charter fishing industry in the Gulf of Mexico; and

- 2.5 percent under the Centers of Excellence Component shall be made available to the Gulf Coast states, in equal shares, exclusively for competitive grant awards to nongovernmental entities and consortia in the Gulf Coast region, including public and private institutions of higher education, to establish centers for excellence to conduct research only on the Gulf Coast region.

Treasury's authority to administer the Gulf Coast Restoration Trust Fund terminates on the date all amounts are expended from the trust fund. The RESTORE Act provides Treasury with remedies for a state's noncompliance with the conditions of the trust fund; Treasury may cut off funding to a state until the state either repays the trust fund or the state substitutes an ineligible activity with an eligible activity.

Potential Integrity Risks

The integrity risks for the Gulf Coast Restoration projects, programs, and activities include the potential (1) falsification of applications or statements; (2) failure by grantees or contractors to deliver on promised goods or services; (3) misuse or mismanagement of Trust Funds, including irregularities in the award of contracts and misallocation of grant proceeds, and duplication of funding for projects or programs; (4) award of grants or contracts without following laws, regulations, or standard operating procedures; (5) failure to properly monitor funded activities; and (6) funding of programs that fail to promote the restoration of the Gulf Coast region.

Audit and Investigative Activities

The act authorized Treasury OIG to conduct, supervise, and coordinate audits and investigations of projects, programs, and activities funded under the act.

In-Progress and Planned Fiscal Year 2015 Projects

Risk Analysis of Gulf Coast State and Local Government's Internal Controls Related to Grants Management, Procurement, Financial Reporting, and Single Audit Act Reporting (In-Progress)

We plan to assess Gulf Coast state and local government internal controls related to (1) grants management, (2) the procurement function, (3) financial reporting, and (4) Single Audit Act (A-133) reporting. This information will be used to assess overall risk of programs and activities funded by the Gulf Coast Restoration Trust Fund and as a basis for determining the nature, timing, and extent of future audit work.

Technical Review of the Council's Initial Comprehensive Plan and Related Programmatic Environmental Assessment (In-Progress)

We have engaged an external specialist to perform technical assessments of the initial comprehensive plan and related programmatic environmental assessment under the Council-Selected Restoration Component. We are providing contractor oversight of the technical assessments.

Gulf Coast States' Establishment of Centers of Excellence Research Grants Programs (In-Progress)

We plan to assess each Gulf Coast State's progress in establishing a Center of Excellence Research Grants Program for conducting research in the Gulf Coast region in accordance with Section 1605 of the RESTORE Act.

Audit of Financial Statements of the Gulf Coast Ecosystem Restoration Council (In-Progress)

A financial audit is required for the Gulf Coast Ecosystem Restoration Council pursuant to the Accountability of Tax Dollars Act of 2002. An independent public accounting firm, under contract with OIG, will audit the Council's financial statements.

Treasury's Administration of the Direct Component of the Gulf Coast Restoration Trust Fund

We plan to assess Treasury's administration of the Direct Component in accordance with the RESTORE Act, applicable grant laws and regulations, and Treasury policies and procedures.

Corrective Action Verification on Treasury's Establishment of Procedures to Expend and Invest Gulf Coast Restoration Trust Fund Monies

We plan to determine if Treasury took corrective action responsive to our recommendations in our audit report entitled *Restore Act: Treasury Needs to Establish Procedures to Expend and Invest Gulf Coast Restoration Trust Fund Monies*, (OIG-13-052; Sep. 24, 2013).

Corrective Action Verification on Gulf Coast Ecosystem Restoration Council's Challenges in Completing the Initial Comprehensive Plan

We plan to determine if the Gulf Coast Ecosystem Restoration Council took corrective action responsive to our recommendations in our audit report entitled *Restore Act: Gulf Coast Ecosystem Restoration Council Faces Challenges in Completing Initial Comprehensive Plan*, (OIG-14-003; Oct. 25, 2013).

Gulf Coast Ecosystem Restoration Council's Congressional Reporting Requirements as Governed by the RESTORE Act

We plan to assess whether the Gulf Coast Ecosystem Restoration Council's congressional reports meet the requirements of the RESTORE Act and regulations, and council policies and procedures, and are reliable.

NOAA's Administration of the Gulf Coast Ecosystem Restoration Science Program

We plan to assess whether NOAA is administering the Gulf Coast Ecosystem Restoration Science Component of the Gulf Coast Restoration Trust Fund in accordance with the RESTORE Act, applicable laws and regulations, and program policies and procedures.

Gulf Coast Ecosystem Restoration Council's Project Selection Under the Council-Selected Restoration Component

We plan to engage an external specialist to assess the Gulf Coast Ecosystem Restoration Council's evaluation and selection of projects and programs under the Council-selected Restoration

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Component in accordance with the RESTORE Act. We will provide contractor oversight of the technical assessments.

Stand-Up of the Gulf Coast Ecosystem Restoration Council

We plan to assess the Gulf Coast Ecosystem Restoration Council's progress to establish the capacity to oversee the restoration and economic recovery of the Gulf Coast region.

Treasury, NOAA, and Gulf Coast Ecosystem Restoration Council's Internal Controls to Eliminate Duplication of Funding for RESTORE Act Programs

We plan to assess whether Treasury, NOAA, and the Gulf Coast Ecosystem Restoration Council implemented controls to prevent duplication of funding with the Oil Spill Liability Trust created under the Oil Pollution Act, and other Gulf Coast restoration funding sources.

Gulf Coast Ecosystem Restoration Council's Administration of the Council-Selected Restoration Component of the Gulf Coast Restoration Trust Fund

We plan to assess the Gulf Coast Ecosystem Restoration Council's administration of the Council-Selected Restoration Component of the Gulf Coast Restoration Trust Fund in accordance with the RESTORE Act, applicable regulations, and council policies and procedures.

Specific Audits of RESTORE Act Projects, Programs, and Activities

For selected projects, programs, and activities, we plan to assess whether (1) the RESTORE Act program's grant, contract, or cooperative agreement is awarded and administered in accordance with the act, applicable regulations, and policies and procedures; and (2) the program, project, or activity is performing in accordance with the applicable requirements.

Treasury's Administration of the Centers of Excellence Component of the Gulf Coast Restoration Trust Fund

We plan to assess Treasury's administration of the Centers of Excellence Component of the Gulf Coast Restoration Trust Fund in accordance with the RESTORE Act, applicable laws and regulations, and Treasury policies and procedures.

Survey of Gulf Coast State and Local Government's Information System Controls

We plan to gain an understanding of information system controls that the Gulf Coast state and local governments have in place to administer Federal awards, and based on our assessment of risk, should be audited in more depth.

Gulf Coast Ecosystem Restoration Council's Evaluation of Gulf Coast State Expenditure Plans Under the Spill Impact Component

We plan to engage an external specialist to assess the Gulf Coast Ecosystem Restoration Council's evaluation of each Gulf Coast State's expenditure plan submitted in conjunction with the Spill Impact Component. We will provide contractor oversight of the technical assessments. It should be noted that the States' environmental and economic recovery plans and the Gulf Coast Restoration

Planned Projects by OIG Issue Area

Council's comprehensive plan are mandated by the RESTORE Act and will drive how nearly 60 percent of the trust fund's receipts will be expended on eligible activities. Accordingly, an independent assessment of the soundness of the plans is essential to the prudent use of funds.

Gulf Coast Ecosystem Restoration Council and NOAA's Administrative Expenses

We plan to assess whether the Gulf Coast Ecosystem Restoration Council and NOAA have designed adequate internal controls for the Council-selected Restoration Component and the Science Program Component to comply with the three percent administrative expense limitation outlined in the RESTORE Act, applicable regulations, policies, and procedures.

Projects under Consideration for Future Fiscal Years

Gulf Coast Ecosystem Restoration Council's Administration of the Spill Impact Component

We plan to assess the Gulf Coast Ecosystem Restoration Council's administration of the Spill Impact Component of the Gulf Coast Restoration Trust Fund in accordance with the RESTORE Act, applicable laws and regulations, and Council policies and procedures.

Treasury, NOAA, and Gulf Coast Ecosystem Restoration Council's Internal Controls Related to Pre-Award Review and Post-Award Monitoring of Grantee Risk

We plan to assess whether Treasury, NOAA, and the Gulf Coast Ecosystem Restoration Council established internal controls related to pre-award review and post-award monitoring of RESTORE Act grantee risk as required by OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Dec. 2013), and agency implementing regulations.

Gulf Coast Ecosystem Council's 5-Year Update of the Comprehensive Plan

We plan to assess whether the Gulf Coast Ecosystem Restoration Council timely updated the Comprehensive Plan in accordance with the requirements in the RESTORE Act, applicable regulations, policies, and procedures.

Quality Control Review of Independent Public Accountants' Single Audit Reports for the RESTORE Act Grants

We plan to perform quality control reviews to determine if audits obtained by RESTORE Act program grantees were performed in accordance with the Single Audit requirements and applicable professional standards and may be relied upon for ensuring accountability of RESTORE Act awards.

Gulf Coast Ecosystem Restoration Council's Administrative Activities

We plan to assess whether the Gulf Coast Ecosystem Restoration Council's administrative activities are being managed in accordance with the RESTORE Act, applicable laws and regulations, and council policies and procedures.

SBLF and SSBCI Operations

Issue Area Discussion

The Small Business Jobs Act of 2010 established SBLF and SSBCI program. The act also created within the OIG the Office of SBLF Program Oversight. Under Section 4107(a), the Special Deputy Inspector General for SBLF Program Oversight is responsible for audit and investigations related to SBLF and SSBCI and must report at least twice a year to the Secretary of the Treasury and the Congress on the results of oversight activities involving the SBLF program. The Special Deputy is also responsible for identifying instances of intentional or reckless misuse of SSBCI funds.

SBLF Operations

The SBLF program was created to provide capital to small banks, with incentives for those banks to increase small business lending. Generally, SBLF was open only to insured depository institutions with under \$10 billion in assets as well as bank holding companies or savings and loan holding companies, each with aggregate assets of under \$10 billion. Entities that met the asset-size requirement were eligible to participate in the program if they were not on the Federal Deposit Insurance Corporation's problem list or had not been removed from that list in the 90 days previous to application. SBLF also provided an option for community banks to refinance preferred stock issued to Treasury through the TARP Capital Purchase Plan or the Community Development Capital Initiative if the banks had not missed more than one dividend payment under either of these two programs. Under the SBLF program, banks may not make loans to entities with over \$50 million in revenues or in original amounts over \$10 million. Loans must also meet underwriting standards established by the banks' primary banking regulators.

Treasury disbursed more than \$4 billion to 332 financial institutions across the country, of which 137 were institutions that used their SBLF investments to refinance securities issued under TARP. The 137 TARP banks received two-thirds of the \$4 billion invested in participating banks. Institutions receiving investments under the SBLF program are expected to pay dividends to Treasury at rates that will decrease as the amount of their qualified small business lending increases. In April 2014, Treasury reported that institutions participating in SBLF had increased their small business lending by \$12.5 billion over a \$33.0 billion baseline and that 90 percent of the SBLF participants had increased their small business lending by 10 percent or more over the baseline. However, as the report shows, only \$9.0 billion of the lending increase occurred after SBLF funding.

Potential Weaknesses Particular to SBLF

Treasury faces many challenges in ensuring that the SBLF program meets its intended objective of increasing lending to small businesses, and measuring program performance. Under the terms of the authorizing legislation, the SBLF funds were intended to stimulate lending to small businesses, but participating institutions had no obligation to increase their small business lending activity or report how they used Treasury's investments. Further, because SBLF is a capital investment program and

not a direct lending program, the capital invested in banks is leveraged and not traceable to individual loans. As a result, the direct impact that SBLF funds have had on small business lending cannot be isolated from other factors.

Although the direct impact of the SBLF program is not measurable, Treasury evaluates program outcomes based on the small business lending gains reported quarterly by participants, in accordance with the calculation method prescribed by the act. We previously reported that the lending gain measurement established by the act was solely for the purpose of setting dividend rates, and that it is not an appropriate measure of program impact. In fact, many gains occurred prior to program funding and included loans that were not financed with SBLF capital. Further, because the gains reported represent the outstanding quarterly loan balances on participants' books, they are heavily influenced by loan payoffs and reductions in loan balances, and therefore do not reflect actual lending gains.

Additionally, previous audits have identified an unusually high percentage of financial institutions that inaccurately reported their quarterly small business lending gains, affecting Treasury's measurement and reporting of program accomplishments. Treasury uses these reports also to make quarterly adjustments in participant dividend payments, which constitute Treasury's sole source of revenue from the SBLF program. This issue will take on greater importance as reported lending gains will be used to establish the fixed interest rates that Treasury will apply to the SBLF capital 2½ years into the program.

In some cases, dividend payments are optional. Treasury's investments in some banks come in the form of non-cumulative preferred stocks. For this type of investments, Treasury has indicated that when dividend payments are missed, additional measures ranging from requiring an explanation for the missed payment to electing directors to an institution's board of directors may be taken. However, these measures are less effective if an institution's regulator has already restricted it from making dividend payments. Institutions are under no obligation to pay off previously missed payments before exiting the program.

In-Progress and Planned Fiscal Year 2015 Projects

Accuracy of Dividend Rates Set for the Fixed Rate Period (Ongoing)

We plan to determine the accuracy of small business lending activity reported by SBLF participants for the third quarter of 2013, which will determine the fixed dividend rates to be applied for the subsequent 2 years.

Effectiveness of Treasury's Monitoring Efforts and Enforcement Actions for SBLF (Ongoing)

We plan to (1) determine whether Treasury has been reasonable and fair in denying dividend rate adjustments for noncompliance with annual certification requirements, and (2) evaluate the effectiveness of Treasury's efforts to monitor payments of dividends and annual incentive fees.

Accuracy of Lending Gains Reported by Community Development Loan Funds Participating in SBLF

We plan to examine the accuracy of small business lending gains reported by Community Development Loan Funds. Because Community Development Loan Funds are unregulated financial institutions, their activity reports are not subject to verification as are other regulated institutions participating in the SBLF program.

Projects under Consideration for Future Fiscal Years

Treasury's Management of the SBLF Securities Portfolio

We plan to evaluate (1) the extent to which Treasury performed due diligence reviews of its third-party asset managers and their minority partners to prevent conflicts of interest and losses of assets due to theft or fraud; (2) whether adequate controls are in place to safeguard assets, ensure the accuracy and reliability of accounting data, and compliance with laws, regulations and Treasury policy; and (3) whether asset managers are meeting their contractual performance requirements for performance and management of the SBLF securities portfolio.

The SBLF Program Exit Process

We plan to determine if (1) participating institutions exiting SBLF were in compliance with Treasury's program requirements, (2) participating institutions received regulatory approval to exit the SBLF program, and (3) Treasury fully recouped funds invested in participating institutions that exited the program.

SSBCI Operations

SSBCI is a \$1.5 billion initiative that provides participating states, territories, and eligible municipalities with funding to support state programs that provide lending to, and investment in, small businesses. SSBCI builds on new and existing models for state small business programs, including those that finance loan loss reserves and provide loan insurance, loan guaranties, venture capital funds, and collateral support. Under the program, Treasury awarded 57 states, territories, and municipalities \$1.5 billion in SSBCI funding, and as of March 31, 2014, had disbursed approximately \$1 billion of the funds awarded. The awarded funds are disbursed to the participating states in three increments and are to be used for the programs and activities approved by Treasury in each state's Allocation Agreement.

Participating states are required to report quarterly on their use of SSBCI funds, and to provide Treasury an annual report with transaction-level data for each loan or investment made with SSBCI funds by no later than March 31 of each year.

Potential Weaknesses Particular to SSBCI

According to Treasury, primary oversight of the use of SSBCI funds is the responsibility of each participating state. Treasury did not establish expectations for how states were to carry out their oversight responsibilities until about 6 months after most states received their first disbursement of

funds. In May 2012, Treasury issued *SSBCI National Standards for Compliance and Oversight*, providing states with a “best practice” oversight framework for managing compliance with program requirements. This guidance was subsequently updated in April 2014. Because the guidance is “best practices”, states are under no obligation to adopt the guidance. This could increase the risk to Treasury that noncompliance issues or misuse of funds may go undetected, especially where states rely on third parties to administer and oversee their SSBCI programs.

The SSBCI program office monitors participating states’ compliance with the program by verifying annual report data to loan or investment documentation. Treasury also implemented a program that requires states to quarterly certify to their compliance. In a few instances, the SSBCI program office requested OIG to review specific transactions to identify reckless or intentional misuse. Although these measures will help improve the program, OIG audits have continued to identify instances where states made inaccurate compliance certifications.

OIG audits have identified weaknesses in the clarity and completeness of Treasury’s policy guidance on program requirements, and have also identified inaccurate state compliance certifications. Although Treasury has continually improved its guidance in response to the OIG’s recommendations, an OIG survey of participating states disclosed that some were still dissatisfied with some areas of Treasury’s guidance.

As of March 31, 2014, thirty-four states operate Venture Capital programs. Venture Capital programs require specialized expertise and adequate administrative resources for successful implementation. These programs are more risky than other small business lending programs and each participating state should have a plan in place to mitigate the risk inherent in such programs.

States are allowed to report capital commitments to certain Venture Capital funds as obligations, even though the obligated amounts may not be disbursed for many years. States could potentially obligate funds in this way to accelerate their second and third funding disbursements from Treasury. Additionally, states could hold onto the obligated funds after the program sunsets in 2017, which may make it difficult for Treasury to seek reimbursement of the SSBCI funds.

In-Progress and Planned Fiscal Year 2015 Projects

Audits of States Participating in SSBCI (Ongoing)

We have several ongoing and planned audits of selected participating states' uses of SSBCI funds. These audits, whether self-initiated or initiated at the request of Treasury, test participant compliance with program requirements and prohibitions to identify reckless or intentional misuses of SSBCI funds, which by law Treasury is required to recoup.

Effectiveness of SSBCI (Ongoing)

We plan to (1) assess the effectiveness of SSBCI in increasing access to capital for small businesses, and (2) evaluate whether Treasury's stewardship of SSBCI is adequate to ensure program effectiveness.

Potential for Unexpended Obligations to Venture Capital Programs (Ongoing)

We plan to (1) estimate the amount of SSBCI capital obligated to Venture Capital programs that is at risk of not being expended by the end of the SSBCI program, and (2) determine whether states operating Venture Capital programs have adopted Treasury's recommended framework for identifying, monitoring, and managing compliance and oversight risks as outlined in Treasury's *SSBCI National Standards for Compliance and Oversight*.

Projects under Consideration for Future Fiscal Years

Termination of State Access to Funds Not Disbursed by Transfer Deadline

We plan to (1) identify the amount of undisbursed SSBCI funds subject to termination, and (2) evaluate the reasonableness and fairness of Treasury's decisions pertaining to the termination or continuance of the availability of un-transferred funds.

Treasury's Recoupment of Misused SSBCI Funds and Handling of Compliance Issues

We plan to determine whether Treasury is taking appropriate action to (1) collect funds that the OIG has identified as intentionally or recklessly misused, and (2) ensure that compliance issues identified by OIG audits have been addressed.

Private Leverage Achieved by States in Receipt of their Full SSBCI Allocation

We plan to determine (1) the number of states that have received their full SSBCI allocation, (2) whether those states will meet the target private leverage ratio of 10:1, and (3) whether their other credit support programs will meet the required private leverage ratio of 1:1.

Appendix A: Office of Audit

Fiscal Year 2015 Resource Allocation

Our planned OIG staff resource allocation by the three priority areas for fiscal year 2015 is shown in the following table.

Audit Priority	Percentage of Planned Audit Resources
Audit products mandated by law	18
Work requested by Congress or externally driven	1
Self-directed work in Treasury's highest-risk areas	81
Total	100

Our planned OIG audit staff resource allocation by OIG Issue Area for fiscal year 2015 is shown in the following table.

OIG Issue Area	Percentage of Planned Audit Resources
Treasury General Management and Infrastructure Support:	
Financial Management	9
Information Security	6
General Management	6
Terrorist Financing, Money Laundering, and Foreign Assets Control	10
Government-Wide Financial Services and Debt Management	7
Safety, Soundness, and Accessibility of Financial Services	16
Revenue Collections and Industry Regulation	1
Bill and Coin Manufacturing, Marketing, and Distribution Operations	5
Domestic and International Assistance Programs	9
Small Business Lending Fund and State Small Business Credit Initiative Operations	13
Gulf Coast Restoration Trust Fund Oversight	18
Total	100

Appendix A: Office of Audit Fiscal Year 2015 Resource Allocation

Our planned OIG audit staff allocation by Treasury headquarters operational component, Treasury bureaus, and other Federal and State Entities for fiscal year 2015 is shown in the following table.

Treasury Departmental Offices, Treasury Bureaus, and Other Federal and State Entities	Percentage of Planned Audit Resources
Treasury Departmental Offices:	
Domestic Finance	5
Office of the Assistant Secretary for Management and Chief Financial Officer	10
Small Business Lending Fund	4
State Small Business Credit Initiative	9
Community Development Financial Institutions Fund	6
Office of the Chief Information Officer	8
Office of Gulf Coast Restoration*	8
Other Departmental Offices	11
Treasury Bureaus:	
Office of the Comptroller of the Currency	12
Bureau of the Fiscal Service	6
Financial Crimes Enforcement Network	5
Mint	1
Bureau of Engraving and Printing	4
Alcohol and Tobacco Tax and Trade Bureau	1
Other Federal and State Entities*:	
Gulf Coast Ecosystem Restoration Council*	8
Other*	2
Total	100

* Treasury's Office of Gulf Coast Restoration administers the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) grants programs for the Direct Component and the Centers of Excellence Component. The RESTORE Act also authorized Treasury OIG to conduct, supervise, and coordinate audits and investigations of projects, programs, and activities funded under the act, including Treasury and other Federal, state, and local government entities.

The RESTORE Act established the Gulf Coast Ecosystem Restoration Council, a new independent entity within the Federal Government, comprised of the governors from the five affected Gulf Coast States; the Secretaries from the U.S. Departments of the Interior, Commerce, and Agriculture; the head of the department housing the Coast Guard (currently the Secretary of the Department of Homeland Security); the Secretary of the Army; and the Administrator of the U.S. Environmental Protection Agency. In accordance with the RESTORE Act, our office performs audits of the National Oceanic and Atmospheric Administration's Science Program Component and the Gulf Coast State and Local Government grantees.

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Abbreviations

BEN	Bureau of Engraving and Printing Enterprise
BEP	Bureau of Engraving and Printing
Concur	Concur Travel System
DATA Act	Digital Accountability and Transparency Act of 2014
Fiscal Service	Bureau of the Fiscal Service
BSA	Bank Secrecy Act
CDFI	Community Development Financial Institutions
CHIPRA	Children’s Health Insurance Program Reauthorization Act of 2009
CIGFO	Council of Inspectors General on Financial Oversight
COLA	Certificates of Label Approval
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act
E.O.	Executive Order
Fannie Mae	Federal National Mortgage Association
FinCEN	Financial Crimes Enforcement Network
FISMA	Federal Information Security Management Act
Freddie Mac	Federal Home Loan Mortgage Corporation
FRB	Board of Governors of the Federal Reserve System
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
HERA	Housing and Economic Recovery Act of 2008
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IRS	Internal Revenue Service
IT	information technology
MAP-21	Moving Ahead for Progress in the 21st Century Act
Mint	U.S. Mint
MSB	money services businesses
NOAA	National Oceanic and Atmospheric Administration
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Assets Control
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision
Recovery Act	American Recovery and Reinvestment Act of 2009
RESTORE Act	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012
SAR	Suspicious Activity Reports
SBLF	Small Business Lending Fund
SSBCI	State Small Business Credit Initiative

Abbreviations

SSP	Treasury Franchise Fund Shared Services Programs
TARP	Troubled Asset Relief Program
TEOAF	Treasury Executive Office for Asset Forfeiture
TIC	Treasury International Capital
TIGTA	Treasury Inspector General for Tax Administration
TTB	Alcohol and Tobacco Tax and Trade Bureau

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<http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx>