

## Foreword

This annual plan outlines the fiscal year (FY) 2018 Department of the Treasury (Treasury or the Department) Office of Inspector General (OIG) audit and investigative priorities. The planned work focuses on Treasury's major initiatives and challenges, and takes into consideration OIG's *Strategic Plan for Fiscal Years 2016–2020*.

As this plan illustrates, we have prioritized our resources to provide oversight of the most significant and highest-risk Treasury programs and operations across our jurisdictional boundaries. For FY 2018, our oversight efforts will place top priority on the following areas: (1) cyber threats, (2) anti-money laundering and terrorist financing/Bank Secrecy Act enforcement, and (3) efforts to promote spending transparency and prevent and detect improper payments.

Areas of emphasis for FY 2018 include oversight mandated by law such as the Inspector General Act of 1978, as amended, the Government Management Reform Act of 1994, the Federal Information Security Modernization Act of 2014 (FISMA), the Federal Deposit Insurance Act, and the Improper Payments Elimination and Recovery Act of 2010 (IPERA). Additionally, we will continue to perform audit work related to Treasury's responsibilities under the Digital Accountability and Transparency Act of 2014 (DATA Act).

The projects described in this plan address areas of known and emerging risk and vulnerabilities. As in the past, we encourage Department and bureau management to use this plan for areas of self-assessment.

October 2017

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## Overview

### Mission Statement

The Department of the Treasury (Treasury or the Department) Office of Inspector General (OIG) conducts independent and objective audits and investigations to promote integrity, efficiency, and effectiveness in programs and operations across its jurisdictional boundaries.

### Background

In 1989, the Secretary of the Treasury established the OIG in accordance with the 1988 amendments of the Inspector General Act. The OIG has the following responsibilities:

- Conduct and supervise audits and investigations of Treasury programs and operations except for the Internal Revenue Service (IRS), which operates under the jurisdictional oversight of the Treasury Inspector General for Tax Administration (TIGTA), and the Troubled Asset Relief Program (TARP), which operates under the jurisdictional oversight of a 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.

The OIG also has audit and investigative oversight for both the Gulf Coast Ecosystem Restoration Council (Council), an independent Federal entity, and the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program), which is administered by the National Oceanic and Atmospheric Administration (NOAA) under the U.S. Department of Commerce.

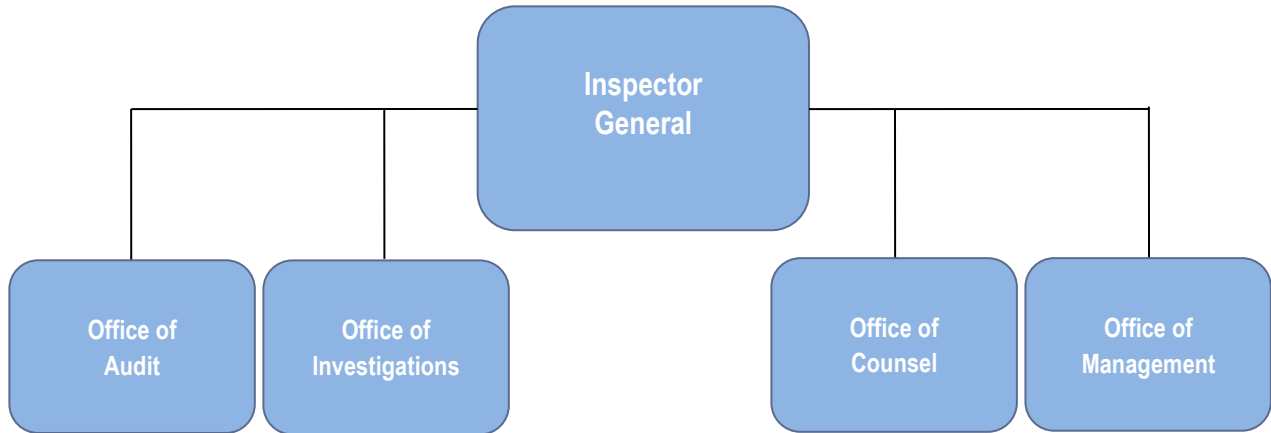
### Organizational Structure and Fiscal Resources

OIG is headed by an Inspector General appointed by the President with the advice and consent of the Senate. As shown below, OIG's organization includes four offices headquartered in Washington, DC. OIG also has an audit field office

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in Boston, Massachusetts; a Resident Office in Greensboro, North Carolina, which houses the North Carolina Treasury Financial Crimes Task Force; and a Northern Florida Resident Office in Jacksonville, Florida.



For fiscal year (FY) 2018, the President requested approximately \$37.0 million in direct appropriations for OIG. Up to \$2.8 million of that total is to be available for audits and investigations conducted pursuant to Section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Audits and investigations of the Small Business Lending Fund (SBLF) are funded on a reimbursable basis by the SBLF program office. Annual financial statement audits of Treasury and certain components are funded by the annual salaries and expenses appropriation for Treasury's Departmental Offices.

## Performance Measures

OIG established the following FY 2018 performance measures for the Offices of Audit and Investigations:

### Office of Audit Performance Measures

- Complete 74 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.

## Fiscal Year 2018 Priorities

### Audit Priorities

OIG established three audit priorities for FY 2018:

#### **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; (4) bank failures, pursuant to requirements in the Federal Deposit Insurance Act; and (5) responsibilities under the Digital Accountability and Transparency Act of 2014 (DATA Act). We also perform work in response to congressional directives and support the Council of Inspectors General on Financial Oversight (CIGFO)<sup>1</sup> by leading or participating on working groups established to evaluate the effectiveness and internal operations of the Financial Stability Oversight Council (FSOC).

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

OIG typically receives four or five requests each year from Treasury management or Congress to perform specific work. Often a subject already provided for in our plan, the requested work requires only that we adjust the schedule or scope. If the request pertains to 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 FY 2018, our self-directed work focuses on Treasury's responsibilities for cybersecurity, anti-money laundering/terrorist financing programs, and efforts to promote spending transparency and prevent and detect improper payments.

For details of planned FY 2018 OIG staff resource utilization, by audit priority, see Appendix A.

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<sup>1</sup> CIGFO derives its authorities from the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

## Treasury OIG Strategic Plan

OIG aligned its *Strategic Plan for Fiscal Years 2016–2020* 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 U.S. Government finances and resources effectively. OIG works to promote the integrity, efficiency, and effectiveness of programs and operations across its jurisdictional boundaries. We accomplish our mission through four strategic goals:

- Promote program and operation integrity, efficiency and effectiveness through audits and investigations.
- Proactively support and strengthen the ability of programs across OIG’s jurisdictional boundaries to identify challenges and manage risks.
- Fully and currently inform stakeholders of OIG findings, recommendations, investigative results, and priorities.
- Enhance, support, and sustain a workforce and strengthen internal operations to achieve the OIG mission, vision, and strategic goals.

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

To accomplish its mission, Treasury identified five strategic goals for FY 2014 - FY 2017. OIG will focus its FY 2018 work on 11 issue areas, shown in the table below, as they relate to Treasury’s strategic goals.

| Treasury Strategic Goal  | OIG Issue Area  |
|--|---|
| Promote domestic economic growth and stability while continuing reforms of the financial system. | <ul style="list-style-type: none"> <li>• Safety, Soundness, and Accessibility of Financial Services</li> <li>• Domestic and International Assistance Programs</li> <li>• Bill and Coin Manufacturing, Marketing, and Distribution Operations</li> <li>• Gulf Coast Restoration Trust Fund Oversight</li> <li>• Small Business Lending Fund Program</li> </ul> |
| Enhance U.S. competitiveness and job creation and promote international                          | <ul style="list-style-type: none"> <li>• Domestic and International Assistance Programs</li> </ul>  |



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financial stability and more balanced global growth.

- Terrorist Financing, Money Laundering, and Foreign Assets Control

Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems.

- Financial Management
- Government-wide Financial Services and Debt Management
- Revenue Collection and Industry Regulation

Safeguard the financial system and use financial measures to counter national security threats.

- Information Security
- Terrorist Financing, Money Laundering, and Foreign Assets Control

Create a 21st century approach to government by improving efficiency, effectiveness, and customer interaction.

- Treasury Resource Management and Infrastructure Support

## Office of Audit Initiatives

The Office of Audit plans to start 16 projects in FY 2018 and complete 79 projects started in prior years. We have identified 273 high-priority projects that must be deferred beyond FY 2018. For descriptions of our in-progress and planned work, as well as projects for future consideration, see the Planned Projects by OIG Issue Area section of this document.

## Investigative Priorities

OIG established eight investigative priorities for FY 2018.

### Priority 1 Threats Against Treasury Employees and Facilities

Our highest priority is investigating threats against Treasury employees and facilities. These efforts are critical in ensuring safety for the Department and require prompt attention and coordination with Federal, State, and local authorities. OIG also has responsibilities in connection with the Department's Continuity of Operations Plan.

### Priority 2 Criminal and Serious Employee Misconduct

Our 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 investigates complaints of alleged violations of these rules and regulations.

### **Priority 3 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 Congress. We also investigate criminal activity associated with improper payments made due to false claims to the Treasury in relation to grant programs, such as the American Recovery and Reinvestment Act.

### **Priority 4 Financial Programs and Operations Crime**

We conduct and supervise criminal investigations related to Treasury financial programs and operations, including the issuance of licenses, payments and benefits, and oversight of U.S. financial institutions. We investigate criminal activity associated with improper payments made due to false claims to the Treasury and stolen, altered, counterfeit, and fraudulently obtained and/or redirected Treasury payments. We also investigate financial institution employee obstruction of the examination process and bank fraud, wire fraud, embezzlement, and other crimes impacting the oversight of Office of Comptroller of the Currency (OCC) regulated financial institutions as well as the BSA/Anti-Money Laundering program overseen by OCC and the Financial Crimes Enforcement Network (FinCEN).

### **Priority 5 Cyber Threats Against Treasury Systems and Cyber Enabled Financial Crimes Fraud**

We conduct investigations into cyber intrusions of Treasury systems, the illicit removal of Treasury-protected information from Treasury systems, and cyber-enabled criminal activity impacting Treasury programs and operations, such as Business Email Compromise, Personal Email Compromise, and other schemes.

### **Priority 6 Investigating Fraud Related to Criminals Impersonating Treasury Agents and Employees**

We conduct investigations into criminal activity associated with individuals who attempt to scam citizens by fraudulently purporting to be Treasury agents or employees. These matters have become more prevalent and require prompt

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coordination with Federal, State, and local authorities to protect the targets of the scams.

### **Priority 7 Investigating Fraud Related to Persons Representing Themselves as “Sovereign Citizens” Submitting Fictitious Financial Instruments to Treasury, Financial Institutions, and Private Companies**

We conduct investigations into criminal activity associated with individuals who attempt to scam the Treasury, financial institutions, private companies, and citizens by submitting fictitious financial instruments purporting to be issued by or drawn on the Treasury, or other counterfeit documents, to perpetrate a variety of fraud schemes. These matters have become more prevalent and require prompt coordination with Federal, State, and local authorities to protect the targets of the scams.

### **Priority 8 Identifying and Investigating Fraud Related to the RESTORE Act**

The RESTORE Act commits 80 percent of all administrative and civil penalties related to the Deepwater Horizon spill to the Gulf Coast Restoration Trust Fund. It also outlines a structure for using the funds 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 assigns Treasury several roles in administering the Trust Fund, including authorizing the Inspector General to investigate projects, programs, and activities funded under the act.

## 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, it provides timely responses to Freedom of Information Act requests as well as media and congressional inquiries. The office also carries out litigation responsibilities in cases related to the Merit Systems Protection Board and Equal Employment Opportunity Commission.

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 FY 2018. With regard to the Electronic Freedom of Information Act, the office expects to review approximately 75 audit, evaluation, and oversight reports posted on OIG’s website. The Office of Counsel also fulfills these additional roles and responsibilities:

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- Provides ethics and standards of conduct training for all employees and timely review of all required confidential and public financial disclosure reports.
- Reviews and updates, as needed, Privacy Impact Assessments for all OIG operations and provides procedural review and training services.
- Responds to *Giglio*<sup>2</sup> requests, coordinates responses to document requests from Congress, responds to media inquiries, and responds to discovery requests arising from litigation involving the Department and its bureaus.
- Provides training on the Inspector General Act and other subjects for new employee orientation and in-service training.
- Serves as Whistleblower Ombudsman, as defined in the Whistleblower Protection Enhancement Act.
- Reviews, as statutorily mandated, legislative and regulatory proposals and coordinates comments; reviews all allegations of misuse of the Treasury seal, name, and identification; and prepares cease-and-desist orders and penalty assessments necessary for OIG to enforce 31 USC 333 (prohibition of misuse of Treasury names, symbols, etc.)
- Conducts, manages, and advises on inquiries and activities related to Treasury programs and operations undertaken at the request of Congress, the Office of Special Counsel, and other stakeholders concerning Treasury programs and operations.

## Management Initiatives

The Office of Management provides a range of support to OIG offices, including administrative, budget and finance, facilities management, procurement, human resources (HR), security, records management, asset management, and information technology (IT) services. A working agreement with Treasury's Bureau of the Fiscal Service (Fiscal Service) Administrative Resource Center (ARC) provides augmented support for travel, HR, procurement, budget execution, and accounting services.

The office's administrative services component manages the purchase-card program, the travel program, and all contracts valued at more than \$3,500. It also administers the public transit program and oversees security and safety initiatives. Administrative services will continue to maintain an active program

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<sup>2</sup> *Giglio* refers to information that may call into question the character or testimony of a prosecution witness in a criminal trial.

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for the economical and efficient management of OIG records, including implementing presidential directives for electronic records management. In addition, during FY 2018, administrative services will maintain an effective and comprehensive safety and health program to comply with regulations promulgated under the Occupational Safety and Health Act of 1970.

During FY 2018, the office's security services component will continue to manage the Personal Identity Verification (PIV) Data Synchronization business process map, which shows linkages to HRConnect and USAccess for employee sponsorship and PIV card issuance. Security services will also continue to design and execute measures to prevent unauthorized access to OIG facilities, equipment, and resources to ensure the protection of personnel and property from damage or harm, including:

- initiating and adjudicating required background investigations,
- granting security clearances for access to classified information,
- maintaining electronic database records, and
- providing verification of security clearances for customers and processing requests for access to Sensitive Compartmented Information.

The Office of Management's budget and finance component will work with ARC 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 carry out these responsibilities:

- Efficiently and effectively reconcile financial transactions.
- Provide monitoring and oversight of billing and invoice approvals to ensure full compliance with reporting required by the DATA Act and the Prompt Payment Act's Do Not Pay list procedures, issued by the Office of Management and Budget (OMB).
- Prepare and execute interagency agreements for services provided or rendered.
- Respond to budget data calls.
- Interact with the ARC for any system changes that affect OIG budgeting or accounting, such as establishing new cost centers to better and more accurately account for oversight of new programs and responsibilities.

The Management Office's HR component will continue to assist hiring managers to recruit, hire, and retain employees within existing budget constraints and to address employee relations issues.

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The Management Office's IT component will continue to seek efficiencies through virtualization, cloud computing, and service consolidation. Efforts continue to enhance 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 and provide information management tools to ensure personnel have the resources and ability to access OIG information and make timely decisions.

# Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000, the Treasury Inspector General provides perspective each year on the most serious management and performance challenges facing the programs and operations across OIG's jurisdictional boundaries. The Inspector General's annual Management and Performance Challenges Letters are available at OIG's website.

## Treasury

In a letter to Secretary of the Treasury Steven Mnuchin, October 16, 2017, Inspector General Eric Thorson reported four challenges facing the Department.

### Operating in an Uncertain Environment (New Challenge)

In assessing the Department's most serious challenges, we remain mindful of external factors and future uncertainties that affect its operations. Most notable are the proposed budget cuts and new requirements imposed by Executive Order (E. O.) 13781, *Comprehensive Plan for Reorganizing the Executive Branch* (March 13, 2017). In its implementation of E. O. 13781, OMB required agencies to submit Agency Reform Plans, which include long-term workforce plans in alignment with their strategic plans, to OMB concurrently with their fiscal year 2019 budget requests. After consideration of all Agency Reform Plans, OMB intends to work with agencies in developing crosscutting reform proposals that involve multiple agencies, which could include merging agencies, components, programs, or activities that have similar missions. These proposals, along with the agency plans and public input, will be used by OMB in developing its comprehensive plan to reorganize the Executive Branch. With looming uncertainties as to the impact of the plan, the Department must plan for the potential long-term restructuring of certain functions or offices/bureaus and/or budget cuts. In addition, Congress has yet to resolve unfinished business when it comes to the Nation's debt, and the long-term sustainability of large programs. Tackling these more critical matters at hand could be more challenging as several Presidentially-appointed, Senate-confirmed leadership positions within Treasury remain vacant since January 2017.

### **Cyber Threats (Repeat Challenge)**

Cybersecurity is a long-standing and serious challenge facing the Nation today. A reliable critical infrastructure, including information systems and networks, is vital to our national security and economic stability. Cyber threats are a persistent concern as Treasury's information systems are critical to the core functions of government and the Nation's financial infrastructure. As cyber threats continue to evolve and become more sophisticated and subtle, they pose an ongoing challenge for Treasury to fortify and safeguard its internal systems and operations and the financial sector it oversees. This challenge acknowledges that it is a government-wide challenge to ensure there are sufficient number of cybersecurity professionals.

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

This challenge focuses on the difficulties Treasury faces in identifying, disrupting, and dismantling the financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats to international security that continue to be challenging. Concerns over Office of Terrorism and Financial Intelligence's ability to meet mission critical objectives are heightened by multiple vacant key positions and the strained relationship among several of its offices. Some key leadership positions have been vacant for a number of years. Major challenges for the U.S. and Treasury involve stopping the Islamic State of Iraq and Syria (ISIS), rogue regimes and countries, and other bad actors who want to harm people and properties and disrupt the global financial system. Enhancing the transparency of the financial system is one of the cornerstones of the effort to disrupt the ability of terrorist organizations. Other concerns include the increasing use of mobile banking, internet banking, internet gaming, and peer-to-peer transactions; and money service businesses, including virtual currencies administrators and exchanges. Given the criticality of Treasury's mission to combat terrorist financing and money laundering, we consider anti-money laundering and combating terrorist financing to be inherently high-risk areas.

### **Efforts To Promote Spending Transparency and To Prevent and Detect Improper Payments (Repeat Challenge)**

Treasury continues to make progress in its Government-wide and Department-wide implementation of the DATA Act. The DATA Act requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars. Given the broad Government-wide implications and



## Management and Performance Challenges

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critical roles assigned to Treasury by the DATA Act, we consider this an ongoing high-risk implementation project and management challenge.

In light of the continuing problem with improper payments (estimated at \$144 billion, or 4.67 percent of all program outlays, for fiscal year 2016), the Federal Government has intensified efforts to reduce improper payments in major Federal programs. The Do Not Pay Initiative and Fiscal Service's Do Not Pay Business Center are chief components of efforts designed to prevent and detect improper payments to individuals and entities. As previously reported, the effectiveness of the Do Not Pay Business Center as a tool to prevent and detect improper payments is hindered because the center does not have access to, among other things, Social Security Administration's full death data. With its potential to reduce improper payments, the Do Not Pay Business Center is a major and important undertaking by Fiscal Service and Treasury.

We also highlighted other matters of concern:

- challenges with currency and coin production, and
- lapses by the Department in maintaining a complete and concurrent record of key activities and decisions.

## Gulf Coast Ecosystem Restoration Council

In an October 16, 2017, letter to the Acting Executive Director for the Chairperson of the Gulf Coast Ecosystem Restoration Council, Inspector General Thorson acknowledged the continuing challenges of establishing a relatively new Federal entity emphasizing the following management and performance challenges.

### **Implementing an Infrastructure To Administer Gulf Coast Restoration Activities (Repeat Challenge)**

While Council made progress in filling critical administrative and programmatic positions and solidified many policies and procedures supporting internal control, problems still exist in filling key positions necessary to complete an organizational infrastructure. Most notable, the Executive Director departed on January 26, 2017, leaving this position vacant over the past eight months. Furthermore, the Acting Executive Director dedicates about 50 percent of his time to the Council and must rely heavily on the senior executive staff. Key positions remain vacant in other operational areas, and only until quite recently has a person been identified and selected for the position of Chief Information

Officer. Inconsistent staffing impedes the Council's ability to address information technology related challenges and risks. Infrastructure challenges should also be considered in context with OMB's update to Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The Council completed its initial risk management profile in May 2016. One of the key recommendations was to create an Enterprise Risk Management (ERM) staff function. Accordingly, the Council determined that a dedicated Enterprise Risk Management Specialist position will be created to manage and implement ERM. To date, the Council has not filled this critical position.

### **Federal Statutory and Regulatory Compliance (Repeat Challenge)**

The Council must ensure that activities and projects funded by the RESTORE Act meet all environmental laws and regulations at the Federal and State level. The Council must also ensure its own compliance with applicable laws and regulations as a Federal entity. This challenge focuses on the Council's ability to meet requirements of the DATA Act and IPERA. The Council relies on a manual review and reconciliation process with limited staff to comply with all DATA Act requirements. Complicating this situation is the recent decision of the Council's contractor to no longer support the Restoration Assistance and Award Management System application. As such, the Council will need to acquire and migrate its financial assistance award and interagency agreement data to a new system and ensure all Federal information system and security requirements are met. As the Council continues to grow and anticipates the volume of reportable data to significantly increase, a more automated process will be necessary to ensure complete and accurate data is reported on USAspending.gov. In addition, we expect that in the upcoming years as grant activity increases that the Council will be above the threshold and reporting requirements of IPERA.

### **Grant and Interagency Agreement Compliance Monitoring (New Challenge)**

Now that the Council has established the Initial Comprehensive Plan (2013) and the Initial Funded Priorities List (2015), staff are transitioning into the tasks of awarding funds. As such, the Council must now begin to conduct the necessary monitoring of projects and award recipients' progress, reporting, and compliance with their award agreements. The Council has awarded over 20 grants and interagency agreements valued at approximately \$70 million under the Council Selected Restoration Component (\$64 million) and the Spill Impact Component

## Management and Performance Challenges

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(\$6 million). Current staffing levels may be sufficient to ensure the proper oversight of grants for this volume of awards. However, a significant increase in grant activity could potentially overwhelm a new and developing grants management staff. Additionally, compliance monitoring of grants, contracts, and interagency agreements should be considered in the context of the ERM requirements and the related staffing challenges. Specifically, of the seven top risks identified resulting from the Council's initial ERM risk management profile, five of them relate to the oversight and monitoring of grants.

# In Progress and Planned Projects, by OIG Issue Area

## Treasury General Management and Infrastructure Support: Financial Management

### Background

#### Mandates

Financial audits of the Department and certain component entities are conducted pursuant to various statutes and other reporting requirements. For example, the Government Management Reform Act requires an annual audit of Treasury's consolidated financial statements. OMB or other laws require the following Treasury components to issue stand-alone audited financial statements:

- Internal Revenue Service (IRS)
- Bureau of Engraving and Printing (BEP)
- Federal Financing Bank
- U.S. Mint (Mint)
- Treasury Forfeiture Fund
- Office of D.C. Pensions
- Community Development Financial Institutions (CDFI) Fund
- Office of Financial Stability

Audits of the financial statements for OCC, the Exchange Stabilization Fund, and the Alcohol and Tobacco Tax and Trade Bureau (TTB) are conducted as management initiatives.

Independent certified public accounting firms, under contracts supervised by 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 financial statements of the IRS and the Office of Financial Stability, as well as the Fiscal Service's Schedule of Federal Debt. 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. An independent certified public accounting firm, under a contract supervised by the OIG, performs attestation engagements for Fiscal Service.

## Planned Projects by OIG Issue Area

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### Program Responsibilities

Treasury also has responsibility for certain programs that will be reviewed as part of the audit of the FY 2018 Department-wide financial statements, including programs established by the following acts:

- Housing and Economic Recovery Act of 2008
- Emergency Economic Stabilization Act of 2008
- American Recovery and Reinvestment Act of 2009
- Small Business Jobs Act of 2010
- Terrorism Risk Insurance Act of 2002, as extended and reauthorized by the Terrorism Risk Insurance Reauthorization Act of 2007 and Terrorism Risk Insurance Program Reauthorization Act of 2015

The terrorism risk insurance program was enacted under the Terrorism Risk Insurance Act to stabilize market disruptions that result from acts of terrorism. With a cap on annual liability for insured losses of \$100 billion, the program is in place to pay 84 percent of the insured losses arising from acts of terrorism above insurers' deductibles until it expires December 31, 2020. For discussion of other programs established by the acts listed above, see the section of this plan on Domestic and International Assistance and the section on Small Business Lending Fund (SBLF) Program.

### Treasury Franchise Fund Shared Services Programs

The Treasury Franchise Fund Shared Services Programs (SSPs) provide common administrative services across the Department, achieving economies of scale and eliminating duplication of effort. These services are provided on a reimbursable basis to Treasury components at rates that recover SSP operating expenses. For FY 2018, the SSP budgeted \$225 million in program costs.

### Improper Payments

The Improper Payments Information Act of 2002 (IPIA) requires Federal agencies to annually review and identify programs and activities susceptible to improper payments. Agencies must report estimates of improper payments to Congress along with actions to reduce estimated improper payments that exceeded \$10 million. Executive Order (E.O.) 13520, "Reducing Improper Payments and Eliminating Waste in Federal Programs," signed by the President in 2009, requires Federal agencies to intensify their efforts to eliminate payment error, waste, fraud, and abuse in major Federal programs and provide their inspectors

## Planned Projects by OIG Issue Area

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general with detailed information on efforts to identify and reduce the number of improper payments in Federal programs.

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) amended IPIA and expanded requirements for the reporting and recapture of improper payments. IPERA requires each agency to periodically review all programs and activities susceptible to significant improper payments. If a program is found to be susceptible to significant improper payments, the agency must (1) estimate the amount of the improper payments, (2) report on actions being taken to reduce improper payments, (3) report on actions being taken to recover improper payments, and (4) include this information in materials accompanying the annual financial statements. IPERA also requires agencies to conduct recovery audits, if not prohibited by law and if considered to be cost effective, of each program and activity that expends more than \$1 million annually. The inspectors general must determine whether their agencies comply with IPERA each year.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) further expanded agency requirements to foster greater accountability for improper payments. Similar to E.O. 13520, IPERIA requires the OMB Director to identify high-priority programs and coordinate with agencies to establish annual targets and semiannual or quarterly actions for reducing improper payments. Agencies must submit an annual report to their inspectors general on actions taken or planned (1) to recover improper payments and (2) to prevent future improper payments. The report is required to be available to the public on a central website, and be included in the Agency Financial Report.

### Known Weaknesses

The Department received an unmodified audit opinion on its FY 2016 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 at Fiscal Service (repeat condition)

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

### In Progress and Planned FY 2018 Projects

#### **Audits of Treasury Financial Statements and of Financial Statements or Schedules for Component Entities and Activities (In Progress)**

During FY 2018, we will complete audit work for the FY 2017 financial statements and schedules and begin audit work for the FY 2018 financial statements and schedules. These audits will determine whether 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 plan to complete 20 financial statement audits, attestations, and other related products in FY2018.

#### **Improper Payments**

We plan to assess Treasury compliance with IPERA and other improper payment reporting requirements for FY 2017 included in E.O. 13520 and IPERIA. We plan to work with TIGTA to provide an overall assessment of Treasury's compliance and identify high-priority Treasury programs for review as well as Treasury programs susceptible to improper payments. We plan to complete one improper payment audit in FY 2018.

### Projects Under Consideration for Future Fiscal Years

#### **Controls Over the Review of Unliquidated Obligations**

Unliquidated obligations are obligations of budgetary resources that have been designated for a specific purpose but not yet disbursed, such as an account payable for an item ordered or received but not yet paid for. As of September 30, 2016, Treasury's unpaid obligations totaled \$75 billion. Reviews of unliquidated obligations are necessary to properly report obligation balances, certify the validity of obligated balances, and make funds available for expenditures that otherwise would not be used.

We plan to assess management controls and procedures that guide the review of unliquidated obligations by Treasury and non-IRS component entities.

#### **Office of D.C. Pensions' Quality Assurance for 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 \$699.9 million

## Planned Projects by OIG Issue Area

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in FY 2016. 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 is designed and operating effectively to detect and correct mistakes in the processing of annuitant benefit payments.

### Treasury Franchise Fund Shared Services Programs

We plan to determine whether the Treasury Franchise Fund established adequate controls over its SSPs and assess whether the following is true:

- SSP activities are appropriate for inclusion in the program,
- reconciliations between actual costs incurred by SSP and costs billed to participating Treasury bureaus exist, are timely prepared, and consistent,
- costs incurred by SSP are appropriate,
- fees charged by SSPs to users are supported by appropriate documentation, and
- assumptions, data, processes, and models used by SSPs to estimate annual costs are reasonable.

We will coordinate our work as necessary with TIGTA.

### Administrative Resource Center's Services and Billing

As a shared service provider, the Fiscal Service ARC offers a range of financial management, human resources, IT, investment accounting, procurement, and travel services to more than 75 Federal customers. In FY 2016, ARC collected more than \$476 million in revenue from customers.

We plan to assess the controls that ARC has adopted to ensure it provides and properly bills customers for cost-effective services that meet customer expectations. Specifically, we will determine whether (1) reconciliations between actual costs incurred and costs billed to participating Treasury bureaus exist and are prepared timely and consistently; (2) costs charged by ARC are appropriate, and (3) costs charged by ARC to specific bureaus are supported by appropriate documentation.

### 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. Treasury can achieve significant savings by taking advantage of cash discounts across the high volume of bills it pays. The Treasury Financial Manual (TFM) provides a methodology for determining whether a cash discount should be



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taken. TFM requires that agency payment systems incorporate procedures that regularly take advantage of cash discounts.

We plan to assess Treasury's cash-discount policy and determine whether Treasury and its components implement it to take full advantage of cash-discount opportunities.

### **Managerial Cost Accounting**

Managerial cost accounting should be a fundamental part of a financial performance management system. It 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. Our office and GAO have reported the need for Treasury to more effectively implement managerial cost accounting and revise policy to improve accounting practices to promote consistency throughout Treasury.

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

### **Fiscal Service 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 (TMAs). TMAs consist of deposit funds, receipt accounts, and appropriated accounts requiring functions such as the issuance of payments, deposits, and collections. As of September 30, 2016, TMA revenue totaled \$119.6 billion and TMA costs or payments totaled \$16 billion.

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 Use of Official Reception and Representation Funds**

Expenditures for entertainment must be authorized by Congress. For example, Congress may appropriate amounts for "official reception and representation expenses." These sums 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 FY 2018 includes \$398,500 for Treasury's official reception and representation expenses.

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

### **Intra-governmental Transactions**

OMB selects for review agencies with significant reconciliation differences. Inspectors General may be selected to review their agencies' intragovernmental transactions to identify, analyze, and facilitate the correction of underlying internal control or process weaknesses. OMB selection will be based on prior-year, fourth-quarter intragovernmental transaction reporting. Upon selection, we plan to perform agreed-upon procedures to identify, analyze, and facilitate the correction of the underlying internal control or process weaknesses.

# Treasury General Management and Infrastructure Support: Information Security

## Background

Cybersecurity is one of the most serious challenges facing our nation. The dynamics of cyberspace and rapidly changing technologies (such as open-source software, cloud computing, virtual technologies, social networking, and mobile devices) provide for greater convenience and accessibility but render information and information systems more vulnerable. Cyber threats to U.S. national and economic security continue to grow in number and sophistication, increasing the risk that essential services could be degraded or interrupted or that sensitive information could be stolen or compromised. .

Mounting cyber threats from foreign intelligence services, terrorists, organized groups, hacktivists, and hackers pose significant risks to the confidentiality, integrity, and availability of Treasury's information and infrastructure and to the nation's financial sector that it oversees. Insider threats pose further significant risks to Treasury's mission and operations. Insiders have institutional knowledge and a level of trust associated with their authorized access to Treasury's critical systems and sensitive information. A successful cyberattack could result in:

- disruption of key Treasury functions (such as collecting revenues, issuing payments, managing the Government's cash and debt, producing coins and currency, and preventing financial crimes)
- compromise of classified or sensitive Treasury information
- disclosure of information on private citizens
- destruction or alteration of information needed to accomplish Treasury's missions
- theft of valuable equipment or technology
- inappropriate use of Treasury resources

Our penetration tests of selected Treasury bureaus and offices found that security measures were not sufficient to fully prevent and detect intrusions to networks and systems. In one case, we found that a default configuration setting provided public access to personally identifiable information.

Accordingly, Inspector General Thorson has reported cyber threats as Treasury's top management and performance challenge for the past two years in his annual memorandum to the Secretary. Because cybersecurity is critical to Treasury's

## Planned Projects by OIG Issue Area

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mission and operations, Treasury management must ensure an effective information security program to mitigate cybersecurity risks and ensure proper protections for Treasury's information and information systems.

### Mandates

#### ***Federal Information Security Modernization Act of 2014 (FISMA)***

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. An independent certified public accounting firm, under a contract supervised by the OIG, performs the annual FISMA evaluations of Treasury's unclassified systems (except those used by IRS) and collateral national security systems. TIGTA conducts the evaluation of the IRS' information security program and practices. Currently, our staff conducts the FISMA audit of Treasury's intelligence systems.

#### ***Cybersecurity Information Sharing Act of 2015***

On December 18, 2015, the President signed into law the Cybersecurity Act of 2015, Public Law (P.L.) 114-113. Under Division N, Title I, cited as the Cybersecurity Information Sharing Act (CISA), Section 107 directs the inspectors general, in consultation with the Inspector General of the Intelligence Community and the Council of Inspectors General on Financial Oversight (CIGFO), to submit a biennial joint interagency report to Congress on the actions of the executive branch of the Federal Government to implement cyber security information sharing. The act specifies the report's content requirements and sets the first due date as December 18, 2017.

### Cross-agency Priority Goals

The Government Performance and Results Modernization Act of 2010 (GPRA Modernization Act) requires the Federal Government to set two types of cross-agency priority (CAP) goals:

- outcome-oriented goals that cover a limited number of crosscutting policy areas
- management improvements across the Federal Government in information technology, finance, human resources, and real property

The 14 identified CAP goals relate to areas where increased cross-agency coordination, focused on outcomes is likely to improve progress. The Cybersecurity CAP Goal helps Federal agencies improve cybersecurity performance by focusing on the type and volume of data and information

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entering and exiting their networks, the users who access their systems, the components on their information networks, and changes in their systems' security status. Executive branch departments and agencies were directed to achieve 95 percent implementation of the Administration's priority cybersecurity capabilities by the end of FY 2014, including the following:

- **trusted Internet connections**—to consolidate external Internet traffic and ensure a set of common security capabilities for situational awareness and enhanced monitoring
- **continuous monitoring of Federal information systems**—to allow agencies to maintain an ongoing, near-real-time awareness and assessment of information security risk and to rapidly support organizational risk-management decisions
- **strong authentication**—to ensure authorized access to Federal information systems that adheres to standards established in Homeland Security Presidential Directive-12, "Policy for a Common Identification Standard for Federal Employees and Contractors"

### Continuous Monitoring

OMB Memorandum M-14-03, "Enhancing the Security of Federal Information and Information Systems," requires agencies to implement continuous monitoring of security controls as part of a phased approach through FY 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 the National Institute of Standards and Technology (NIST) Special Publications. This strategy allows agencies to maintain ongoing awareness of information security, vulnerabilities, and threats to support organizational risk-management decisions.

### Critical Infrastructure Protection

The U.S. critical cyber infrastructure comprises 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 vulnerable to cyberattacks that could cripple the nation's infrastructure and economy—particularly the financial sector. In response to this threat, the President signed E.O. 13636, "Improving Critical Infrastructure Cybersecurity," and Presidential Policy Directive-21, "Critical Infrastructure Security and Resilience," to promote a cybersecurity partnership between the Government and private companies that oversee U.S. critical infrastructure. The directive requires Treasury to collaborate

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with the Department of Homeland Security and financial sector organizations to identify and protect critical cyber infrastructure. In April 2015, E.O. 13694, “Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities,” gave Treasury the authority to impose sanctions on individuals or entities behind cyberattacks and cyber espionage. On March 29, 2017, this order was extended for one year.

Effective public-private coordination will be required to address the growing threat of cyberattacks against the nation’s critical infrastructure. Treasury interconnected systems are 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, and the Department must be prepared to provide leadership to defend against cyber threats to the nation’s financial institutions.

### In Progress and Planned FY 2018 Projects

#### **FISMA Independent Audit—Unclassified Systems (In Progress)**

An independent certified public accounting firm, under a contract supervised by the OIG, will assess the effectiveness of the Treasury’s information security programs and practices for its unclassified systems as well as compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines. As part of its evaluation, the contractor will follow up on Treasury’s progress in resolving previously reported FISMA weaknesses. During FY 2018, audit work for FY 2017 will be completed and planned work for FY 2018 will begin.

#### **FISMA Independent Audit—Collateral National Security Systems (In Progress)**

An independent certified public accounting firm, under a contract supervised by the OIG, will assess Treasury’s compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines, as well as the effectiveness of Treasury’s information security programs and practices. As part of its evaluation, the contractor follow up on Treasury’s progress in resolving previously reported FISMA weaknesses. During FY 2018, audit work will be completed for FY 2017 and planned work will begin for FY 2018.

#### **FISMA Independent Audit—Gulf Coast Ecosystem Restoration Council Systems (In Progress)**

An independent certified public accounting firm, under a contract supervised by the OIG, will assess Treasury’s compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines, as well as

## Planned Projects by OIG Issue Area

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the effectiveness of Treasury's information security programs and practices. As part of its evaluation, the contractor follow up on Treasury's progress in resolving previously reported FISMA weaknesses. During FY 2018, evaluation work will be completed for FY 2017 and planned work will begin for FY 2018.

### **FISMA Independent Audit—Intelligence National Security Systems**

We plan to assess the effectiveness of Treasury's information security programs and practices for its intelligence national security systems and assess compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines. In addition, we will follow up on Treasury's progress in resolving previously reported FISMA weaknesses cited in our prior-year report.

## Projects Under Consideration for Future Fiscal Years

### **Treasury's Compliance With Information Sharing Under Section 107 of CISA**

We plan to determine whether Treasury has taken appropriate actions for sharing of cyber threat indicators or defensive measures as required by Section 107 of CISA. The next biennial report is due in December 2019.

### **Network and System Vulnerability Assessments and Penetration Testing**

We plan to determine whether sufficient protections exist to prevent and detect unauthorized access to Treasury bureau 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 (such as back doors into the network from the Internet or adjacent networks). This will include a coordinated network security test involving automated and manual vulnerability assessments and exploitation. We plan to perform a vulnerability assessment and penetration test at a select bureau or office.

### **Corrective Action Verification—OCC Network and Systems and Security Controls**

In 2013, we reported that OCC's security measures were not sufficient to prevent and detect unauthorized access into its network and systems by internal threats or external threats that gained an internal foothold. Additionally, OCC's security measures were not adequate to protect PII from Internet-based threats. *Information Technology: OCC's Network and Systems Security Controls Were Deficient* (OIG-14-001, issued October 17, 2013).

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We plan to determine whether OCC implemented planned corrective actions to address these deficiencies.

### **Corrective Action Verification—Cloud Computing**

We plan to assess whether Fiscal Service implemented corrective actions to address deficiencies we reported in 2014. *Information Technology: Fiscal Services Management of Cloud Computing Services Needs Improvement* (OIG-15-003; issued Oct. 8, 2014).

### **Continuous Monitoring**

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

### **Intrusion Detection and Incident Response**

We plan to assess whether Treasury's intrusion detection and incident response programs meet Federal reporting requirements.

### **Public Web Server Security**

We plan to determine whether Treasury and bureaus ensure effective management practices and controls over public-facing web servers. For FY 2018, we plan to complete work at Fiscal Service and begin work at Departmental Offices.

### **Review of Treasury's Management of Information Technology (FITARA)**

We plan to determine whether Treasury's management and oversight of information technology is in accordance with applicable regulations, policies, and procedures.

### **Data Loss Prevention**

We plan to determine whether controls over data loss prevention and data exfiltration are in place and operating effectively.

### **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.

### **Mobile Device Security**

We plan to determine whether Treasury has provided proper safeguards for organization-issued devices.



## Planned Projects by OIG Issue Area

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### **Equipment Sanitization and Disposal**

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

### **Management of Cloud Computing Services**

We plan to determine whether Treasury ensures effective management of cloud computing services.

### **Top 20 Critical Security Controls**

We plan to determine whether Treasury has ensured effective critical security controls over its information systems, as recommended by the Council on Cybersecurity's Top 20 Critical Security Controls.

### **Wireless Local Area Network Security**

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

### **Supply Chain Security**

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

### **Firewall Security**

We plan to determine whether Treasury has properly configured firewalls to prevent unauthorized access attempts into its network and systems.

### **Social Media**

We plan to determine whether Treasury's social media sites comply 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 Controls Over Virtual Systems**

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

## Planned Projects by OIG Issue Area

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### **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 and distributed control systems.

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

### **Security Assessment of Treasury Foreign Intelligence Network**

We plan to determine whether sufficient protections exist to prevent intrusions into the Treasury Foreign Intelligence Network.

### **Telework and Remote-access Infrastructure Security**

We plan to determine whether Treasury has effective security controls in place to protect Treasury's telework and remote-access infrastructure.

### **Rogue Device Detection and Prevention**

We plan to determine whether Treasury's offices and bureaus prevent rogue devices from gaining access to Treasury's network and systems.

### **Protection of Treasury's Designated Cyber Critical Infrastructure**

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

### **Software License Management**

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

### **OCC Examination of Third-party Providers**

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

### **Trusted Internet Connection Compliance**

We plan to determine whether Treasury's offices and bureaus have complied with OMB's Trusted Internet Connection (TIC) initiative. We will also determine whether Treasury's offices and bureaus have connections to the Internet outside of the approved TIC and how vulnerabilities associated with unapproved access are mitigated.

## Planned Projects by OIG Issue Area

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### **Open-source Software Risk Assessment and Mitigation**

We plan to determine whether sufficient protections exist to minimize risk associated with Treasury's use of open-source software.

### **Multi-function Printer Security**

We plan to determine whether Treasury offices and bureaus use security controls consistent with Government and Treasury guidance to protect multifunction printers.

### **TTB Controls Over the Integrated Revenue Information System**

We plan to determine whether TTB has established effective security controls over the Integrated Revenue Information System.

# Treasury Resource Management and Infrastructure Support

## Background

Treasury's Resource 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.

### IT Investment Acquisition and Management

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 and avoid the following risks:

- inadvertent development or acquisition of duplicate or incompatible systems
- missed discounts associated with buying commercial off-the-shelf products in volume
- development of systems that do not address Treasury's needs or provide management with information needed to accomplish key missions
- unreasonable or higher-than-projected costs to develop, acquire, or maintain systems
- acquisition or development of systems that do not secure and protect Treasury's classified, confidential, or sensitive information
- implementation of systems that do not readily integrate with existing systems

The Federal Information Technology Acquisition Reform Act (FITARA) requires the heads of CFO Act agencies to ensure that their Chief Information Officer's (CIO) have a significant role in IT decisions, including annual and multi-year planning, programming, budgeting, execution, reporting, management, governance, and oversight functions. FITARA, enacted in December 2014, is intended to improve how agencies acquire IT and enable Congress to monitor agencies' progress and hold them accountable for reducing duplication and achieving cost savings. FITARA includes specific requirements related to seven areas: the Federal data center consolidation initiative, enhanced transparency and improved risk management, agency CIO authority enhancements, portfolio review, expansion of training and use of IT acquisition cadres, government-wide software purchasing, and maximizing the benefit of the Federal strategic

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sourcing initiative. Effective implementation of FITARA is central to making progress in the government-wide area relating to the management of IT acquisitions and operations.

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. Costs and progress are rated against the agency's plan to identify IT projects at risk for excess costs or schedule delays. As of the end of FY 2016, Treasury bureaus other than IRS reported 36 major IT investments. Of these projects, the Treasury CIO reported the following five IT projects as having medium risk to accomplishing their goals:

- Central Accounting and Reporting System
- Departmental Offices IT Infrastructure End User Systems and Support
- Departmental Offices IT Infrastructure Mainframes and Servers Services and Support
- Departmental Offices IT Infrastructure Telecommunications
- Treasury Enterprise Identity, Credential, and Access Management

The Departmental Offices IT Infrastructure End User Systems and Support and the Treasury IT Infrastructure Telecommunications projects were delayed. The Treasury Enterprise Identity, Credential and Access Management project was delayed and exceeded projected costs. Although projects identified with medium overall risk and high-risk in cost and scheduling require special attention from the highest level of agency management, they are not necessarily at risk for failure.

Past audits showed that Treasury did not always effectively manage its capital investments, but later audits found improved management in place. Certain capital investments, such as those for telecommunications, are funded through the Working Capital Fund. These projects do not receive the same scrutiny by OMB and Congress as projects directly funded through the annual appropriations process.

### Procurement Programs and Operations

Procurements are a major Treasury activity. For example, from October 1, 2016, through July 31, 2017, Treasury bureaus other than IRS issued \$3.0 billion in contract actions, which included \$1.8 billion issued by the Mint. In addition, the use of Government charge cards for micro purchases (generally goods and services under \$3,500) is extensive. Provisions of the Government Charge Card

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Abuse Prevention Act of 2012 call for strong control over this activity to prevent abuse.

Treasury's procurement activities are performed partly by the bureaus and Departmental Offices and by Treasury shared service providers via agreements with Fiscal Service's ARC or the IRS.

OIG performs pre-award, costs incurred, and other contract audits as requested by Treasury offices and the bureaus (except IRS).

### Consumer Policy

The availability of reliable and affordable financial products and services is essential in assisting Americans in making sound financial decisions. Treasury's OCP is responsible for developing and coordinating Treasury's legislative and regulatory policies as they relate to retail financial services by banks and nonbank financial services companies. A particular focus of OCP is the emerging trends in financial services such as the growing use of technology and data. As part of its duties, OCP administers the Financial Empowerment Innovation Fund. This fund supports the development, testing, and evaluation of new strategies to promote access to financial services and improve the financial capability of American families. Through this fund, Treasury has awarded contracts for 11 research projects, totaling more than \$6.2 million. OCP also hosts Finance Data Directory, which provides brief descriptions of more than 50 government-held data sets relevant for consumers, entrepreneurs, developers, and investors. In addition, OCP provides leadership for the Federal Interagency Task Force on Smart Disclosure and the Federal Financial Literacy and Education Commission, and coordinates the President's Advisory Council on Financial Capability for Young Americans, which develops recommendations for the President on strategies to increase the decision-making skills of young Americans.

### Continuity of Operations Program

Treasury's Office of Emergency Preparedness is responsible for management of the Treasury Operations Center and the development and implementation of continuity plans that provide for occupant safety, continuity of operations, emergency communications for Treasury leadership, and early notification and detection capabilities. Treasury Directive 23-01, "Responsibilities With Respect to Emergency Programs" (January 2012) outlines the responsibilities and discusses the roles of the bureaus and Departmental Offices for emergency management and continuity coordination. The directive seeks to maintain effective capabilities to prepare for, respond to, and recover from natural and

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man-made disasters that impact Treasury personnel, facilities, and interests to ensure the performance of Treasury's primary missions at all times.

### Strategic Human Capital Management

Mission-critical skills gaps within the Federal workforce pose a high risk to the nation, and can impede the Federal government from cost-effectively serving the public and achieving results. Agencies can have skills gaps for different reasons such as having an insufficient number of people with the appropriate skills or abilities to accomplish mission-critical work; current budget and long-term fiscal pressures; the changing nature of Federal work, and a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge. The Office of Personnel Management, agencies, and Congress have taken actions to improve efforts to address mission critical skills gaps. Specifically, OPM published revisions to its human capital regulations in December 2016 that require agencies to, among other things, implement human capital policies and programs that address and monitor government-wide and agency-specific skills gaps. This initiative has increased the likelihood that skills gaps with the greatest operational effect will be addressed in future efforts. At the same time, Congress has provided agencies with authorities and flexibilities to manage the Federal workforce and make the Federal government a more accountable employer.

### Managing Real Property

The Federal Government is the biggest owner of real property in the United States. Federal agencies continue to face long-standing challenges in several areas of real property management, including: (1) disposing of excess and underutilized property effectively, (2) relying too heavily on leasing, (3) collecting reliable real property data to support decision making, and (4) protecting Federal facilities. OMB issued the National Strategy for the Efficient Use of Real Property in March 2015, which directs CFO Act agencies to take actions to reduce the size of the Federal real property portfolio. In addition, in December 2016, two real property reform bills were enacted that could address the long-standing problem of Federal excess and underutilized property. The Federal Assets Sale and Transfer Act of 2016 may help address stakeholder influence by establishing an independent board to identify and recommend five high-value civilian Federal buildings for disposal. Additionally, the Federal Property Management Reform Act of 2016 codified the Federal Real Property Council for the purpose of ensuring efficient and effective real property management while reducing costs to the Federal government.

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### Non-appropriated Activities

Three Treasury bureaus – BEP, the Mint, and OCC – operate on revolving, rather than appropriated funds. BEP and the Mint charge the Board of Governors of the Federal Reserve System for manufactured goods, and OCC assesses fees to 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 Chief Financial Officer, such as the Working Capital Fund, and shared service providers, such as ARC.

### 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 taxpayers money through the theft of materials and machinery, finished products, and mutilated products.

## In Progress and Planned FY 2018 Projects

### Treasury’s Controls Over Processing Transactions Specific to Reimbursable Agreements (In Progress)

We initiated an audit of Treasury’s Office of Budget and Travel’s controls over processing transactions specific to reimbursable agreements with other Treasury bureaus and offices. We plan to assess whether transactions to transfer funds between bureaus and other Treasury components were done in accordance with laws, regulations, policies, procedures, and respective reimbursable agreements.

### Treasury Office of Budget and Travel (OBT) Overhead Process and Compliance With the Economy Act

We are in the process of completing an audit of Treasury OBT’s controls over processing transactions specific to reimbursable agreements with other Treasury and non-Treasury bureaus and offices. As a result of issues that arose from that audit, we plan to assess OBT’s overhead process and its compliance with the Economy Act.

### Controls Over Purchase Cards, Convenience Checks, and Travel Cards Risk Assessment

As required by the Government Charge Card Abuse Prevention Act of 2012, we plan to assess the Treasury purchase card, convenience check, and travel card programs to identify and analyze risks of illegal, improper, or erroneous



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purchases, travel charges, or payments. The results of these assessments will help us determine the scope, frequency, and number of periodic audits of transactions made with purchase cards, convenience checks, and travel charge cards. We also plan to issue an annual report to OMB on the implementation of recommendations issued as a result of these audits.

### **Purchase Card Violations Reports**

As required by the Government Charge Card Abuse Prevention Act of 2012, we plan to issue joint reports with the Department on violations or other actions related to Treasury guidance for the use of purchase cards. This includes reporting on illegal, improper, or erroneous purchases made with purchase cards, as well as all adverse personnel action, punishment, or other action taken based on each violation.

### **Treasury Executives Bonuses and Policies**

We plan to determine whether processes and practices related to bonuses for Treasury executives (1) comply with laws, regulations, and policies and procedures; and (2) are awarded and paid in a prudent and cost effective manner.

### **Administration of the Financial Empowerment Innovation Fund**

We plan to assess the Treasury Office of Consumer Policy's administration of the Financial Empowerment Innovation Fund.

## Projects Under Consideration for Future Fiscal Years

### **Treasury Enterprise Identity, Credential, and Access Management**

In 2012, the Treasury Chief Information Officer identified scheduling problems with fully implementing Treasury's Enterprise Identity, Credential, and Access Management system. Since 2007, Treasury has spent approximately \$321 million to implement the requirements of Homeland Security Presidential Directive-12 for a common identification standard. Treasury received funding of \$54 million in FY 2015 and \$21 million in FY 2016 and 2017. Implementation for most of Treasury is targeted for completion in FY 2018.

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

### **Treasury's Continuity of Operations Program (COOP) Activities**

We plan to assess Treasury's activities to execute COOP in accordance with applicable laws, regulations, policies, and procedures.

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### Treasury's Oversight of the Job Classification Program

We plan to assess Treasury's oversight of the job classification process to determine whether (1) positions are properly classified based on position descriptions and (2) the grade level of positions are properly determined based on job classifications.

### Controls Over Conferences and Travel Programs

We plan to determine whether Treasury bureaus have effective policies and procedures in place to ensure compliance with applicable laws, regulations, and executive orders on travel, conferences, and employee award programs.

### Treasury's Hiring Practices

To ensure agencies have the talent they need to meet their vital missions, Federal agencies must have a hiring process that is simultaneously applicant friendly, sufficiently flexible to enable agencies to meet their needs, and consistent with statutory requirements, such as hiring on the basis of merit. An important component of that process is the hiring authority used to bring applicants onboard. A hiring authority is the law, executive order, or regulation that allows an agency to hire a person into the Federal civil service. Hiring authorities determine the rules (or a subset of rules within a broader set) that agencies must follow throughout the hiring process.<sup>3</sup>

We plan to assess whether Treasury's hiring processes comply with Federal hiring authority codes and applicable laws, regulations, policies, and procedures.

### Treasury's Implementation of the Enterprise Risk Management (ERM) Program

OMB revised Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB Circular A-123), requires agencies to develop an ERM capability to integrate processes for strategic planning, review, and internal control. Agencies were required to begin ERM implementation in FY 2017 by developing an ERM governance structure and beginning to work on an agency-wide risk profile. This requires close collaboration across all mission and mission-support functions.

We plan to determine whether Treasury has implemented an ERM framework in accordance with the expanded requirements of OMB Circular A-123.

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<sup>3</sup> GAO-16-521 FEDERAL HIRING - OPM Needs to Improve Management and Oversight of Hiring Authorities (Aug. 2016)

## Planned Projects by OIG Issue Area

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### **Treasury Management of Real Properties**

We plan to assess Treasury's activities to manage real properties in accordance with applicable laws, regulations, guidance, policies and procedures.

### **Strategic Human Capital Management**

We plan to determine whether 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 the plan for strategic human capital management plan accordingly.

### **Treasury's Records Management Practices**

In accordance with the President's memorandum of November 28, 2011, "Managing Government Records," OMB and the National Archives and Records Administration issued the joint "Managing Government Records Directive" (OMB Directive M-12-18) in 2012, instructing agencies to eliminate paper and use electronic recordkeeping. To ensure openness, accountability, and reduced costs, the directive requires that, (1) by December 31, 2016, Federal agencies manage both permanent and temporary email records in an electronically accessible format and (2) by December 31, 2019, Federal agencies manage all permanent records in an electronic format. OMB issued additional guidance in 2014 to assist in meeting these goals.

We plan to assess whether Treasury offices and bureaus have procedures and initiatives in place to comply with OMB Directive M-12-18.

### **IT Acquisitions and Management Activities**

We plan to assess whether Treasury's IT acquisitions and management activities are conducted in accordance with FITARA, and applicable regulations, policies, and procedures.

### **Financial Literacy and Education Activities**

We plan to determine whether the Financial Literacy and Education Commission issues the required reports and identifies areas of overlap and duplication among financial literacy and education activities in accordance with the Fair and Accurate Credit Transaction Act of 2003.

## Planned Projects by OIG Issue Area

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### Contactor Clearance and Background Investigations

We plan to determine whether 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.

### Use of Administrative Leave

We plan to review Treasury's administrative leave policies and practices to ensure proper and limited use of administrative leave across the Department.

### External Executive Training Costs

We plan to assess whether Treasury (1) tracks the cost of external executive training at the department level, (2) reports accurate training cost data per OPM requirements, and (3) has controls in place to ensure that best-value analyses are performed in selecting executive training options across all bureaus.

### Treasury Procurement Activities

We plan to determine whether selected Treasury bureaus and offices, when procuring goods and services, follow logical and prudent business practices that comply with laws, regulations, and Treasury policies and procedures.

### Treasury's Environmental and Sustainability Program

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

### Telework Program Oversight

We plan to determine whether Treasury bureaus other than IRS have policies, procedures, and controls over employee telework.

### Physical Access Controls Over Treasury Facilities

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

### Treasury's Progress in Reducing Underperforming IT Investments

In 2009, OMB launched the IT Dashboard, which allowed OMB and the public to monitor IT investments across all agencies in the Federal Government. As a result of OMB's analysis of this information, in January 2010, the Federal Chief Information Officer (CIO) initiated the first OMB-led "TechStat" reviews with

## Planned Projects by OIG Issue Area

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agency CIOs and members of their leadership team. The “TechStat” review 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.

In 2010, OMB launched a “25-Point Implementation Plan to Reform Federal Information Technology Management,” including a requirement for Federal agencies to conduct ongoing “TechStats” reviews on troubled investments. In 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 Office Authorities Memorandum. OMB memorandum 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 all the way through completion of the project. As noted in the memorandum, the goal of such reviews was to terminate or turn around “one-third of all underperforming IT investments by June 2012.”

We plan to assess Treasury’s execution of the 25-point Implementation Plan to Reform Federal Information Technology Management.

### **Treasury’s Reliance on Contractors to Perform Inherently Governmental Activities**

We plan to determine whether Treasury relies on contractors to perform inherently Governmental activities.

### **Treasury’s Use of Social Media**

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

### **Employee Award and Bonus Policies**

We plan to determine whether Treasury’s non-appropriated entities (1) established policies for employee award and bonuses in accordance with applicable laws and regulations and (2) paid awards and bonuses in compliance with applicable laws, regulations, policies, and procedures. Separate audits are planned at the Mint, OCC, and BEP.

## Planned Projects by OIG Issue Area

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### **Corrective Action Verification - Treasury's Office of Minority and Women Inclusion Contract Proposal Review**

We plan to assess whether management took correction action responsive to our recommendation to develop and implement procedures for determining whether contractors are making a good faith effort to include minorities and women in their workforce. (*Treasury's DO Office of Minority and Women Inclusion Is Generally Carrying Out Its Functions Consistent with Dodd-Frank* (OIG-16-054; issued Aug. 30, 2016).

### **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, "Settlements of Accounts and Relief of Accountable Officers," established policy and procedures to settle irregularities (erroneous or improper payments) in the accounts of accountable officers. Requests for relief of accountable officers (except for those in Fiscal Service) from liability for irregularities resulting in major loss must be referred to Treasury's Deputy Chief Financial Officer for resolution. Requests for relief of Fiscal Service accountable officers with Government-wide fiscal responsibilities 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 whether irregularities in the accounts of Treasury accountable officers are resolved in accordance with Treasury Directive 32-04.

### **Work-Life Programs**

We plan to determine whether 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 information technology. The purpose of Section 508 is to ensure that individuals with disabilities have access to and use of information and data in electronic format comparable to that of members of the public who do not have disabilities.

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

### Treasury's Enterprise Architecture Program

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

### Treasury Processing of Claims for Loss or Damage to Personal Property

We plan to assess Treasury Departmental Offices' process for adjudicating Treasury employees' personal property claims in accordance with Treasury Directive 32-13, "Claims for Loss or Damages to Personal Property."

### Audit Resolution and Follow-up

We plan to determine whether Treasury's audit follow-up system ensures that audit recommendations are promptly and properly acted on 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 recommendations made in our prior report, *General Management: Office of Management Needs to Improve Its Monitoring of the Department's Audit Follow-up Process* (OIG-08-037; issued June 23, 2008).

### Treasury's Human Resource Succession Planning

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

### Freedom of Information Act Requests

We plan to determine whether 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 about requests have been properly addressed with the requesters; (3) ensure proper collection of fees and granting of fee waivers; (4) ensure compliance with the 2011 Supreme Court decision *Milner v. Department of the Navy*, the 1996 Electronic Freedom of Information Act amendments, and Treasury directives; and (5) report required Freedom of Information Act statistics annually to the Department of Justice.

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### **Treasury's Multilateral Financial Mechanisms That Support Environmental Goals**

We plan to determine Treasury's compliance with applicable laws, regulations, executive orders, and agency directives with respect to how it manages U.S. interests and obligations in multilateral financial mechanisms that support environmental goals.

### **Process To Release Economic Indicators and Market Information**

We plan to assess the controls that Treasury has in place to safeguard sensitive information, such as economic indicators, statistics, and market information that has not yet been released to the public.

### **Mandated Reports**

We plan to determine whether 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 in reducing, eliminating, or consolidating reports pursuant to the GPRA Modernization Act of 2010.



# Terrorist Financing, Money Laundering, and Foreign Assets Control

## Background

Preventing terrorism, money laundering, and other criminal activity is a global effort. Treasury's role in this effort is to safeguard the United States 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 and help detect those who would try to exploit that system for their own illicit purposes. Within Treasury, this effort is led by the Office of Terrorism and Financial Intelligence (TFI). TFI works with other U.S. federal agencies, state and local governments, financial regulators, foreign governments, international bodies, private financial institutions, and other private entities around the world to strengthen financial systems against illicit actors, develop creative alternatives to military action, and bolster our diplomacy where possible. TFI oversees several components with wide-ranging responsibilities.

- **Office of Terrorist Financing and Financial Crimes**—responsible for policy and outreach
- **Office of Intelligence and Analysis**—provides intelligence functions, responsible for integrating Treasury into the larger intelligence community, and providing support to Treasury leadership
- **Financial Crimes Enforcement Network (FinCEN)**—responsible for Treasury's effort to enforce the Bank Secrecy Act (BSA) and the USA PATRIOT Act
- **Office of Foreign Assets Control (OFAC)**—administers laws that impose economic sanctions against hostile targets to further U.S. foreign policy and national security objectives
- **Treasury Executive Office for Asset Forfeiture (TEOAF)**—administers the Treasury Forfeiture Fund, a receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating agencies

The BSA requires financial institutions to file Currency Transaction Reports (CTRs) for currency transactions exceeding \$10,000 and Suspicious Activity Reports (SARs) for transactions that are suspicious in nature. Law enforcement

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agencies use the information from these reports as leads for potential fraud, money laundering, terrorist financing, and other types of illicit finance.

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.

OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals. OFAC requires U.S. financial institutions to block and file reports on accounts, payments, or transfers in which an OFAC-designated country, entity, or individual has interest. OFAC acts under legislative authority and presidential wartime and national emergency powers to impose controls on transactions and block assets from use by parties designated in OFAC's Specially Designated Nationals and Blocked Persons (SDN) list. The United States primarily uses economic sanctions to pressure foreign governments and regimes, including state sponsors of terrorism.

### Areas of Concern

Terrorism, narcotics trafficking, human smuggling and trafficking, and other organized criminal activities remain high-priority concerns for the United States. These activities involve movement of funds and use of financial systems. Continued instability in the Middle East remains a significant challenge, and increasing drug smuggling and violence related to drug cartels in Mexico have increased crimes in the United States.

Over the last decade, the United States and other countries in the global community have required increased reporting and monitoring of financial institution transactions, particularly for activities occurring in Middle East countries. Terrorists and criminals react to the increased financial institution monitoring by looking for other ways to move funds to support their illicit activities. Among other things, they include the use of electronic transactions (online and mobile) and prepaid instruments that make detection of illicit transactions more difficult for financial institutions and law enforcement agencies. The use of the nonbank financial sector is also increasing because of decreased monitoring and increased opportunities to hide transactions, including money services businesses and informal value-transfer systems.

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In 2013, FinCEN addressed the emerging risks associated with virtual currencies in guidance that designates currency exchangers as money services businesses subject to BSA and USA PATRIOT Act requirements. FinCEN also focused its attention on the importance of financial institutions knowing their customers. In 2016, FinCEN issued the final rule clarifying and strengthening customer due-diligence requirements for banks, securities brokers or dealers, mutual funds, futures commission merchants, and commodities brokers. These financial institutions must comply with the requirements of the rule by May 11, 2018. The rule contains explicit customer due-diligence requirements and includes a new requirement to identify and verify the identity of beneficial owners of legal entity customers. The purpose is to enhance identification and verification of accountholders and beneficial owners - individuals or a group of individuals who, either directly or indirectly, have the power to vote or influence transaction decisions. The risk is that nominal accountholders can enable individuals and business entities to conceal the identity of the true owner of assets or property derived from or associated with criminal activities. FinCEN's rules and regulations are designed to protect U.S. financial institutions and financial systems from money laundering and terrorist financing.

In 2014, FinCEN issued an advisory flagging trade-based money laundering and funnel accounts—monies being hidden through the exchange of goods and services. This guidance advised financial institutions to monitor account activities for types of deposit and wire transfers representing monies that are being acquired through the exchange of goods to hide money laundering.

Anti-money laundering and the combating of terrorist financing remain high priorities for OIG. Our prior audits have revealed problems related to the detection of BSA violations, the timely enforcement of the BSA, SAR data quality, BSA system development efforts, and a lack of standard operating procedures for sanction programs. Moreover, the universe of financial institutions required to comply with BSA requirements grows as nonbank financial institutions are required to report CTR and SAR data. The universe also includes the insurance industry and dealers of precious stones, metals, and virtual currencies.

### Potential Integrity Risks

Treasury's efforts to support law enforcement agencies in the fight against terrorist financing, money laundering, and other financial crimes depend on honest and complete reporting of currency transactions and suspicious financial activities. Potential integrity risks include (1) the failure by financial institutions

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to file required BSA reports because of poorly managed anti-money laundering programs or corrupt bank officials who are involved in the schemes; (2) filing of false or fraudulent BSA reports; (3) internal and external misuse or illegal disclosure of sensitive BSA information; and (4) improper handling or use of sensitive but unclassified, law enforcement sensitive, or classified information.

### In Progress and Planned FY 2018 Projects

#### Terrorist Finance Tracking Program (In Progress)

In 2001, following the 9/11 terrorist attacks, Treasury initiated the Terrorist Finance Tracking Program to identify, track, and pursue terrorists and their networks. In 2010, the United States and the European Union entered into a new agreement on the transfer and processing of data in the Terrorist Finance Tracking Program. As specified in the agreement, we plan to provide ongoing and appropriate oversight of the program.

#### FinCEN's Regulatory Helpline (In Progress)

FinCEN's Regulatory Helpline provides regulatory assistance to financial institutions seeking clarification of their obligations under the 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 for providing guidance to users that is responsive and consistent with the BSA, USA PATRIOT Act, and related regulations.

#### SAR Data Quality (In Progress)

In 2012, FinCEN introduced a new SAR form designed for use by all industry members and directed that these SARs begin to be filed electronically. FinCEN made the filing of universal SARs mandatory for all industry members in 2013 as part of its 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 mandates.

#### OFAC and FinCEN Use of Blocked Transaction Reports (In Progress)

In 2004, FinCEN advised financial 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,

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narcotics traffickers, and trafficker kingpins should fulfill the requirement to file SARs with FinCEN. This meant that 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 whether OFAC and FinCEN implemented controls to ensure that the information in reports filed with OFAC on blocked transactions is made available to law enforcement agencies through FinCEN databases as appropriate.

### **Operation Inherent Resolve (In Progress)**

Since 2001, many countries have broadened their efforts to combat and disrupt terrorist activities. Over the past several years, the Islamic State of Iraq and Levant (ISIL) has expanded its reach and gained access to people and significant, diverse sources of funding to support its activities. In 2014, the United States adopted a comprehensive strategy to combat ISIL in nine major areas, including disrupting ISIL finances, protecting the homeland, and providing humanitarian aid. To provide oversight of the agencies involved these lines of efforts, including military action under Operation Inherent Resolve, the Department of Defense Inspector General was designated as Lead Inspector General for the contingency operation, pursuant to section 8L of the Inspector General Act of 1978, as amended. The Inspectors General for Department of Defense, the Department of State, and the U.S. Agency for International Development work as close oversight partners and provide support for quarterly reports to Congress on U.S. programs and operations. In 2015, the DoD Inspector General requested our office's support in reporting Treasury efforts to disrupt ISIL financing. We will be conducting ongoing work and provide appropriate oversight of Treasury's involvement in Operation Inherent Resolve in support of the Lead Inspector General's effort.

### **OFAC's Implementation of Changes to the Iran Sanction Program (In Progress)**

We plan to determine whether changes made by OFAC to the Iran Sanctions Program (1) reflect administration policy changes designed to ease sanctions against Iran and (2) were properly documented and approved by appropriate OFAC officials.

### **FinCEN's Implementation of Section 311 of the USA PATRIOT Act (In Progress)**

Section 311 of the USA PATRIOT Act grants the Secretary of the Treasury the authority to require domestic financial institutions to take certain special

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measures with respect to foreign jurisdictions, foreign financial institutions, classes of transactions, or types of accounts identified as primary money laundering concerns. The Secretary has delegated to FinCEN the authority to propose and implement the special measures under Section 311. 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. FinCEN proposes such measures through Notices of Proposed Rule Making. After receiving and reviewing comments in response to these notices and considering any other available information, 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 impose and rescind special measures for foreign jurisdictions, financial institutions, or transactions of primary money laundering concern. These special measures include recordkeeping and reporting on certain financial transactions and enforcing prohibitions or conditions on opening or maintaining certain accounts.

### **Responsibilities of the Office of Intelligence and Analysis Under the Intelligence Authorization Act (In Progress)**

The Intelligence Authorization Act for Fiscal Year 2004 established the Office of Intelligence and Analysis and assigned it responsibilities 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 statutory responsibilities.

### **OFAC Licensing Programs (In Progress)**

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

### **Classified Program**

We plan to assess the program and determine whether corrective actions were implemented in response to previous recommendations.

### Projects Under Consideration for Future Fiscal Years

#### OFAC Management of the Counterterrorism Sanctions Program

Following the events of September 11, 2001, President Bush issued EO 13224, “Executive Order on Terrorist Financing,” significantly expanding the scope of existing U.S. sanctions against terrorists and terrorist organizations. The combination of programs targeting international terrorists and terrorist organizations with those targeting government sponsors of terrorism constitutes a wide-ranging assault on international terrorism and its supporters and financiers. OFAC administers sanctions programs targeting international terrorists and terrorist organizations and their supporters as well as countries that have been designated as state sponsors of terrorism.

In 2014, President Obama released a whole-of-government plan to defeat ISIS that incorporates homeland security, law enforcement, intelligence, diplomatic, military, partner capacity building, and information sharing. The Secretary of Defense designated an expanded mission to counter ISIS in Iraq called Operation Inherent Resolve. A part of this strategy includes designating Treasury and the Department of State to work on a coordinated approach to reduce ISIS’s revenue from oil and assets, limit its ability to extort local populations, stem its gains from kidnapping for ransom, and disrupt the flow of external donations to the group. On January 28, 2017, President Trump issued a Presidential Memorandum entitled “Plan to Defeat the Islamic State of Iraq and Syria.” The memorandum directed the Secretary of Defense to develop a plan in collaboration with the Secretaries of State, Treasury, and Homeland Security, the Director of National Intelligence, the Chairman of the Joint Chiefs of Staff, the Assistant to the President for National Security Affairs, and the Assistant to the President for Homeland Security and Counterterrorism to defeat ISIS and its affiliates.

We plan to determine whether (1) OFAC’s Counterterrorism Sanctions program complies with applicable laws and regulations and (2) OFAC officials properly document and approve program decisions and deliberations.

#### OFAC Implementation of Changes to the Cuba Sanctions Program

We plan to determine whether changes made by OFAC to the Cuba sanctions program (1) reflect administration policy changes designed to ease sanctions against Cuba and (2) were properly documented and approved by appropriate OFAC officials.

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### **TEOAF Management Controls over the Security of Forfeited Property**

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

### **TFI Travel Spending**

Prior OIG audits showed that Treasury bureaus and offices needed to strengthen internal controls related to travel expenses. EO 13598 was issued in 2011 in response to excessive conference spending by GSA. The order called on all agencies to designate a senior official responsible for policies that promote efficient travel spending. It also called on agencies to cut travel spending by 30 percent.

We plan to determine whether TFI components follow applicable laws, regulations, and internal controls in place to manage travel expenses.

### **OFAC Civil Penalty Cases**

OFAC enforces economic sanctions by issuing civil and criminal penalties to deter acts that violate sanction programs. Past audits have revealed that some civil and criminal cases have not been acted on timely, allowing the statute of limitations to expire. 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 whether OFAC has implemented case-management processes to ensure timely action for its civil and criminal penalty activities.

### **OFAC Management of the North Korea Sanctions Program**

OFAC's current North Korea sanctions program began in 2008, with the issuance of EO 13466 "Continuing Certain Restrictions With Respect to North Korea and North Korean Nationals." In the order, the President declared a national emergency to deal with the threat to U.S. national security and foreign policy posed by the existence and risk of proliferation of weapons-usable missile material on the Korean Peninsula. The President issued subsequent executive orders expanding the 2008 national emergency and taking additional steps with respect to that emergency, including restrictions on transactions with persons associated with the North Korean regime and restricting entry of North Korean citizens into the U. S.



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On September 20, 2017, the President issued EO 13810 “Imposing Additional Sanctions With Respect to North Korea” increasing sanctions in response to provocative and destabilizing activities of the North Korean government related to its ballistic missile testing by blocking assets and cutting off access to the U.S. financial system of any company or person doing business with North Korea. This order expands the sanctions program to target a range of North Korean industries, prevent any aircraft or vessel that left North Korea from entering the U. S. within 180 days of departure, and block immigration of North Korean citizens.

We plan to determine whether (1) OFAC’s North Korea sanctions program complies with applicable laws and regulations and (2) OFAC officials properly document and approve program decisions and deliberations.

### **Russia Sanctions Program**

On June 20, 2017, OFAC reinforced existing sanctions on Russia by designating a range of individuals and entities involved in the ongoing conflict under four executive orders related to Russia and Ukraine. The designations are designed to counter attempts to circumvent existing measures and to maintain alignment of U.S. efforts with those of international partners.

We plan to determine whether (1) OFAC’s Russia Sanctions program complies with applicable laws and regulations and (2) OFAC officials properly document and approve program decisions and deliberations.

### **FinCEN BSA IT Modernization Program**

Pursuant to a congressional directive, we conducted six audits to determine whether 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.

Among other uses, FinCEN plans to report certain cross-border electronic transmittals of funds through the system as part of Treasury’s efforts to combat money laundering and terrorist financing. The Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458), which amended the BSA, requires FinCEN to propose regulations for financial institutions to report certain cross-border electronic transmittals of funds. FinCEN plans to issue a final rule once the IT system can fully collect, maintain, and disseminate the data.

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We plan to determine how well the BSA IT Modernization program is meeting the needs of FinCEN and other users for reporting of areas, including cross-border electronic transmittals of funds.

### **FinCEN's Guidance on Expectations Regarding Marijuana-related Businesses**

Twenty states and the District of Columbia have legalized certain marijuana-related activities. 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. 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 the impact of FinCEN's guidance on financial institution compliance with BSA requirements for marijuana-related businesses.

### **Treasury's Efforts and Guidance on Bank De-risking and Its Impact to BSA/Anti-Money Laundering**

We plan to determine (1) the effect of bank de-risking of certain financial sectors on FinCEN's anti-money laundering and counter-terrorist financing efforts and (2) the measures FinCEN is taking to limit de-risking activities of domestic and international financial institutions.

### **Survey of Treasury's Coordination Within the ISIS Integrated Mission Team**

TFI Integrated Mission Teams (IMT) are to serve as working groups in which TFI employees, who work on particular issues, such as ISIS, are to collaborate and share information. We plan to conduct work to (1) understand the ISIS IMT's mission and the collaboration amongst participants and (2) how the IMT is assisting in developing Treasury's plan to disrupt ISIS's financing.

### **Proper Marking of Classified Documents**

Protecting information critical to our Nation's security and demonstrating our commitment to open government through accurate and accountable application of classification standards and routine, secure, and effective declassification are equally important priorities. Mismarked derivative classification decisions subjects Treasury to increased risks that classified information will not be adequately protected and that information may not be disseminated to partnering agencies.

We plan to determine whether TFI components complied with federal and departmental policies for marking classified decisions.

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### FinCEN Target on Real Estate Identification

In January 2016, FinCEN announced that it had issued a Geographic Targeting Order (GTO) that temporarily requires title insurance companies to report the natural identity of persons behind shell companies used to make all-cash purchases of high-value residential real estate in New York City and Miami-Dade County, Florida. On February 23, 2017, FinCen announced the renewal of existing GTOs in six major metropolitan areas. The GTO will enhance the availability of information to mitigate this potential vulnerability to money laundering. The information is shared with law enforcement to enhance its ability to identify the natural persons involved in transactions vulnerable to abuse for money laundering.

We plan to assess the effectiveness of the GTOs in gaining the appropriate identification information on all-cash real estate purchases.

### Effectiveness of the Office of Technical Assistance Economic Crimes Team

We plan to determine the effectiveness of the Office of Technical Assistance's Economic Crimes Team's actions in foreign countries to decrease money laundering and terrorist financing.

### TEOAF Controls Over Super Surplus and the Secretary's Enforcement Fund

The Super Surplus Fund is a special receipt account, established in law and managed by TEOAF, which provides funds to Federal entities for priority law enforcement initiatives. The fund is used for high priority IT projects, multiyear criminal investigations, pilot programs, and urgent homeland security needs. In FY 2017, TEOAF planned to expend \$115 million in the fund. The fund had no money in FY 2015 or FY 2016. Because of these shortages, TEOAF requested \$100 million in Super Surplus Funds in the FY 2018 budget.

Similarly, the Secretary's Enforcement Fund is available to Federal law enforcement organizations that participate in the fund. TEOAF determines how this money is spent. In FY 2016, the fund expensed over \$57 million. In FY 2017, TEOAF planned to expend \$7 million in Secretary Enforcement Funds, and it included a request for \$30 million in its FY 2018 budget.

We plan to identify the controls in place over the use of the funds from the Super Surplus and Secretary's Enforcement Funds.

### FinCEN's Guidance on Customer Due Diligence

On May 11, 2016, FinCEN issued the *Customer Due Diligence (CDD) Requirements for Financial Institutions Final Rule* which became effective on

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July 11, 2016. The final rule amends the existing BSA regulations by: (1) clarifying and strengthening the obligations of financial institutions and entities and (2) requiring financial institutions to examine the nominal account holder to identify the account's beneficial owners who own or control (directly or indirectly) certain legal entity customers. Prior to the Panama Papers leaks, the BSA did not require knowing the person behind the shell company. The final rule has established an additional AML Program requirement, which mandates certain institutions to implement risk-based procedures for conducting CDD. The CDD final rule contains four key elements of CDD, including three that should be explicit in the AML requirements for covered financial institutions.

- Identifying and verifying customer
- Identifying and verifying identity of beneficial owners of legal entity customers (any individual who owns 25 percent or more of the legal entity)
- Understanding the nature and purpose of customer relationships to develop a customer risk profile
- Conducting ongoing monitoring for suspicious activity reporting and maintaining and updating customer information

Covered financial institutions must comply with the requirements of the CDD rule by May 11, 2018.

We plan to determine whether FinCEN provides effective guidance and compliance standards to financial institutions; and adequately enforces the CDD Final Rule.

### **FinCEN Administration of the Financial Fraud Kill Chain**

We plan to determine (1) how FinCEN is administering the financial fraud kill chain and how it differs from other payment stopping authorities (2) the reliability of data from foreign Financial Intelligence Units and (3) the effectiveness of the program at stopping fraudulent transactions.

### **Treasury's Enhanced Personnel Security Program**

We plan to assess the effectiveness and fairness of Treasury's enhanced personnel security program for covered individuals and whether the program complies with performance measures and standards established by the Director of National Intelligence (DNI).

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### FinCEN Guidance on Virtual Currencies

Electronic money—also known as e-money, e-currency, electronic cash, electronic currency, digital money, digital cash, digital currency, or cyber currency—typically involves the use of computer networks, the Internet, and digital stored-value systems. Electronic funds transfer, direct deposit, digital gold currency, and virtual currencies are 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 clarifies the applicability of implementing the BSA regulations 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.

### TEOAF Equitable Sharing Program Effectiveness

TEOAF manages the Treasury Forfeiture Fund, a special receipt account that holds federal fund collections earmarked by law for a specific purpose. Once property or cash is seized, it is initially deposited into a suspense account or holding account, then transferred to the fund as forfeited revenue. Once forfeited, physical properties are sold and the proceeds are deposited into the fund as forfeited revenue. Following forfeiture, equitable shares are paid to State and local law enforcement agencies that contributed to the seizure activity at a level proportionate to their involvement. The non-tax forfeitures are made pursuant to laws enforced or administered by Federal investigative agencies who are members of the fund. Administrative or judicial forfeiture results in forfeited items, including property. General property, vessels, aircraft, and vehicles are stored at warehouse locations across the United States and are managed by a TEOAF contractor. The stored property is either sold, destroyed, or equitably shared with law enforcement.

We plan to determine whether TEOAF has appropriate controls in place to effectively manage the Equitable Sharing Program.

### FinCEN’s Final-rule Process

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

## Planned Projects by OIG Issue Area

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### **FinCEN Monitoring of the Use of BSA Data**

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 information is also limited.

We plan to assess FinCEN's controls over the sharing of BSA data to prevent and detect the misuse of that data to determine how FinCEN has implemented the memorandum of understanding with the National Counterterrorism Center.

### **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 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 to impose registration requirements to sellers.

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

### **FinCEN Oversight of Casino Compliance With BSA**

Casinos with annual gaming revenue of more than \$1 million are subject to BSA reporting and recordkeeping requirements. The definition of a casino has changed over the years to include state-licensed casinos, tribal casinos, and card clubs. Under the BSA, casinos are required to implement and maintain an anti-money laundering program, file CTRs and SARs, and maintain records.

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

### **FinCEN and OFAC Oversight of the Insurance Industry**

We plan to review FinCEN's guidance for the insurance industry on BSA compliance and OFAC's activities to educate the industry about compliance with sanction programs.

### **OFAC Efforts to Identify Terrorist Activities in Charities**

Charitable organizations are vulnerable to terrorist activities because of the types of service they provide and the ways in which money is donated and passed

## Planned Projects by OIG Issue Area

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through them. 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, or those designated by OFAC as supporting terrorist activities, unless they have acquired the appropriate registrations and licenses from OFAC. Charities should ensure that grantees do not appear on OFAC's SDN List and are not otherwise subject to OFAC sanctions. Since 2005, OFAC has added 41 charities to the SDN list because of their support for terrorist activities.

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

### **FinCEN Protection of Information Shared With Foreign Financial Intelligence Units**

FinCEN serves as the Foreign Financial Intelligence Unit for the United States 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. FinCEN exchanges financial information with its 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.

### **FinCEN Analysis and Dissemination of Report of International Transportation of Currency or Monetary Instruments Data**

In accordance with 31 USC 5316(a), a person who physically transports, mails, or ships, currency or other monetary instruments in an aggregate amount exceeding \$10,000 at one time to or from the United States is required to file a Currency or Monetary Instruments report with the Department of Homeland Security's Customs and Border Protection (CBP). These reports are useful for identifying money laundering schemes.

We plan to assess FinCEN's efforts to analyze the report's data and coordinate with CBP to detect and pursue money-laundering schemes.

### **OIA Strategic Human Capital**

EO 12333, "United States Intelligence Activities," establishes the role of Treasury's Office of Intelligence and Analysis (OIA) Intelligence Community (IC). OIA serves as liaison to the IC and as a Treasury representative in various intelligence-related activities, with responsibility for developing internal

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implementing policies, standards, procedures, or processes in accordance with IC policies.

As a Treasury Departmental Office and an IC component, OIA must abide by the human resources policies and procedures of both entities. Additionally, IC employees are deemed “excepted service” under Title 50. OPM provides excepted-service hiring authorities to fill special jobs or to fill any job in unusual or special circumstances. These authorities can streamline hiring and enable agencies to hire when it is not feasible to use traditional competitive hiring procedure.

### **OIA’s Coordination with the Intelligence Community**

The Intelligence Authorization Act of 2004 created OIA, which is a component of TFI. EO 12333 requires OIA to, among other responsibilities, build a robust analytical capability on terrorist finance by coordinating with the Intelligence Community and representing Treasury in various intelligence and counterintelligence activities.

We plan to assess whether OIA is effectively coordinating intelligence and counterintelligence activities in accordance with the Intelligence Authorization Act of 2004 and EO 12333.

### **Treasury Compliance With Intelligence Reporting Requirements**

EO 13462, “President’s Intelligence Advisory Board and Intelligence Oversight Board,” February 29, 2008, as amended, requires Treasury to report intelligence-gathering activities to the President’s Intelligence Advisory Board and its component, the Intelligence Oversight Board. The Intelligence Advisory Board is responsible for keeping the President apprised of issues discovered through intelligence-gathering activities throughout the Federal Government. OIA reports quarterly to the President’s Intelligence Advisory Board and the DNI on intelligence activities it has reason to believe may be unlawful or contrary to executive orders or presidential directives. The report covers other matters considered significant or highly sensitive as well. The executive order also requires Treasury to act on any recommendations made by the board and the DNI, including instructions to discontinue activities that may be unlawful or contrary to executive orders or other presidential directives.

We plan to assess Treasury’s processes for identifying reportable matters under EO 13462 and related directives.



# Government-wide Financial Services and Debt Management

## Background

Through its Fiscal Service, Treasury borrows the money needed to operate the Federal Government, accounts for the resulting debt, and provides reimbursable support services for Federal agencies. Fiscal Service also provides central payment services for Federal agencies, operates the Federal Government's collection and deposit systems, provides Government-wide accounting and reporting services (including preparation of financial reports for the Federal Government), and administers the collection of delinquent debt owed to 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 Intra-governmental 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. 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. Intra-governmental Holdings are primarily Government Account Series Securities held by Federal Government trust funds, revolving funds, and special funds. As of September 15, 2017, the total Federal debt outstanding was \$20.2 trillion, of which \$14.6 trillion was Debt Held by the Public and \$5.6 trillion as Intra-governmental Holdings. The interest expense on the Federal debt for FY 2015 was \$402.4 billion and \$432.6 billion for FY 2016. Fiscal Service's debt management operations depend on modernized electronic and information system technology. Implemented in 2002, the TreasuryDirect system maintains approximately 592,000 funded accounts and holds \$28.7 billion.

Another of Fiscal Service's primary goals is to execute reliable and accurate Federal payments to support the U.S. economy. As of September 30, 2016, these payments exceed \$3.3 trillion annually. Fiscal Service issues more than one billion payments each year by paper check, electronic funds transfer, and Fedwire, while expediting the efforts to make payments electronically. In FY 2016, approximately 98 percent of benefit payments and 97 percent of total non-tax payments were made electronically. Fiscal Service also collects more than \$3 trillion per year in Government receipts from individual and corporate

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income taxes, social security and other payroll taxes, excise taxes, and duties. Approximately 98 percent of this amount is settled electronically.

Prompt referral of eligible, delinquent debt to Treasury by Federal program agencies is critical to the success of collection efforts. In FY 2016, delinquent non-tax debt owed to the U.S. totaled \$180.7 billion, 61 percent of which was over 2 years delinquent. Fiscal Service collected \$7.1 billion in delinquent debt in FY 2016, including approximately \$3.5 billion in Federal non-tax debt.

### Digital Accountability and Transparency Act of 2014

Enacted in May 2014, the DATA Act seeks to accomplish several objectives:

- 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
- establish Government-wide data standards for financial data and provide consistent, reliable, and searchable spending data that is displayed accurately for taxpayers and policy makers on USASpending.gov (or a successor system)
- simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency
- improve the quality of data submitted to USASpending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted
- 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. Under the act, Treasury and OMB are responsible for the following:

- establishing, by May 2015, Government-wide financial data standards for any Federal funds made available to or expended by Federal agencies and entities receiving Federal funds
- ensuring this financial data is accurately posted and displayed on USASpending.gov or a successor system by May 2017

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- ensuring the data standards established are applied to the data made available on the website by May 2018

Inspectors general must accomplish the following:

- review a statistically valid sample of the spending data submitted under this act by their respective agencies
- submit to Congress, and make publicly available by November 2016, a report assessing the implementation and use of data standards by their agencies, as well as the completeness, timeliness, quality, and accuracy of the data sampled<sup>4</sup>

The DATA Act places major responsibilities for the promulgation of data standards and public reporting of Government spending primarily on Treasury. Implementing the DATA Act is an extremely complex undertaking involving the overhaul of the existing reporting systems, implementation of new data standards and data-handling methodologies, and significant interagency coordination and cooperation. We anticipate that our office will continue to provide significant resources to oversee Treasury's responsibilities under the DATA Act.

Treasury OIG, in collaboration with the Federal Audit Executive Council DATA Act Working Group developed the *Inspectors General Guide to Compliance Under the DATA Act*, a common methodology guide, that inspectors general used to develop agency-specific audit plans for assessing their agency's progress in compliance with the DATA Act. The guide was published on February 27, 2017.

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<sup>4</sup> The Council of the Inspectors General on Integrity and Efficiency (CIGIE) identified a timing anomaly with the oversight requirements contained in the DATA Act. Although the first inspector general reports are due to Congress in November 2016, Federal agencies have until May 2017 to report spending data. The inspectors general now plan to provide Congress with their first required reports in November 2017, a one-year delay from the statutory due date, with subsequent reports to follow every 2 years thereafter. CIGIE determined the best course of action was to delay the IG reports, but it encouraged IGs to undertake DATA Act "Readiness Reviews" at their respective agencies well in advance of the first November 2017 report. The CIGIE chair issued a letter on December 22, 2015, communicating the strategy for dealing with the delay and also informed the Senate Committee on Homeland Security and Government Affairs and House Committee on Oversight and Government Reform.

### “Do Not Pay” Initiative

To reduce payment errors and eliminate fraud, waste, and abuse, the President directed in EO 13520, “Reducing Improper Payments and Eliminating Waste in Federal Programs” (November 2009), that Federal agencies identify ways that information sharing may improve payment eligibility verification and pre-payment scrutiny. The President directed the establishment of a “single point of entry” through which agencies would access relevant data to determine eligibility for a Federal award or payment. Congress enacted the Improper Payments Elimination and Recovery Act of 2010 (IPERA), and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), to intensify the efforts to identify, prevent, and recover payment error, waste, fraud, and abuse within Federal spending. In April 2011, Treasury established the Do Not Pay Business Center to support Federal agencies to reduce improper payments. In a 2012 memorandum, OMB described the efforts of OMB and Treasury to establish the Do Not Pay Initiative and directed Federal agencies to develop a plan for using the Do Not Pay system for pre-payment eligibility reviews.

The Do Not Pay Initiative includes multiple resources 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 Do Not Pay initiative, including standards and procedures for computer-matching programs.

Treasury’s Do Not Pay Business Center is designed to help reduce improper payments by providing critical information to paying agencies through the Do Not Pay Portal and Do Not Pay Data Analytics Services. Each agency can choose to use any combination of Do Not Pay services to best meet its 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, including:

- Credit Alert System
- Social Security Administration’s Death Master File
- List of excluded Individuals/Entities
- Office of Foreign Assets Control
- System of Award Management, formerly known as Central Contractor Registry
- System of Award Management Exclusion Records

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Four types of searches allow agencies to customize use of the portal to align with their business needs: online, batch processing, continuous monitoring, and payment integration match results.

Given the Do Not Pay Initiative's potential to significantly reduce improper payments and its responsibility to ensure appropriate privacy, we anticipate that our office will need to continue to provide significant resources to oversee it.

### **Economic Policy Programs**

Economic policy programs are responsible for analyzing and reporting on current and prospective economic developments in the U.S. and world economies through Treasury programs. These offices conduct research to assist in the formulation and articulation of Treasury policies and positions on a wide range of microeconomic issues. Recent examples include terror risk insurance, financial disclosure and auditing, retirement income security, and long-term care.

### **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 of false applications and claims, (3) provision of 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. 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, we plan to explore the use of data-mining methods to analyze Fiscal Service payments and reveal hidden patterns. These data-mining methods have the potential to reveal trends, relationships, and correlations between the data that could identify ongoing fraud and abuse directed against or occurring within Fiscal Service.

### In Progress and Planned FY 2018 Projects

#### Treasury Implementation of the DATA Act (Government-wide) Phase III (In Progress)

The DATA Act requires that (1) OMB and Treasury establish, by May 2015, Government-wide financial data standards for Federal funds made available to or expended by Federal agencies and entities receiving Federal funds; (2) Treasury, in consultation with OMB, ensure such financial data is accurately posted and displayed on USASpending.gov by May 2017; and (3) OMB and Treasury ensure the data standards established are applied to the data made available on the website by May 2018.

We plan to determine the sufficiency of plans and actions taken by Treasury to facilitate timely compliance with the provisions of the DATA Act.

#### Do Not Pay Program and Data Analytics Services (In Progress)

The Do Not Pay Business Center provides automated tools, including a web-based portal with single-entry access, that Federal agencies can use to access an array of data sources that assist in determining whether an individual or entity is eligible to receive Federal payments or engage in Federal contracts or grants.

We plan to assess the effectiveness of Fiscal Service's Do Not Pay program as a tool to assist agencies in identifying and preventing improper payments, including an evaluation of the Do Not Pay Business Center's analytical activities.

#### Delinquent Debt Referrals (In Progress)

The DCIA requires Federal agencies to refer their eligible, nontax debt over 180 days delinquent to Treasury for the purpose of administrative offset and other debt collection services. The DATA Act amended the DCIA to require Federal agencies to refer eligible, non-tax debt at 120 days delinquent or more to Treasury for administrative offset.

We plan to (1) assess the extent to which Federal agencies refer delinquent non-tax debt to Fiscal Service in compliance with DCIA requirements, (2) determine the controls Fiscal Service has in place to facilitate timely referral of Federal agencies' non-tax debt, and (3) assess the impact of any referral delays on the collectability of the debt.

#### Treasury's DATA Act Submission Required Review (Phase I) (In Progress)

As required by the DATA Act, we will assess (1) the completeness, timeliness, quality, and accuracy of FY 2017, second-quarter financial and award data submitted for publication on USASpending.gov and (2) Federal agency

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implementation and use of the Government-wide financial data standards established by OMB and Treasury.

### **Use of Permanent and Indefinite Appropriation Funds (In Progress)**

Congress established 11 permanent, indefinite appropriation funds for management by Treasury. Fiscal Service is responsible for overseeing and managing the submission, authorization, disbursement, recording, and reporting of each fund. We plan to determine whether selected Treasury permanent, indefinite appropriations are used in accordance with the underlying legislation.

### **DATA Act Government-wide Phase IV, Treasury's DATA Act Information Model Schema, DATA Act Broker, and Beta.USASpending.gov**

We plan to determine the effectiveness of internal controls the Treasury PMO has designed, implemented, and placed into operation to help ensure the security, availability, processing integrity, and presentation of the data submitted by Federal agencies to Treasury's Broker (and made available to the public on Beta.USASpending.gov) is accurate and complete.

### **Card Acquiring Service Program and Management of Interchange Fees (In Progress)**

Federal agencies use the Card Acquiring Service (CAS) program to collect debts by major credit cards, including Visa, MasterCard, Discover, and American Express, and most debit cards. Most federal agencies that accept credit or debit cards for payment must use CAS, except for groups with the authority to process credit and debit cards on their own.

In FY 2016, Fiscal Service collected approximately \$12.1 billion in revenue through credit and debit cards and paid interchange fees of approximately \$171.2 million. Interchange fees are payments that card-acquiring banks make to banks that issued the cards.

We plan to determine whether the internal controls Fiscal Service has in place over the CAS program and the management of interchange fees from credit and debit card revenue collection are operating effectively. As part of the 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 Saving May Exist* (GAO-08-558; issued May 15, 2008).

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### **Treasury Offset Program – Call Center Support**

The Treasury Offset Program (TOP) is a centralized offset program, administered by Fiscal Service's Debt Management Services, to collect delinquent debts owed to federal agencies and states.

We plan to determine the (1) experience and training levels of Fiscal Service staff assigned as technicians to the TOP call center, (2) extent of problems caused by multiple debt records with the same Taxpayer Identification Numbers, but different name values in the TOP call center Interactive Voice Response application, (3) accuracy of response information provided to callers contacting call center technicians, and (4) effectiveness of call center escalation protocols in assisting callers to resolve problems and avoid referral to creditor agencies.

## **Projects Under Consideration for Future Fiscal Years**

### **Corrective Action Verification – Do Not Pay Program Implementation**

The Do Not Pay Business Center was established to help Federal agencies seamlessly comply with the Improper Payments Elimination and Recovery Improvement Act of 2012 by supporting their efforts to prevent and detect improper payments.

The center's mission is to protect the integrity of the federal government's payment processes by helping Federal agencies cost-effectively mitigate and eliminate improper payments while safeguarding the privacy of individuals.

We plan to verify Fiscal Service's corrective actions taken in response to recommendations related to the Do Not Pay Business Center we made in two reports issued in FY 2015 and FY 2016.

### **Unmatchable Payments Processed by Fiscal Service**

We plan to determine (1) the volume of payments made by Fiscal Service that are missing key data elements needed to determine whether payments are proper or payees owe debts to Federal or State governments, (2) whether payments with missing key data are exempted from having this information by Fiscal Service Policy, and (3) whether Taxpayer Identification Number suppression allowed by Fiscal Service is complied with or misused by agencies and impact data used by the Fiscal Service Do Not Pay and Treasury Offset Programs.

### **Treasury's DATA Act Submission Required Review (Phase II)**

After Phase I of the DATA Act mandated review, we plan to assess (1) the completeness, timeliness, quality, and accuracy of FY 2019 financial and award



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data submitted for publication on USASpending.gov and (2) Federal agency implementation and use of the Government-wide financial data standards established by OMB and Treasury.

### **Corrective Action Verification – Review of Treatment of Legacy FMS Employees**

We plan to verify Fiscal Service’s corrective actions taken in response to the recommendations made in our July 2016 report, *Treatment of Legacy FMS Employees*, (OIG-16-049, July 21, 2016). As a part of the verification, we plan to determine the realized costs and savings associated with the consolidation of the Financial Management Service and Bureau of the Public Debt in October 2012.

### **Treasury Checks and the Check Forgery Insurance Fund**

Although most Federal Government payments are made electronically, Fiscal Service disburses some payments by paper check. The Check Forgery Insurance Fund is a revolving account administered by Fiscal Service to settle claims of non-receipt of Treasury checks. The fund’s purpose is to ensure that intended payees whose checks were fraudulently negotiated receive timely settlement. The Check Forgery Insurance Fund totaled nearly \$2.1 million at the end of FY 2016. During FY 2016, the fund received approximately 11,000 claims for lost, stolen, or forged checks. FY 2016 loss filed against the fund totaled \$9.6 million, of which approximately \$8.6 million was recovered.

We plan to determine whether Fiscal Service has robust controls in place to ensure (1) restitution of funds to intended payees is made timely, (2) funds are recovered from parties responsible for stolen or forged checks, and (3) the insurance fund is administered in accordance with the underlying legislation.

### **Review of Government Agency Investment Services Program**

As of June 30, 2017, Fiscal Service managed approximately \$5.5 trillion in securities for Federal agencies that have the legislative authority to invest, including Federal trust funds and tribal funds held on behalf of Treasury. Fiscal Service also offers flexible investment alternatives for State and local governments and administers loans to Federal agencies with the legislative authority to borrow.

We plan to assess the adequacy of controls in place over the three Government Agency Investment Services components (1) Federal investments, (2) Special Purpose Securities, and (3) the Federal Borrowing Program.

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### **Terrorism Risk Insurance Program**

The Terrorism Risk Insurance Program was enacted under the terrorism risk insurance acts to stabilize market disruptions that result from acts of terrorism.

We plan to determine whether (1) Treasury established protocol to work with State insurance regulators and data aggregators to identify potentially affected insurers for loss data collection, and (2) Treasury established a system for collecting, storing, and analyzing loss data.

### **Consolidated Post Payment Systems**

Fiscal Service has invested in the consolidation of post payment processing into a single, centralized Post Payment System (PPS). The PPS is intended to reduce duplication of functionality, eliminate redundancy of data across systems, and provide a single source for aftermath payment processing for Federal program agencies. We plan to assess the controls over the PPS to ensure prompt and accurate processing of payment claims, inquiries, and returns.

### **Payments to Grantees and Financial Agents**

In FY 2016, 21 Federal agencies used the Automated Standard Application for Payments (ASAP) to make grant payment, reimbursements to financial agents, and program payments for 7,641 recipient organizations. Undisbursed balances are funds obligated by the Federal Government obligated through grant agreements that have not yet been expended by grantees. Once the grant's period of availability expires, the grant should be de-obligated and closed out by the awarding agency. To help reduce unused funding, Fiscal Service issues dormant account reports to agencies that hold the funds.

We plan to assess controls over fund disbursements through ASAP, and the Fiscal Service's efforts to work with agencies to resolve dormant account balances.

### **Federal Finance Bank Survey**

The Federal Financing Bank (FFB) is a United States government corporation, created by Congress in 1973 to centralize and reduce the cost of Federal borrowing and federally assisted borrowing from the public, while ensuring borrowings are financed in a manner least disruptive of private financial markets and institutions.

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We plan to determine whether Treasury is effectively managing the FFB—including approvals of the methods, sources, and speed of financing—relative to market conditions and financing by other Federal agencies.

### **Review of Treasury's Tribal Policy**

On behalf of Treasury, the Office of Economic Policy is responsible for implementing EO 13175, "Consultation and Coordination with Indian Tribal Governments," issued in November 2000. The order requires meaningful consultation and collaboration with tribal officials in the development of Federal policies with tribal implications. The order is 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 a memorandum directing department and agency heads to submit to OMB a detailed plan of action for carrying out the requirements of the order.

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

### **Treasury's International Capital Reporting System**

The Treasury International Capital reporting system provides the U.S. Government data on capital flows into and out of the United States, excluding direct investment, and the resulting cross-border claims and liabilities. Information is collected from commercial banks and other depository institutions, bank holding companies, securities brokers and dealers, custodians of securities, and nonbanking enterprises in the United States, including the U.S. branches, agencies, and subsidiaries of foreign-based banks and business enterprises.

We plan to assess the Treasury International Capital system data for reliability and completeness; review the process for accumulating data in the system for compliance with applicable laws, regulations, policies, and procedures; and determine whether controls are in place to safeguard financial data and any sensitive information.

### **Survey of Collection Systems and the Collection Information Repository System**

In FY 2016, Fiscal Service collected 98 percent of U.S. Government receipts electronically. In 2012, Fiscal Service completed its Collections and Cash Management Modernization (CCMM) program to transform the Government revenue collection infrastructure. CCMM processes more than 400 million transactions and collects over \$3.1 trillion a year. We plan to assess whether

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Fiscal Service has successfully implemented the CCMM and improved the controls over its revenue collection and cash-management process.

### **Survey of Treasury's Stored Value Cards**

A Stored Value Card is a card-based electronic alternative to cash. EZpay is a cash management tool designed to support U.S. military personnel training in the U.S. Army, U.S. Air Force, and U.S. Marine Corps. The program was developed and is managed jointly by Treasury and the military services to improve convenience for trainees.

We plan to assess the adequacy of controls in place over the Fiscal Service's EZpay stored value cards.

### **Retail Security Services' Security Redemption and Substitution Process**

Treasury Securities Services supports the millions of investors who own Treasury securities with two major programs: Wholesale Securities Services and Retail Securities Services (RSS). The RSS program includes the issuance, servicing, and redemption of U.S. savings bonds in both electronic and paper form, as well as marketable Treasury securities sold in electronic form directly to retail investors. It also includes the servicing and redemption of outstanding marketable securities that were issued in paper form. The RSS program strategies are (1) to improve the quality and efficiency of service to retail customers, and (2) to encourage redemption of outstanding, matured Treasury securities.

We plan to determine the controls RSS has in place to ensure accurate redemptions and substitution of Treasury securities.

### **Fiscal Agent Business Lines and Oversight of the Federal Reserve Banks**

Fiscal Service has established approximately 35 business lines with the Federal Reserve Banks under a fiscal-agent relationship to acquire various support and operational services. In FY 2016, Fiscal Service paid the Federal Reserve Banks more than \$661 million for these services.

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We plan to assess Fiscal Service's oversight of the business lines with the Federal Reserve Banks.

### **Corrective Action Verification—Direct Express Debit Card Program**

We plan to determine whether the corrective actions taken in response to the recommendations related to the Direct Express Debit Card program made in our prior audit reports. The previous reports are *Fiscal Service Needs to Improve Program Management of Direct Express* (OIG-14-031; issued March 26, 2014), and *Direct Express Bid Evaluation Documentation Requires Improvement* (OIG-17-034; issued January 24, 2017).

### **State Reciprocal Program Initiative**

Under the State Reciprocal Program, Fiscal Service collects delinquent debt owed to participating State governments, and the State governments collect delinquent debt owed to the Federal Government. In FY 2016, the program contributed to the collection of \$61.5 million in delinquent debt. We plan to assess Fiscal Service's efforts to encourage State governments to participate in the program for collections of their delinquent debt.

### **Centralized Receivables Service**

The Centralized Receivables Services program assists Federal agencies in managing their account receivables to increase collections and reduce delinquent debt. The program contributed to the collection of \$16.6 million in FY 2016. We plan to assess the impact of the program in reducing delinquent debt.

# Safety, Soundness, and Accessibility of Financial Services

## Background

One of Treasury's strategic goals is to promote domestic economic growth and stability while continuing reforms of the financial system. Treasury's strategies for reaching that goal include (1) completing implementation of financial regulatory reform initiatives, monitoring capital markets, and addressing threats to stability, as well as (2) developing a sustainable housing finance system to meet 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 made sweeping changes to the U.S. financial regulatory framework that affect all financial regulatory agencies, including OCC, and established new offices within Treasury:<sup>5</sup>

- **Office of Financial Research (OFR)**, established by Title I of Dodd-Frank, supports the activities of the Financial Stability Oversight Council (FSOC) and its member agencies by, among other things, 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.
- **Federal Insurance Office (FIO)**, established by Title V of Dodd-Frank, is tasked with addressing problems in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the U.S. financial system.

OCC is responsible for licensing, regulating, and supervising nearly 1,100 nationally chartered banks, 410 federal savings associations, and 50 federal branches or agencies of foreign banks. OCC-supervised banks hold more than \$11.1 trillion in total assets. OCC operates with more than 3,900 employees and three strategic goals: (1) a vibrant and diverse system of national banks and federal savings associations that supports a robust U.S. economy; (2) "One OCC" focused on collaboration, innovation, coordination, and process efficiency; and (3) independent and effective operation extending into the future.

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<sup>5</sup> Dodd-Frank also established two other offices within Treasury: the Offices of Minority and Women Inclusion within Departmental Offices and OCC.

## Planned Projects by OIG Issue Area

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During September 2007– August 2017, 518 commercial banks and federal savings associations failed, resulting in an estimated \$87.7 billion in losses to the Deposit Insurance Fund. Of these 518 failures, 140 were banks or federal savings associations regulated by OCC or the former Office of Thrift Supervision.<sup>6</sup>

Pursuant to Section 38(k) of the Federal Deposit Insurance Act, OIG must review and produce a written 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 the material loss has occurred. Dodd-Frank raised the threshold loss amount triggering a material loss review to \$50 million in 2014 and thereafter, with a provision for increasing the threshold to \$75 million under certain circumstances. We completed 56 material loss reviews during the recent economic downturn.

For any failure of an OCC-regulated bank or thrift with a loss to the Deposit Insurance Fund under the triggering threshold, Dodd-Frank also requires us to conduct a limited review to determine (1) the grounds identified by OCC for appointing the Federal Deposit Insurance Corporation (FDIC) as receiver and (2) any unusual circumstances that might warrant an in-depth review of the loss. During the economic downturn, we completed 75 limited reviews for these types of losses.

## In Progress and Planned FY 2018 Projects

### OFR Procurement Activities (In Progress)

We plan to determine whether OFR's procurement process ensures that OFR effectively and efficiently acquires the goods and services needed to accomplish its mission and that procurements are made in compliance with applicable regulations.

### OFR Performance Measures (In Progress)

We plan to assess the design and implementation of performance measures by OFR.

### Oversight of In-scope Borrowers Related to Foreclosure Consent Orders (In Progress)

We plan to determine (1) the facts and circumstances surrounding the increase in Citibank's in-scope population, (2) the methodology used and procedures

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<sup>6</sup> Dodd-Frank abolished the Office of Thrift Supervision in 2011. Most of the former agency's functions and personnel moved to OCC.

## Planned Projects by OIG Issue Area

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performed by OCC to test and validate the universe of in-scope borrowers and whether such borrowers were appropriately sent checks for the five servicers not covered in a prior OIG review, (3) OCC's process for vetting any individual questions, complaints, or requests from borrowers for appeal related to the scope population, (4) any direction that OCC has provided to servicers outlining how the servicer should process questions, complaints, or requests to appeal the determination of the in-scope population that they receive from borrowers, and (5) what data gaps existed within servicer systems that made identification of in-scope borrowers difficult and whether such gaps or system integration issues have been corrected. We initiated this audit in response to a request by the Ranking Member of the House Committee on Financial Services.

### **Identification and Reduction of Regulatory Burdens (In Progress)**

We plan to assess OCC's decennial review of its regulations pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (through the notice and public-comment process) to eliminate unnecessary regulations.

### **OCC Supervision of Wells Fargo Bank (In Progress)**

We plan to assess (1) OCC's supervision of incentive-based compensation structures within Wells Fargo Bank and (2) the timeliness and adequacy of OCC's actions taken related to Wells Fargo's sales practices, including the opening of accounts.

### **Supervision of Federal Branches of Foreign Banks (In Progress)**

We plan to assess OCC supervision of foreign banking organizations operating in the United States.

### **OCC and De-risking (In Progress)**

We plan to review whether OCC has encouraged banks to exit certain lines of business or terminate banking relationships. Such actions by banks have come to be known as de-risking. This review is in response to a congressional request.

### **Reviews of Failed OCC-Regulated Financial Institutions (In Progress)**

In the event of a failure of an OCC-regulated financial institution with an estimated loss to the Deposit Insurance Fund exceeding \$50 million, we will perform a material loss review to (1) determine why the institution failed and resulted in a material loss, (2) evaluate OCC's supervision of the institution, and (3) 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 (1) determine the grounds identified by OCC for



## Planned Projects by OIG Issue Area

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appointing FDIC as receiver and (2) identify any unusual circumstances that might warrant an in-depth review of the loss.

### **OFR Hiring Practices and Response to Employee Viewpoint Survey Results (In Progress)**

We plan to determine whether (1) OFR's hiring practices meet Office of Personnel Management, Treasury, OFR, and other Federal requirements and (2) OFR's process for reviewing and responding to Federal Employee Viewpoint Survey results meets Federal requirements including Treasury policies and procedures.

### **CIGFO Working Group Review**

We plan to lead or participate in at least one working group convened by CIGFO to evaluate the effectiveness and internal operations of the FSOC.

## Projects Under Consideration for Future Fiscal Years

### **Supervision of Bank Cybersecurity**

We plan to assess OCC supervision of bank cybersecurity and related activities.

### **OCC Consideration of BSA and Anti-money Laundering Examination Findings in a Safety and Soundness Context**

We plan to determine whether OCC is considering BSA and anti-money laundering examination findings in a safety and soundness context as part of the management component of a bank's examination CAMELS<sup>7</sup> rating.

### **Review of Resources Used by OCC to Supervise Financial Institutions**

We plan to assess the amount of resources utilized by OCC to supervise financial institutions.

### **OCC Supervision of Financial Institutions' Foreign-country Risk**

We plan to evaluate OCC's supervision of financial institutions' international exposures to determine whether (1) guidance promoting effective assessment and control of financial institutions' country risk are followed; (2) existing OCC monitoring, risk assessment, and examination procedures are sufficient to address country risk; (3) the procedures have been applied effectively; and (4) deficiencies identified during the examination process result in appropriate supervisory actions that are tracked and satisfactorily resolved.

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<sup>7</sup> CAMELS refers to capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk (rating).

## Planned Projects by OIG Issue Area

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### **OFAC and OCC Monitoring of JP Morgan Chase Bank Compliance With Sanctions Programs**

In 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, the "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters" (EO 13382), the Iranian Transactions Regulations, and other sanctions programs. The violations occurred during 2005 - 2011. In a January 2014 consent order for the assessment of a civil money penalty, OCC cited the bank for inadequate testing of OFAC compliance.

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

### **OCC Implementation of Recommendations Made by the Permanent Subcommittee on Investigations in Response to the HSBC Case**

In 2012, the Permanent Subcommittee on Investigations of the Senate Committee on Homeland Security and Governmental Affairs reported that lax oversight by top HSBC Bank executives allowed terrorists and drug cartels to access the U.S. financial system. The subcommittee recommended that OCC take the following actions:

- follow the practice of other Federal bank regulators by treating anti-money laundering deficiencies as a safety and soundness matter, rather than a consumer compliance issue
- establish a policy to conduct institution-wide examinations of bank anti-money laundering programs
- consider using formal or informal enforcement actions to act on anti-money laundering problems
- strengthen anti-money laundering examinations

In 2012, HSBC agreed to pay \$1.9 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 its efforts to implement them.

## Planned Projects by OIG Issue Area

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### **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 whether 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.

### **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.

### **Supervision of Large Institutions**

We plan to assess OCC examinations of large institutions (those with assets exceeding \$100 billion) conducted after implementation of recommendations from the 2013 peer review.

### **Corrective Action Verification – OCC's Fast Track Enforcement Program**

We plan to determine whether OCC has taken corrective action responsive to our November 2016 recommendations in our report *OCC's Fast Track Enforcement Program Should be Assessed* (OIG-17-006; issued November 14, 2016).

### **Review of OCC's Implementation of Joint Standards for Assessing Diversity and Inclusion**

We plan to review OCC's efforts to assess the diversity policies and practices of the entities it regulates.

### **OCC Supervision of Insider Activities**

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

### **OCC Use of Matters Requiring Attention To Address Large-bank Deficiencies**

OCC defines Matters Requiring Attention as practices that (1) deviate from sound governance, internal control, and risk-management principles, that may adversely affect a bank's earnings or capital, risk profile, or reputation if not

## Planned Projects by OIG Issue Area

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addressed or (2) result in substantive noncompliance with laws and regulations, internal policies or processes, OCC supervisory guidance, or conditions imposed in writing for the approval of any application or other request by a bank.

We plan to assess OCC's use of Matters Requiring Attention to address deficiencies identified through the examination and other supervisory activities at large banks.

### **OCC Response to Risks Identified in Its Semiannual Risk Assessment**

We plan to assess OCC's response to the risks identified in its semiannual risk assessment.

### **Supervision of Small Banks**

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

### **Initiatives of OCC's Office of Innovation**

We plan to assess OCC's implementation of core Office of Innovation initiatives.

### **OCC Efforts To Address Emerging High-risk BSA/Anti-Money Laundering Areas**

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

### **Development, Training, Rotation, and Performance Evaluations of OCC Examiners**

We plan to assess OCC processes for developing, training, rotating, and evaluating the performance of bank examiners.

### **Corrective Action Verification—FIO's Consultation With State Insurance Regulators**

We plan to determine whether FIO management has taken corrective action responsive to OIG's recommendation made in the report, *FIO's Consultation Process with State Insurance Regulators Could Be Improved* (OIG-15-032; issued May 15, 2015).

### **FIO's Methodology for Monitoring Auto Insurance**

We plan to assess FIO's methodology for monitoring the affordability of personal automobile insurance in the United States.

### **OCC Supervision of Bank Compliance With the Community Reinvestment Act**

We plan to determine OCC's (1) process for assessing bank activities to help meet the credit needs of the community; (2) consideration of Community

## Planned Projects by OIG Issue Area

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Reinvestment Act examination results when evaluating bank applications for new branches, branch relocations, mergers and consolidations, and other corporate activities; and (3) compliance with Community Reinvestment Act oversight guidance.

### **OCC Supervision of Financial Institutions' Stress-testing Programs**

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

### **Development and Communication of OCC Issuances and Comptrollers Handbook**

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

### **Supervision of Real Estate Appraisal Activities**

We plan to assess OCC supervision of financial institution policies and procedures for real estate appraisal.

### **OCC Office of Enterprise Governance and the Ombudsman**

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

### **Supervision of Internal Audit Functions in Large Banks**

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 Supervision of Social Media Usage in Financial Institutions**

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

### **OCC Enforcement Practices**

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

## Planned Projects by OIG Issue Area

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enforcement actions, and (4) activities to ensure compliance with enforcement actions.

### **OCC Oversight of Leveraged Loans**

In March 2013, OCC, the Federal Reserve Board, and the FDIC issued guidelines to banks 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 how changes in borrower enterprise values affect the quality of credit portfolios, 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 supervision of financial institution implementation of guidance on leveraged loans.

### **OCC Licensing and Charter Approval Process**

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

### **Supervision of Nonbanking Activities of Financial Institutions**

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

### **OCC Alternatives to the Use of Credit Ratings**

Under section 939A of Dodd-Frank, all Federal agencies, including the OCC, must accomplish the following:

- 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, as well as any references to, or requirements in, such regulations regarding credit ratings
- remove any references to, or requirements of reliance on, credit ratings and substitute such standard of creditworthiness as each agency deems appropriate

The statute further provides that the agencies must seek to establish, to the extent feasible, uniform standards of creditworthiness that consider the entities being regulated and the purposes for which those entities would rely on such standards.

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We plan to assess OCC implementation of guidance on alternatives to the use of credit ratings by financial institutions to determine the creditworthiness of securities and money market instruments.

### **Implementation of Legal Entity Identifier**

We plan to assess the progress made by the OFR to implement a Legal Entity Identifier regiment as a universal standard for identifying all parties to financial contracts.

### **Supervisory Use of Individual Minimum Capital Requirements**

We plan to assess how OCC applies capital restrictions and risk-weighting to institutions it supervises, including (1) its use of individual minimum capital requirements as an enforcement action, (2) its criteria for calculating the capital requirement, and (3) its enforcement of minimum capital requirements.

### **OCC Oversight of Credit Risk Retention**

Section 941 of Dodd-Frank requires securitizers of mortgages not meeting criteria associated with lower default rates to retain at least 5 percent of the credit risk, but Federal rulemaking agencies specify differing amounts. OCC is one of the Federal rulemaking agencies. Dodd-Frank also charges the Federal rulemaking agencies with formulating rules that required lenders to retain a 5 percent interest in any assets not held on their books, while authorizing exemptions for loans with the lowest credit risk, particularly for qualified residential mortgages.

We plan to assess OCC oversight of credit-risk retention in financial institutions.

### **Federal Insurance Office Performance Measures**

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

### **OCC Participation in the Shared National Credit Program**

The Shared National Credit Program was established by OCC, FDIC, and the Federal Reserve Board in 1977 to provide an efficient and consistent review and classification of large syndicated loans. The program covers any loan or loan commitment of at least \$20 million shared by three or more supervised institutions. Agencies conduct the reviews annually.

We plan to evaluate OCC 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 whether existing monitoring, risk

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assessments, and examination procedures are sufficient to address risk to the banking industry by shared national credits; (3) determine whether the procedures are applied effectively; and (4) determine whether deficiencies identified during the examination process resulted in appropriate supervisory actions that are tracked and satisfactorily resolved.



# Revenue Collection and Industry Regulation

## Background

TTB maintains a workforce of approximately 470 employees, most of whom either report to TTB headquarters office in Washington, DC, or perform tax and permit processing at the National Revenue Center in Cincinnati, Ohio. TTB has 10 offices in cities across the United States and Puerto Rico for its auditors, investigators, and agents. These offices are located close to centers of trade and industry activity. TTB also has alcohol and tobacco laboratories in Maryland and California.

TTB is the third-largest tax collection agency in the Federal Government behind IRS and CBP. Annual revenues collected by TTB average approximately \$22.1 billion for 12,941 taxpayers in FY 2016. TTB's tax collections on tobacco products have declined since FY 2010, at least in part, because of the significantly increased tax rate on cigarettes and other tobacco products imposed by the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). In FY 2016, TTB collected approximately \$13.3 billion in tobacco tax revenue. Its tax collections on alcohol products, however, have steadily increased. Firearms and ammunition tax collections have varied each year.

In 2010, Congress authorized specialized funding for TTB 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. Congress has continued this specialized funding in each fiscal year since 2010. In FY 2016, TTB received law enforcement services from the IRS and administrative services from Fiscal Service's Administrative Resource Center totaling \$5.9 million. For FY 2017, TTB's proposed budget included \$5 million in funds transferred from the proposed IRS program integrity cap adjustment, to be used by TTB for compliance activities and increased enforcement.

According to TTB's *Annual Report for Fiscal Year 2016*, since 2011, TTB has opened a total of 105 cases, with identified liabilities of over \$591 million in estimated alcohol, tobacco, firearms, and ammunition excise taxes and approximately \$124 million in criminal seizures.

TTB processes applications for 23 types of permits or registrations for the alcohol, tobacco, firearms, and ammunition industries. Industry members must obtain permits from TTB to operate legally in these industries. In FY 2013, TTB

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completed two major releases of its Permits Online electronic filing system designed to help industry members file permit applications electronically and download encrypted copies of application data for use in obtaining equivalent state licenses. Average processing time for a new permit application increased from 94 days in FY 2015 to 122 days in FY 2016. The electronic filing system does not diminish the time needed by TTB to review each application.

TTB uses its Formulas Online electronic filing system to receive applications for beverage formula approvals from alcohol industry members. In FY 2013, TTB enhanced Formulas Online to provide industry members with a more efficient, user-friendly environment for submitting applications. As increases in formula submissions from the spirits and wine industries continue to increase, TTB planned to proceed with guidance and rulemaking beginning in FY 2016 and continuing through FY 2017 to reduce formula submissions across the alcohol beverage commodities.

TTB 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 alcohol beverage. In FY 2016, TTB received nearly 161,030 label applications and nearly 11,450 formula applications. TTB has continued to introduce system enhancements to draw industry members to electronic filing, including updating processing information and adding new system validations to check the completeness of applications. According to TTB, although workloads have continued to increase since FY 2015, TTB has been able to improve its processing times through the first half of FY 2016 primarily through the increased productivity of new staff hired in 2015. TTB also initiated the recruitment of 13 additional label and formula specialists after receiving \$5 million in additional funding in the FY 2016 budget to improve the processing of label and formula applications. Plans called for the funding to support other processing improvements as well, such as the development of system releases for Formulas Online and COLAs Online and various rulemaking and guidance initiatives.

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.

Federal excise taxes on firearms and ammunition are remitted to the Fish and Wildlife Restoration Fund. The U.S. Fish and Wildlife Service oversees the fund and apportions money to state governments for programs to research and

## Planned Projects by OIG Issue Area

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restore wildlife and educate hunters. Collections increased from \$639 million in FY 2015 to just more than \$700 million in FY 2016.

### Customs Revenue

The Secretary of the Treasury has delegated authority for customs revenue functions to the Office of Tax Policy. In March 2003, the Homeland Security Act of 2002 transferred the legacy U.S. Customs Service from Treasury to the Department of Homeland Security, where it became CBP. Treasury retained the responsibility of the revenue function, and delegated it to DHS. 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 CBP rulings involving these topics if they constitute a change in practice.

Under section 112 of the Trade Facilitation and Trade Enforcement Act of 2015 (PL 114-125), enacted in February 24, 2016, Treasury OIG is required to report biennially on the effectiveness of measures taken by CBP with respect to protection of revenue. Treasury OIG must determine whether CBP has developed a risk-based model to increase oversight of imported products of new importers, including new nonresident importers, relating to the enforcement of priority trade issues.

### Potential Integrity Risks

Major integrity risks for TTB include the failure to collect all revenue rightfully due and improperly labeled alcohol products in the marketplace. TTB's tax collection activity could be seriously undermined if industry members fail to pay all taxes due (either intentionally or otherwise), if the TTB tax verification and audit program fails to detect underpayments, or if industry members attempt to corrupt government officials through bribery or other means.

Similarly, fraudulent manufacturers or distributors could attempt to place untaxed, unsafe, or deceptively advertised products into the marketplace. By increasing the Federal excise tax on all tobacco products, including an increase of more than 150 percent on cigarettes, CHIPRA provided additional incentive to evade tobacco taxes. The tax rate for pipe tobacco increased to \$2.83 per pound, and the rate for roll-your-own tobacco increased to \$24.78 per pound. Previously, they were taxed at similar rates. TTB data suggests dramatic shifts in

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post-CHIPRA removals—away from roll-your-own tobacco and toward lower-taxed pipe tobacco, and from small cigars to lower-taxed large cigars.

Following the passage of CHIPRA, the proliferation and technological advances in machinery allowed customers to manufacture their own cigarettes at a much faster rate using pipe or roll-your-own tobacco. This continues to be considered a revenue risk. In many cases, the manufactured cigarettes were either untaxed or taxed at lower rates based on the type of tobacco used. The Moving Ahead for Progress in the 21st Century Act (MAP-21), enacted in 2012, 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.

These manufacturers, however small, must comply with all applicable statutory and regulatory requirements. In 2012, TTB also issued guidance 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. Identifying these establishments and determining their tax liabilities continue to be enforcement challenges for TTB.

Although 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. Manufacturers and importers of processed tobacco must report on the first removal, transfer, or sale of processed tobacco. Once the processed tobacco is removed, however, its manufacture into taxable products may never be reported or subject to tax. In FY 2015, the last complete year of data examined, nearly 17 percent of the approximately one billion pounds of processed tobacco removals reported to TTB were shipped to entities that do not hold a federal permit with TTB.

TTB's efforts to streamline the permit application process through its Permits Online system have reduced the burden on applicants in submitting information needed to obtain new or updated permits. Despite those efforts, average processing time for a new permit application increased from 94 days in FY 2015 to 122 days in FY 2016. Although electronic processing reduces application errors, as well as the time and resources needed to return incomplete

## Planned Projects by OIG Issue Area

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applications, it does not decrease the time needed by TTB to review each application. As a result, addressing delays in application processing requires broader reforms in TTB's business processes. Processing delays can pose hardships to industry members and delay their entry or continuation in the business community.

### In Progress and Planned FY 2018 Projects

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

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

#### **TTB Procedures To Collect Revenue (In Progress)**

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.

#### **Department of Homeland Security and CBP Oversight of Revenue Protection and Enforcement Measures (In Progress)**

The Trade Facilitation and Trade Enforcement Act of 2015 (Public Law 114-125), was enacted on February 24, 2016. Sections 112 and 115 of this Act require OIG to submit to the Senate Committee on Finance and House Committee on Ways and Means a report on the effectiveness of CBP enforcement measures and other activities to protect the revenue of the U. S. Section 112 requires recurring reports on CBP's duty collection, use of bonds, and other monitoring responsibilities, due March 31, 2018, with subsequent reports to be published every other March. Section 115 requires a one-time report on the establishment of an importer risk-assessment program, due by February 24, 2018.

We plan to assess Treasury's oversight of customs revenue in accordance with the act.

#### **TTB Efforts To Promote Fair Competition in the U.S. Marketplace (In Progress)**

We plan to determine how TTB assesses risks related to alcohol beverage industry trade matters. As part of this objective, we will evaluate TTB's monitoring of industry members and actions taken to ensure compliance with TTB regulations.

### Projects Under Consideration for Future Fiscal Years

#### TTB Permit Program

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.

#### TTB Enforcement Efforts

We plan to assess (1) TTB efforts in implementing its Criminal Enforcement Program with funding provided by Congress; (2) TTB's plans for handling investigative caseload if IRS discontinues providing the services of agents to conduct criminal investigations on behalf of TTB; and (3) evaluate TTB's administration of civil monetary penalties.

#### TTB Efforts To Identify Tax Evasion Schemes

We plan to identify and evaluate TTB's efforts to detect new and existing evasion schemes involving alcohol and tobacco products used to avoid payment of Federal excise tax.

#### Effect of CHIPRA on Tax Paid Removals of Tobacco Products

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 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 who produce tobacco products and generally is not subject to Federal excise tax until manufactured into products and removed for consumption in the U.S. Manufacturers of processed tobacco can legally sell processed tobacco to product manufacturers and other businesses that further process the tobacco, or tobacco brokers. Manufacturers of processed tobacco are required to notify TTB when processed tobacco is sold to businesses without TTB permits.

We plan to (1) determine the 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

## Planned Projects by OIG Issue Area

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regulatory-related issues that affect TTB's ability to prevent illicit tobacco trade related to processed tobacco.

### **TTB Oversight of Newly Defined Manufacturers of Tobacco Products Under MAP-21**

We plan to assess TTB efforts (1) to identify new tobacco product manufacturers defined under MAP-21, (2) enforce regulatory requirements on these new manufacturers, and (3) monitor the labeling of tobacco used in the on-site manufacturing of tobacco products.

### **TTB Use of Collateral To Protect Revenue**

TTB protects excise tax revenue by mandating that taxpayers pledge collateral (such as bonds, notes, or securities) to offset tax liability if payments are not made.

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

### **TTB Oversight of Alcohol Beverage Market Compliance**

We plan to assess TTB market compliance programs on the alcohol beverage industry to determine whether they are adequate in protecting the public against false and misleading statements in the advertising and labeling of alcohol beverages.

### **TTB Efforts To Ensure the Accurate Collection of Federal Excise Taxes on Imports**

We plan to assess (1) TTB efforts to identify Federal excise taxes due on undeclared and misclassified alcohol and tobacco product imports and (2) TTB coordination with CBP to ensure all Federal excise taxes are paid by importers.

### **TTB Control Over Manufacturer Non beverage Drawback and 5010 Tax Credit Claims**

When a manufacturer uses alcohol to produce a food, flavor, medicine, or perfume that is certified by TTB's Non-beverage Products Laboratory as unfit for beverage purposes, the manufacturer can claim a return, or drawback, on most of the distilled spirits excise tax paid. For a 5010 tax credit, producers and importers of distilled spirits must show their products contain an eligible wine or eligible flavor that has been approved by the Non-beverage Products Laboratory.

We plan to assess TTB controls over non-beverage product manufacturer claims.

### **TTB Controls for Cover-over Payments**

Tax collected on rum produced in Puerto Rico or the U.S. Virgin Islands and transported to the United States are "covered over" or transferred to the territory

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where the rum is produced. Taxes collected on rum imported into the United States from foreign countries are also covered over to the two territories, with these payments split between Puerto Rico and the U.S. Virgin Islands. In FY 2016, TTB processed cover-over payments totaling \$425 million to the treasuries of Puerto Rico and the U.S. Virgin Islands.

We plan to determine whether TTB controls ensure that cover-over reimbursements are made timely and in the correct amounts.

### **TTB Oversight of Alcohol Industry Member Facilities**

We plan to determine whether TTB has controls to ensure that new and existing alcohol industry members have adequate production facilities, are maintaining proper production and inventory records, and have adequate security measures in place.

### **Impact of TTB's National Revenue Center Tax Services Branch Reorganization on Excise Tax Collections**

We plan to determine whether (1) processing of tax returns and collection of taxes due has been enhanced and (2) taxpayer accounts are being properly monitored for tax collection. We will also determine whether standard operating policies and procedures have been established.

### **Oversight of New Firearm and Ammunition Manufacturers**

We plan to determine how TTB (1) identifies firearm and ammunition manufacturers, producers, and importers subject to taxation and (2) ensures taxes are collected from the sale of firearms and ammunition.

### **TTB Alcohol and Tobacco Laboratory Services**

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

### **Controls Over Refunds of Excise Taxes to Businesses Incurring Losses of Products Due to Natural Disasters and Other Casualties**

We plan to determine how TTB ensures that claims for payment refund or allowance of credit for products lost due to natural disasters are legitimate and accurate.

### **Submission of Operational Reports by Industry Members in Compliance With Federal Regulations**



## Planned Projects by OIG Issue Area

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Members of the wine, beer, distilled spirits, and tobacco industries are required to file operational reports. The purpose of the information collected in the reports is to monitor the operations of these industries and verify unusual activities, errors, or omissions on taxable commodities. Failure to file required operational reports by the due date is a violation of the conditions of their permits and can lead to adverse action.

We plan to assess actions taken by TTB to ensure industry members file operational reports in compliance with federal regulations and the operational reports are reliably reporting quality information so that TTB may adequately monitor regulated industries.

# Bill and Coin Manufacturing, Marketing, and Distribution Operations

## Background

The Bureau of Engraving and Printing (BEP) produces U.S. currency and other security documents issued by the Federal Government. Its primary mission is to print Federal Reserve Notes for delivery to the Federal Reserve Banks, the nation's central bank. To meet its primary mission, BEP has production facilities in Washington, DC, and Fort Worth, Texas. 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 deterrence against counterfeiting.

The Board of Governors for the Federal Reserve ordered 7.4 billion notes valued at \$233.4 billion to be produced by BEP in FY 2018. The 7.4 billion notes represents a four percent increase over the Board's FY 2017 order. The Mint's principal mission is to produce the nation's circulating coinage for trade and commerce. The Mint also produces commemorative and investment products for collectors and investors. In addition to its headquarters in Washington, DC, 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 FY 2017, Production facilities in Philadelphia and Denver shipped more than 16 billion coins to Federal Reserve Banks for distribution into the economy, marking a 6 percent decrease from the more than 17 billion made during the previous year. More than 9.1 billion of the Lincoln pennies were made, representing 56.9 percent of the production total. Each of these pennies costs 1.5 cents to strike and distribute, so the most frequently made U.S. coin is a money-loser. The rising cost of metals remains a continuing challenge for the Mint.

The Mint Public Enterprise Fund was created in FY 1996 to enable the Mint to operate as a revolving fund. All receipts deposited into the fund are available for operating the Mint and safeguarding Federal Government assets in the Mint's custody without fiscal-year limitation. Although the Mint is not dependent on appropriated funds, Congress approves its spending authority each year. The Secretary of the Treasury must determine the excess amount in the fund not needed for Mint operations in the coming year and have the amount transferred to the Treasury General Fund. The Mint transferred more than \$550 million to the Treasury General Fund in 2016.

### Potential Weaknesses

Because their operations are financed through revolving funds, BEP and the Mint may be subject to less congressional scrutiny through the budget process than annual appropriated agencies. The Mint also has greater flexibility in conducting its procurement activities because it is exempt from the Federal Acquisition Regulation. Prudent use by the Mint of its flexible funding authorities is necessary to ensure a maximum return to the Treasury General Fund.

In 2016, BEP awarded both a construction management administrative support contract and a facility design programming contract for its Washington, DC facility. Efforts were also underway to narrow the possible site selections for further evaluation. The new production building is projected to be completed around 2022, with the new facility fully operational by 2025. This timeline is subject to change as the project evolves.

### 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 Treasury's failure to design, produce, and issue paper currency that is readily distinguishable to blind and visually impaired individuals violates Federal law. Two years later, a Federal appeals court ruled that the United States 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 consultations 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. In 2015, BEP began accepting and processing applications to provide blind and visually impaired individuals with a free currency reader called the iBill Currency Identifier. BEP also developed a smartphone app, called EyeNote, in 2011 to assist individuals in recognizing U.S. currency denominations. In the long term, BEP plans to include tactile features in the redesign of notes, starting with the new \$10 note approved for production in 2020.

### In Progress and Planned FY 2018 Projects

#### Mint Human Resources Practices (In Progress)

We plan to determine whether the Mint's human resources activities to hire for senior-level positions meet Federal and Treasury requirements and the Mint's policies and procedures.

#### BEP Continuity of Operations (In Progress)

We plan to determine whether BEP comprehensively developed and tested continuity of operations plans for currency production should a major disruption occur at one or both of its production facilities in Washington, DC, and Fort Worth, Texas.

#### Corrective Action Verification—Bill Manufacturing: Improved Planning and Production Oversight Over NexGen \$100 Note Is Critical (In Progress)

We plan to assess whether management took corrective action responsive to recommendations we made in the audit, *Bill Manufacturing: Improved Planning and Production Oversight Over NexGen \$100 Note Is Critical* (OIG-12-038, issued January 24, 2012).

#### Mint's Numismatic Order Processing Program (In Progress)

We plan to determine whether the Mint is effectively managing order processing for numismatic products, such as precious metal coins, commemorative coins, and medals, for sale to the public. As part of this work, we plan to determine whether the Mint's Order Management System, OMS II, is working as intended and the numismatic program is meeting the needs of its users.

#### BEP and Mint Contract Requests

We plan to determine whether BEP and Mint contracts comply with the Federal Acquisition Regulations and Treasury Acquisition Regulations, if applicable. We perform these audits at the request of bureau procurement officers.

#### BEP Contracting Practices

We plan to determine if BEP conducted its contracting activities in accordance with Federal and Department of the Treasury acquisition requirements and BEP policies and procedures. We also plan to assess whether management took corrective action responsive to recommendations we made in the audit *BEP's Administration of the Burson-Marsteller Public Education Awareness Contract Was Deficient* (OIG-13-046, issued August 13, 2013)

### Projects Under Consideration for Future Fiscal Years

#### Physical Security at Mint Facilities

We plan to (1) assess the adequacy of the Mint's physical security policies, procedures and practices and (2) determine whether the Mint's Security Modernization Program and related infrastructure upgrades addressed control weaknesses noted during prior OIG audit work.

#### Mint Employee Safety

We plan to determine whether Mint policies, procedures, and practices ensure safe working conditions in its six facilities across the country.

#### Mint Procurement and Quality Assurance of New Materials

We plan to determine the adequacy of the Mint's controls over the procurement and quality assurance of raw materials used in the production of U.S. coins.

#### Mint Production Case Studies

The Coin Modernization, Oversight, and Continuity Act of 2010 authorized Treasury to conduct research and development on circulating coin compositions to reduce production costs. In FY 2016, the Mint's cost to produce the penny was \$0.015, and \$0.063 for the nickel, exceeding the coins' face value for the ninth consecutive fiscal year. During FY 2006–FY 2016, production of the penny and nickel generated negative receipts of \$604.7 million.

In response to the act, the Mint established a laboratory at the Philadelphia Mint and hired a contractor to perform research and development on the metallic compositions for all circulating coins. In a 2016 report to Congress, the Mint will continue validating the results of the structured trials with optimized die designs and various rimming profiles on the nickel. The next steps will include production-scale die life testing. The information gathered during the trials will be used to develop a Finite Element Analysis model to reduce the need for as many trials and enable to application of the optimization to other Mint products.

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

#### Mint Continuity of Operations Plan

We plan to determine whether the Mint comprehensively developed and tested continuity of operations plans for currency production should a major disruption occur at any of its six facilities.

## Planned Projects by OIG Issue Area

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### **Mint Handling of Equal Employment Opportunity Complaints**

We plan to determine whether the Mint has implemented practices to ensure equal employment opportunities for Mint employees; complies with established policies and procedures relating to employees; and appropriately tracked, processed, and resolved employee complaints related to equal employment opportunities.

### **Project Management at the Mint**

We plan to determine whether Mint project management practices ensure timely and cost-effective completion of projects. We will also determine whether weaknesses noted in the Mint's management practices for physical security have been fully addressed and corrected through its Security Modernization Program.

### **BEP Facilities Study**

We plan to determine whether BEP's facilities study and resulting investment decisions are based on appropriate and supportable assumptions and cost/benefit estimates.

### **Mint Contracting Practices**

The Mint uses contractors to fulfill orders for precious metals (gold, silver, and platinum), investment-grade bullion, and commemorative products at a non-Mint location.

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

### **BEP Project Management Process for New Note Design**

We plan to determine whether BEP is (1) properly overseeing the incorporation of tactile features and high-contrast numerals in future currency designs to improve meaningful access for blind and visually impaired individuals and (2) ensuring the new currency meets requirements approved by the Secretary of the Treasury.

### **BEP Currency Programs To Provide Access to Blind and Visually Impaired Persons**

We plan to determine whether BEP's plan to create meaningful access to U.S. currency for blind and visually impaired individuals (1) meets the terms of the court order issued in 2008 and the needs of users and (2) utilized proper cost/benefit analysis.

### **BEP Human Resource Practices**

We plan to determine whether BEP human resources activities to hire senior-level positions meet Federal and Treasury requirements as well as BEP policies and procedures.

## Planned Projects by OIG Issue Area

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### **BEP Employee Safety**

We plan to determine whether BEP policies, procedures, and practices ensure safe working conditions in its two production facilities in Washington, DC, and Fort Worth, Texas.

### **BEP Small Business Program and Contracting Practices**

We plan to determine whether BEP (1) adheres to policies and procedures for small-business contract competition and award and (2) manages contracts effectively to meet Treasury goals for the program.

### **Management of the 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.

### **Controls Over the BEP Office of Compliance and Its Monitoring Activities**

We plan to determine whether BEP's Office of Compliance is adequately monitoring BEP compliance with Federal and Treasury regulations and BEP policies.

### **BEP Controls Over the Currency Redemption Program**

We plan to assess controls in place over BEP's currency exchange program to ensure only valid claims are redeemed.

### **BEP Controls Over Test Notes Sent to Banknote Equipment Manufacturers**

We plan to determine whether (1) BEP has adequate controls over the process of releasing test bank notes and (2) the notes are monitored to ensure they are not released to the public or treated as the equipment company's money.

### **BEP Controls Over the Office of Financial Management Invoice and Payment Process**

We plan to determine whether the Office of Financial Management reviews and processes invoices in accordance with Federal, Treasury, and bureau guidelines.

## Planned Projects by OIG Issue Area

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### **BEP Management of Wastewater Treatment Project**

We plan to determine whether BEP's wastewater treatment initiative/study is managed properly and meets Federal environmental standards and BEP's environmental goals.

### **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 BEP and the Mint incorporate changing payment trends (such as cash vs. electronic payments) into their long-range planning activities.

### **Mint General, Administrative, and Sales Expense Allocation**

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

We plan to determine whether the Mint's allocation of general, administrative, and sales expenses are consistent with managerial cost-accounting principles.

### **Mint Collection Practices on Receivables**

We plan to assess the effectiveness of the Mint's collection practices on accounts receivable and the classification of allowances for uncollectable delinquent accounts to determine whether delinquent debts are referred timely for continued collection efforts.

### **BEP's Monitoring of Shredded Currency**

We plan to assess BEP's controls for processing and tracking requests for the use of shredded currency for artistic and commercial purposes, as well as the processes used for approving such requests, to identify how BEP follows up on approved requests and determines whether the shredded currency was used in accordance with the stated objectives in request documentation.

### **Mint Controls Over the Sales of Limited-production Investment-grade Products**

We plan to determine whether the Mint's practices adhere to established policies and procedures designed to ensure the broadest and most fair access to limited-production, investment-grade products. We also plan to determine whether Mint actions to address weaknesses identified in prior OIG work were adequate.



# Domestic and International Assistance Programs

## Background

Treasury plays an important role in domestic and international assistance programs that have a significant impact on the economy. Domestic programs range from those assisting in coping with the effects of current economic conditions to programs that enhance the availability of financial education, credit, investment capital, and financial services to communities around the United States. Treasury's role in these areas expanded under the Housing and Economic Recovery Act of 2008 (HERA), Emergency Economic Stabilization Act of 2008 (which created TARP), the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010. International programs address international financial institutions' role in promoting economic stability and growth in other countries.

### Housing and Economic Recovery Act of 2008

The purpose of HERA was 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, Freddie Mac, and the Federal Home Loan Banks. The act also established the Federal Housing Finance Oversight Board to advise the agency on overall strategies and policies for carrying out its responsibilities. The Secretary of the Treasury is a member of this board. The act assigned Treasury new authorities and responsibilities, and although certain purchase authorities under HERA expired in December 2009, Treasury maintains a sizeable investment in Fannie Mae and Freddie Mac:

- **Government Sponsored Enterprises.** HERA increased Federal regulatory oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (collectively referred to as Government Sponsored Entities, or GSEs), giving Treasury authority over existing lines of credit to the entities and the Secretary of the Treasury standby, unlimited authority to buy stock or debt in them. To do so, the Secretary made an emergency determination 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 provides financial support to Fannie Mae and Freddie Mac after any quarter the entities report deficiencies in net worth. In exchange, the liquidation preference of Treasury-owned senior preferred stock is increased. In August 2012, Treasury announced a

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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 Fannie Mae and Freddie Mac to accelerate the reduction of their investment portfolios—increasing the reduction rate from 10 percent annually to 15 percent annually. As a result, GSE investment portfolios are to be reduced, 4 years earlier than previously scheduled, to the \$250 billion target set in the previous agreements. The modified agreements also require each GSE to submit an annual plan to Treasury on its strategy to reduce financial and operational risk, as well as an assessment of performance relative to its prior-year plan. 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 March 31, 2017, Treasury reported investments of approximately \$189 billion in senior preferred stock issued by the two GSEs.

- **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 March 31, 2016, Treasury owned \$6.6 billion of Fannie Mae and Freddie Mac securities supporting the New Issue Bond Program. The Temporary Credit and Liquidity Program is now at zero.
- **Capital Magnet Fund.** HERA authorized a new program for the CDFI Fund to administer the Capital Magnet Fund, which is intended to create a new source of grants for rental and for-sale housing as well as community and economic development. The program aims at increasing 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 from two types of eligible grantees: (1) CDFIs that have been certified by the CDFI Fund and (2) nonprofit organizations with a principal purpose of developing or managing 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

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core programs. Under HERA, the Capital Magnet Fund is to be financed through appropriations and transfers from Fannie Mae and Freddie Mac. For its inaugural award round in FY 2010, the Capital Magnet Fund received appropriations of \$80 million. In December 2014, Federal Housing Finance Agency lifted its prohibition on GSEs allocating funds to the program. In FY 2016, approximately \$93.5 million was allocated and transferred from the GSEs to the Capital Magnet Fund.

### Recovery Act

The purpose of the Recovery Act was to provide relief during the 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 \$25 billion in Recovery Act Funds, administered by Departmental Offices through two tax-credit exchange programs, provided 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 U.S. communities by increasing the availability of business capital and financial services. The CDFI Fund 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 access to credit, capital, and financial services in American Indian, Alaska Native, and Native Hawaiian communities. The CDFI Fund's activities have been affected by economic events, resulting in significant funding increases and new program initiatives. Funding for the competitive grant programs doubled in FY 2009 with a \$100 million increase provided through the Recovery Act. Since then, the CDFI Fund financial and technical assistance programs continue to receive support with funding of \$210 million in FY 2016 and \$222 million in FY 2017.

The New Markets Tax Credit Program (NMTC) provides investors with a tax credit for investing in communities that are economically distressed or that have 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

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return for a tax credit, investors supply capital to Community Development Entities (CDEs). The NMTC Program was expanded under Recovery Act authority that increased the 2008 and 2009 allocation rounds to \$5 billion each. During FY 2010–FY 2015, the program received \$3.5 billion of allocation authority each year. On December 18, 2015, Congress extended the authorization for \$3.5 billion per year through 2019. Since the program’s inception in 2000, the CDFI Fund has awarded \$50.5 billion in tax credit allocations to CDEs.

The Small Business Jobs Act of 2010 authorized Treasury to guarantee all notes and bonds issued by CDFIs that make investments in eligible community and economic development opportunities. Guarantees could not total more than \$1 billion in any fiscal year and were available through September 30, 2015. As administrator, the CDFI Fund was required to establish the program’s regulations. A 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. Since FY 2013, the CDFI Fund committed to guarantee \$1.1 billion in bonds .

Consistent with Federal credit policy contained in the OMB’s Circular A-129, the Federal Financing Bank is to purchase the CDFIs’ 100-percent-guaranteed issues. 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.

### International Assistance

A prosperous world economy serves the United States 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.

Treasury’s Office of International Affairs oversees U.S. interests in international financial institutions. The United States participates in these institutions to support poverty reduction, private-sector development, the transition to market

## Planned Projects by OIG Issue Area

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economies, and sustainable economic growth and development to advance U.S. economic, political, and commercial interests abroad. Treasury has the responsibility for reviewing how these institutions invest the resources contributed by the United States to ensure they are used appropriately. Improving the effectiveness of the multilateral development banks has been a high priority. 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 governance and the rule of law, and fight corruption.

### **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 five core development program areas: (1) budget and financial accountability, (2) Federal 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 United States**

The Committee on Foreign Investment in the United States was delegated the presidential function, authorized by Section 721 of the Defense Production Act of 1950, to investigate for national security implications the merger or acquisition of U.S. companies by foreign persons. 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 report annually on whether (1) 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 United States is a leading producer; and (2) there are industrial espionage activities directed or directly assisted by foreign governments against private U.S. companies aimed at obtaining commercial secrets related to critical technologies.

### Exchange Stabilization Fund

The Gold Reserve Act of 1934 established the Exchange Stabilization Fund, which is operated by the Secretary of the Treasury with the approval of the President. The act authorized the Exchange Stabilization Fund to use the 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 comprises three types of assets: U.S. Government securities, foreign currency assets, and Special Drawing Rights.<sup>8</sup>

To ensure the highest degree of confidence in the underlying securities, investment guidelines for the Exchange Stabilization Fund require that investments be limited to claims on respective central banks, the Bank for International Settlements, and sovereign governments and their agencies.<sup>9</sup> The Exchange Stabilization Fund's foreign currency holdings are to be invested so 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 the highest possible rate of return on each of its currency components over a full interest-rate cycle.

### Potential Integrity Risks

Integrity risks for domestic and international assistance programs include the potential for (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, Federal tax credits, or payments in lieu of tax credits; and (4) failure by assisted entities to deliver on promised services. Treasury remains concerned that contracts, grants, tax credits, or cash payments in lieu of tax credits may be awarded without following standard operating procedures, including appropriate monitoring of funded activities. Program risks include the potential failure to promote economic growth within financially underserved

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<sup>8</sup> 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 for several other international organizations.

<sup>9</sup> 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.

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areas of the United States or to foster economic stability in other nations. There may also be a corresponding loss of credibility with U.S. taxpayers or within the international community if these Treasury programs do not function as intended or with the appropriate transparency.

### In Progress and Planned FY 2018 Projects

#### **ASI Federal Credit Union Awards Under the CDFI Fund Program (In Progress)**

We plan to assess ASI Federal Credit Union's award eligibility under the CDFI Fund Program and its use of grant funds to meet target markets in accordance with its assistance agreements.

#### **CDFI Fund's Administration of the Healthy Foods Financing Initiative (In Progress)**

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

#### **Awardee Compliance Under CDFI Fund Technical Assistance Awards (In Progress)**

We plan to assess whether awardees are meeting the CDFI Fund's certification requirements outlined in their assistance agreements and the CDFI Fund's monitoring activities for ensuring awardees' overall compliance.

#### **Payments to States for Low-income Housing Projects in Lieu of Low-income Housing Credit**

As part of our ongoing oversight of Treasury's Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits (1602 Program), we conducted audits of awards made to selected State housing credit agencies to assess whether the agencies awarded funds under Treasury's 1602 Program complied with the program's overall requirements and the "Grantee Terms and Conditions" (together referred to as 1602 Program requirements). In FY 2018, we plan to complete audits of the following States.

##### **Payment to Georgia for Low-income Housing Projects in Lieu of Low-income Housing Credit (In Progress)**

We will report on our assessment of Georgia Department of Community Affairs' compliance with the 1602 Program requirements.

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### **Payment to Michigan for Low-income Housing Projects in Lieu of Low-income Housing Credit (In Progress)**

We will report on our assessment of Michigan State Housing Development Authority's compliance with the 1602 Program requirements.

### **Payment to New Hampshire for Low-income Housing Projects in Lieu of Low-income Housing Credit (In Progress)**

We will report on our assessment of New Hampshire Housing Finance Authority's compliance with the 1602 Program requirements.

### **Audit of New Market Tax Credit Allocations to Wisconsin-based Community Development Entities (In Progress)**

We plan to assess the Community Development Entities' use of NMTC allocations and proceeds to make Qualified Low Income Community Investments and designated Qualified Equity Investments in accordance with their NMTC Allocation Agreements and applicable regulations, policies, and procedures at the Community Development Entity level.

## Projects Under Consideration for Future Fiscal Years

### **Survey of the Committee on Foreign Investment in the United States**

We plan to assess how Treasury supports the Committee on Foreign Investment in the United States 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 processes for selecting foreign governments and foreign central banks for assistance under the office's five technical assistance programs and for selecting technical experts. We also plan to assess the office's monitoring of its program projects.



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### Foreign Credit Reporting System

We plan to assess Treasury's Foreign Credit Reporting System, including whether the reporting of debts and payments by foreign governments is accurate and complete.

### CDFI Fund Bond Guarantee Program

We plan to assess CDFI Fund program activities to administer the CDFI Bond Guarantee Program as required by the Small Business Jobs Act of 2010.

### 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 CDFI Fund processes to (1) review whether funds were awarded properly and timely to eligible recipients and (2) determine awardee compliance with program requirements, including 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.

### CDFI Fund's Awards Management System

We plan to assess the implementation of the CDFI Fund's Award Management Information System (AMIS), including how the system records, manages, and monitors CDFI Fund awards.

### CDFI Fund Closeout of Recovery Act Grants

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

### CDFI Fund Grant Closeout Process

We plan to evaluate the CDFI Fund's process for closeout of grants as well as its reporting required for the Grants Oversight and New Efficiency Act.

### Corrective Action Verification—EcoGrove Wind LLC Payment Under 1603 Program

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

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### **Corrective Action Verification—Penascal Wind Power LLC Payment Under 1603 Program**

We plan to determine whether Treasury management took corrective action responsive to recommendations made in our audit, *Recovery Act: Audit of Penascal Wind Power LLC Payment Under 1603 Program* (OIG-15-045, issued September 3, 2015).

### **Corrective Action Verification—MSL Development LLC Payments Under 1603 Program**

We plan to determine whether Treasury management took corrective action responsive to recommendations made in our audit, *Recovery Act: Audit of MSL Development LLC Payment Under 1603 Program* (OIG-14-039, issued June 18, 2014).

### **Payments in Lieu of Tax Credits for Specified Energy Properties— 1603 Program**

We plan to evaluate Treasury's ongoing administration and compliance monitoring of the 1603 Program.

### **Payments to States for Low-income Housing in Lieu of Low-income Housing Credits—1602 Program**

We plan to evaluate Treasury's ongoing administration and compliance monitoring of the 1602 Program.

### **CDFI Fund Recertification Process**

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

### **CDFI 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 process for awarding grants and the effectiveness of internal control over grant awards to ensure recipient compliance with award agreements.

### **Bank Enterprise Awards**

We plan to assess CDFI Fund processes for approving and monitoring awards made through the Bank Enterprise Awards Program. Specifically, we plan to (1) determine whether CDFI Fund awarded the appropriated funds to eligible recipients based on qualified activities in accordance with applicable laws and regulations; (2) determine whether the CDFI Fund established and maintained proper internal control procedures and oversight over program awards, and (3) assess the CDFI Fund process for measuring the Bank Enterprise Award

## Planned Projects by OIG Issue Area

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program's performance outcomes to ensure that the program objectives are achieved.

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

### **CDFI Fund Tracking of Awardees Across Multiple Assistance Programs**

We plan to assess the effectiveness of CDFI Fund coordination for the tracking of awardees with multiple program awards to determine whether funds are used appropriately in target markets.

### **Treasury Monitoring of Government Sponsored Enterprises**

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

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

We plan to assess Treasury monitoring of housing-finance market indicators to evaluate the health of the housing-finance agencies participating in the Housing Finance Agencies Initiative. We will also determine whether Treasury management took corrective action responsive to our recommendations in the audit report *Treasury Needs Written Policies and Procedures for Its Oversight of the Housing Finance Agency Initiative* (OIG-13-040; issued May 30, 2013).

### **Survey of Treasury Participation in the International Monetary Fund**

We plan to gain an understanding of Treasury's role for promoting U.S. policy related to the International Monetary Fund to identify potential risks for 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 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 how funds are used to improve impoverished nations.

## Planned Projects by OIG Issue Area

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### Debt Relief Programs

We plan to gain an understanding and perform appropriate independent oversight of Treasury's role in debt-reduction programs for nations indebted to the United States and the process it uses to ensure indebted nations meet eligibility requirements for relief, as well as the risks associated with these programs.

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

The Middle East and North Africa Transition Fund is 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). The Transition Fund provides small grants to help countries put in place economic policies and government reforms that will allow them to attract greater flows of capital while they address diverse economic challenges during their political transition. The agreed contribution from the United States is 20 percent of total donor contributions to the Transition Fund, or up to \$50 million of an anticipated \$250 million, over several years.

We plan to gain an understanding of Treasury's role in the Middle East and North Africa Transition Fund and to identify the risks to Treasury's investment.

### Transfer of Funds Under the Foreign Assistance Act of 1961

The U.S. Agency for International Development transferred \$66.6 million to Treasury in FY 2010 for contributions to the Global Agriculture and Food Security Program Trust Fund. The agency transferred another \$125 million in FY 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. The cost of these 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 with applicable laws.

### Treaties and International Agreements

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

## Planned Projects by OIG Issue Area

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### **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 purchase, management, and sales of investments and foreign-currency-denominated assets.

### **Treasury's Tribal Policy**

We plan to assess Treasury's process for carrying out the Administration's 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.

### **Reviews of Single Audits**

We plan to perform quality control reviews to determine whether 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.

### **Survey of the Federal Financing Bank**

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.

# Gulf Coast Restoration Trust Fund Oversight

## Background

The Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) established the Gulf Coast Restoration Trust Fund (Trust Fund) within Treasury to provide funds for the environmental and economic restoration of the Gulf Coast region that was damaged by the 2010 Deepwater Horizon oil spill. Deposits into the Trust Fund will comprise 80 percent of all civil and administrative penalties paid after July 6, 2012, under the Federal Water Pollution Control Act (Clean Water Act). As a result of separate settlement agreements reached between the U.S. Department of Justice and Anadarko Petroleum Corporation, the Transocean defendants Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC., and Triton Asset Leasing GmbH), and BP Exploration and Production Inc., approximately \$5.3 billion has been designated for the Trust Fund. BP Exploration and Production Inc. settlement funds will be deposited into the Trust Fund over a 15-year period. As of April 2017, the Trust Fund had received approximately \$1.23 billion.

The RESTORE Act also established the Gulf Coast Ecosystem Restoration Council (Council), an independent entity within the Federal Government that includes as members the governors from the five affected Gulf Coast States (Alabama, Florida, Louisiana, Mississippi, and Texas); the Secretaries from the U.S. Departments of the Interior, Commerce, and Agriculture; the head of the department under which the Coast Guard reports (currently the Secretary of the Department of Homeland Security); the Secretary of the Army; and the Administrator of the U.S. Environmental Protection Agency.

The RESTORE Act allocates money in the Trust Fund to five components:

- 35 percent to the Gulf Coast States in equal shares under the Direct Component (administered by Treasury);
- 30 percent, plus 50 percent of interest earned on the Trust Fund, for grants under the Council-Selected Restoration Component (administered by the Council);
- 30 percent for grants under the Spill Impact Component (administered by the Council);

## Planned Projects by OIG Issue Area

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- 2.5 percent, plus 25 percent of interest earned on the Trust Fund, to the Centers of Excellence Research Grants Program Component (administered by Treasury); and
- 2.5 percent, plus 25 percent of interest earned on the Trust Fund, to the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program) Component (administered by the National Oceanic and Atmospheric Administration (NOAA)).

Treasury's authority to administer the 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. Specifically, Treasury may cut off funding to a State until it either repays the Trust Fund or substitutes an ineligible activity with an eligible activity.

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

### 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, 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.

## In Progress and Planned FY 2018 Projects

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

An independent certified public accounting firm, working under a contract supervised by our office, will complete audit work for the Council's FY 2017 financial statements and begin work for the FY 2018 financial statements. These audits will determine whether the financial statements are fairly presented in all material respects and will report on internal control and compliance with laws and regulations that could have a direct and material effect on the financial statements.

## Planned Projects by OIG Issue Area

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### **Gulf Coast Ecosystem Restoration Council's Information Security Program and Practices (In Progress)**

An independent certified public accounting firm, under our supervision, will assess the effectiveness of the Council's information security programs and practices, including compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines.

### **Improper Payments**

We plan to assess the Council's compliance with IPERA and other improper payment reporting requirements included in EO 13520 "Reducing Improper Payments and Eliminating Waste in Federal Programs" and IPERIA for FY 2016.

### **DATA Act Quality Reporting Audit of the Gulf Coast Ecosystem Restoration Council (In Progress)**

We plan to complete our assessment of the completeness, timeliness, quality, and accuracy of the financial and payment information submitted by the Council for publication on USASpending.gov and the Council's implementation and use of the data standards.

### **Gulf Coast Ecosystem Restoration Council's Compliance With Government Charge Card Management**

We plan to determine whether the Council's charge card program and expenditures comply with the Government Charge Card Abuse Prevention Act of 2012 applicable Federal regulations, and the Council's policies and procedures.

### **Capability Audits of RESTORE Act Fund Grant Applicants**

We plan to assess selected grant applicants' readiness to receive, expend, and monitor funds in accordance with the RESTORE Act, applicable regulations, and policies and procedures.

We engaged a contractor, under our supervision, to assist in this effort. In FY 2018, we plan to complete the following audits.

#### **Internal Controls and Capabilities of Escambia County, Florida (In Progress)**

We will report on Escambia County's internal controls over the administration of Federal awards in accordance with Federal laws, regulations, and Treasury's application requirements.



## Planned Projects by OIG Issue Area

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### **Internal Controls and Capabilities of Santa Rosa County, Florida (In Progress)**

We will report on Santa Rosa's County's internal controls over the administration of Federal awards in accordance with Federal laws, regulations, and Treasury's application requirements.

### **Internal Controls and Capabilities of Jefferson Parish, Louisiana (In Progress)**

We will report on Jefferson Parish's internal controls over the administration of Federal awards in accordance with Federal laws, regulations, and Treasury's application requirements.

### **Internal Controls and Capabilities of St. Bernard Parish, Louisiana (In Progress)**

We will report on St. Bernard Parish's internal controls over the administration of Federal awards in accordance with Federal laws, regulations, and Treasury's application requirements.

### **Compliance Audit of Mississippi's Direct Component Planning Grant to Prepare a Multiyear Implementation Plan (In Progress)**

We engaged a contractor, under our supervision, to assess whether Mississippi has used awarded Direct Component RESTORE Act funds in compliance with applicable Federal statutes, regulations, and its award agreement with Treasury.

### **Subsea Systems Institute Compliance With Center of Excellence Research Grants Program Sub-award Requirements (In Progress)**

We plan to complete our assessment of whether Subsea Systems Institute has used awarded RESTORE Act funds in compliance with applicable Federal statutes, regulations, and its award agreement with the Texas Commission on Environmental Quality.

### **Treasury Assessment of RESTORE Act Direct Component Multiyear Implementation Plans (In Progress)**

We plan to complete our assessment of Treasury's review and acceptance of Direct Component multiyear implementation plans to ensure that only eligible activities are included and that the plans comply with requirements of the RESTORE Act; other applicable Federal laws and regulations, and Treasury program policies, procedures, and guidelines.

### **Florida Institute of Oceanography's Administration of Centers of Excellence Sub-awards (In Progress)**

We engaged a contractor, under our supervision, to assess whether the Florida Institute of Oceanography's administration of Centers of Excellence sub-awards

## Planned Projects by OIG Issue Area

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complies with the RESTORE Act, applicable Federal statutes, regulations, and applicable award agreements.

### **NOAA Administration of the Gulf Coast Ecosystem Science Program (In Progress)**

We plan to complete our assessment of whether NOAA is administering the Science Program Component of the Trust Fund in accordance with the RESTORE Act, applicable laws and regulations, and program policies and procedures.

### **Hernando County Development of a RESTORE Act Direct Component Multiyear Implementation Plan (In Progress)**

We plan to complete our assessment of Hernando County's process to develop a multiyear implementation plan to ensure that it complies with the RESTORE Act; other applicable laws and regulations; and Treasury program policies and procedures.

## Projects Under Consideration for Future Fiscal Years

### **Gulf Coast Ecosystem Restoration Council's Compliance With OMB's A-123 Enterprise Risk Management Requirements**

We plan to determine whether the Council has implemented an enterprise risk management framework that meets the expanded requirements of OMB Circular A-123.

### **Treasury Administration of Planning Grants To Prepare Multiyear Implementation Plans Under the Direct Component**

We plan to determine whether Treasury has administered the Direct Component Multiyear Implementation Planning Assistance grants in accordance with applicable Federal statutes, regulations, and program policies and procedures.

### **Fiscal Service Compliance With the Investment Strategy and Distribution From the Trust Fund**

We plan to determine whether the Fiscal Service is investing Gulf Coast Restoration Trust Fund monies and making funds available for expenditure in accordance with the RESTORE Act, Treasury RESTORE Act regulations, and the Gulf Coast Restoration Trust Fund Investment Strategy, policies, and procedures.

### **Compliance Audit of Tangipahoa Parish's Direct Component Grants**

We plan to engage a contractor, under our supervision, to assess whether Tangipahoa Parish has used awarded Direct Component RESTORE Act funds in compliance with applicable Federal statutes and regulations, as well as its award agreement with Treasury.

## Planned Projects by OIG Issue Area

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### **Water Institute Compliance With Centers of Excellence Research Grants Program Sub-award Requirements**

We plan to engage a contractor, under our supervision, to assess whether the Water Institute has used awarded RESTORE Act funds in compliance with applicable Federal statutes and regulations, as well as award agreements with the Louisiana Coastal Protection and Restoration Authority.

### **Compliance Audit of Lafourche Parish's Direct Component Grants**

We plan to engage a contractor, under our supervision, to assess whether Lafourche Parish has used awarded Direct Component RESTORE Act funds in compliance with applicable Federal statutes and regulations, as well as its award agreement with Treasury.

### **Treasury Internal Controls To Eliminate Duplication of Funding for RESTORE Act Programs**

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

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

We plan to assess the 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.

### **Gulf Coast Ecosystem Restoration Council's Consultation and Coordination Process With Indian Tribal Governments**

We plan to assess whether the Council's consultation and coordination process with Indian tribal governments complies with EO 13175 "Consultation and Coordination with Indian Tribal Governments."

### **Gulf Coast Ecosystem Restoration Council's Internal Controls To Eliminate Duplication of Funding for RESTORE Act Programs**

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

### **Gulf Coast Ecosystem Restoration Council's Travel and Conference Expenditures**

We plan to assess whether the Council's travel and conference expenditures are in accordance with Federal travel regulations and Council policies and procedures.

## Planned Projects by OIG Issue Area

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### **Texas OneGulf Compliance With Centers of Excellence Research Grants Program Sub-award Requirements**

We plan to determine whether Texas OneGulf has used RESTORE Act funds in compliance with applicable Federal statutes, regulations, and award agreements with the Texas Commission on Environmental Quality.

### **MBRACE Compliance With Centers of Excellence Research Grants Program Sub-award Requirements**

We plan to determine whether the Mississippi-Based RESTORE Act Center of Excellence (MBRACE) has used RESTORE Act funds in compliance with applicable Federal statutes, regulations, and award agreements with the Mississippi Department of Environmental Quality.

### **Gulf Coast Ecosystem Restoration Council's Administration of Planning Grants Under the Spill Impact Component**

We plan to assess whether the Council's administration of planning grants under the Spill Impact Component is in accordance with the RESTORE Act, applicable laws and regulations, and Council's policies and procedures.

### **Treasury Review of "Best Available" Science To Support Projects and Activities Under the Direct Component**

We plan to assess Treasury's process to review Direct Component grant applications for compliance with the "best available science" requirement for natural resource protection and restoration projects in accordance with the RESTORE Act, applicable laws and regulations, and program policies and procedures.

### **Treasury Administration of the Direct Component of the Gulf Coast Restoration Trust Fund**

We plan to assess Treasury's administration of the Direct Component to ensure it complies with the RESTORE Act, applicable regulations, and Treasury policies and procedures.

### **Gulf Coast Ecosystem Restoration Council Administration of the Council-selected Restoration Component of the Gulf Coast Restoration Trust Fund**

We plan to assess the Council's administration of the Council-selected Restoration Component to ensure it complies with the RESTORE Act, applicable regulations, and Council policies and procedures.

## Planned Projects by OIG Issue Area

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### **Gulf Coast State Entities' Internal Controls Over the Centers of Excellence Research Grants Program**

We plan to determine whether the Gulf Coast State entities have proper and sufficient internal controls in place over the Centers of Excellence Research Grants Program in accordance with the RESTORE Act and applicable Federal and state regulations.

### **Gulf Coast Ecosystem Restoration Council's Internal Controls Related to Pre-Award and Post-Award Monitoring of Grantee Risk**

We plan to assess whether the Council established internal controls for 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* (December 2013), and Council policies and procedures.

### **Treasury's Internal Controls Related to Pre-Award and Post-Award Monitoring of Grantee Risk**

We plan to assess whether Treasury 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* (December 2013), and Treasury's policies and procedures.

### **Compliance of Federal, State, and Local Entities With RESTORE Act Public Input Requirements**

We plan to determine whether the Federal, State, and local entities have complied with required public input requirements in accordance with the RESTORE Act and applicable Federal and State regulations.

### **Gulf Coast Ecosystem Restoration Council's Procurement Practices**

We plan to assess the Council's ability to follow logical and prudent procurement practices that comply with the RESTORE Act and applicable Federal and State regulations.

### **Sub-recipient Monitoring Process of Gulf Coast State and Local Governments Receiving RESTORE Act Funding**

We plan to determine whether the State and local governments receiving RESTORE Act funding have sub-recipient monitoring controls in place in accordance with applicable Federal laws and regulations.

## Planned Projects by OIG Issue Area

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### **Gulf Coast Ecosystem Restoration Council's Administration of the Spill-impact Component**

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

### **Treasury Administration of the Centers of Excellence Research Grants Program Component**

We plan to assess Treasury's administration of the Centers for Excellence Research Grants Program Component to ensure it complies with the RESTORE Act, applicable laws and regulations, and Treasury policies and procedures.

### **Treasury, NOAA, and Gulf Coast Ecosystem Restoration Council Compliance With Requirements Under the Grants Oversight and New Efficiency Act**

We plan to determine whether the RESTORE Act administrators have complied with requirements under the Grants Oversight and New Efficiency Act.

### **Grantee Compliance With RESTORE Act Land Purchase Requirements**

We plan to determine whether grant recipients complied with land purchase requirements stipulated in the RESTORE Act and grant agreements.

### **Corrective Action Verification – Gulf Coast Ecosystem Restoration Council's Grants Management System**

We plan to determine whether the Council took corrective action in response to the recommendations in our report; *RESTORE Act: Council Effectively Acquired and Implemented a Grants Management System, but Challenges Remain in Service Agreements Monitoring and Invoice Processing* (OIG-17-037, issued March 7, 2017).

### **Corrective Action Verification – Gulf Coast Ecosystem Restoration Council's Progress to Establish an Organizational Structure**

We plan to determine whether the Council took corrective action in response to the recommendations in our report; *RESTORE Act: Council Faces Challenges in Establishing its Organizational Infrastructure* (OIG-17-011, issued November 16, 2016).

## Planned Projects by OIG Issue Area

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### **Louisiana's Coastal Protection and Restoration Authority (CPRA) Compliance With Procurement Practices for Awards**

We plan to assess Louisiana's CPRA's procurement practices and procedures for compliance with the RESTORE Act, applicable Federal statutes and regulations, and award agreements.

### **State Multiyear Implementation Plan Development Process**

We plan to assess State entities to determine whether their processes to develop multiyear implementation plans, to ensure that each comply with the RESTORE Act, other applicable Federal laws and regulations, and Treasury program policies, procedures, and guidelines.

### **Corrective Action Verification—Gulf Coast Ecosystem Restoration Council's Records Management System Needs Improvement**

We plan to determine whether the Council took corrective action in response to the recommendation in our report *RESTORE Act: The Gulf Coast Ecosystem Restoration Council's Records Management System Needs Improvement* (OIG-16-051, issued July 27, 2016).

### **Compliance Audits of RESTORE Act Grant Recipients**

We plan to assess whether selected grant recipients have used awarded RESTORE Act funds in compliance with the RESTORE Act, applicable Federal statutes and regulations, and award agreements.

### **Gulf Coast Ecosystem Council's 5-year Update of the Comprehensive Plan**

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

### **Quality Control Review of Single Audit Reports for the RESTORE Act Grants**

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

### SBLF Program

The Small Business Jobs Act of 2010 authorized Treasury to establish the SBLF Program to provide capital to community banks and community development loan funds (CDLFs) so that those institutions can increase small-business lending. The act also created within OIG the Office of SBLF Program Oversight, which operates under the direction of the Special Deputy Inspector General for Small Business Lending Fund Oversight/Assistant Inspector General for Audit (who reports directly to the Inspector General). OIG is to report at least twice a year to the Secretary of the Treasury and Congress on the results of oversight activities involving the SBLF Program.

For banks, the SBLF Program is structured to encourage small-business lending through a dividend or interest-rate incentive structure. The more banks increase lending over a baseline level, the lower the interest rate, regardless of small-business lending levels. Generally, the SBLF program was open only to institutions with aggregate assets less than \$10 billion. The SBLF program 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, institutions may not make loans to entities with more than \$50 million in revenues or in amounts over \$10 million.

Treasury invested more than \$4 billion in 332 financial institutions across the country, reporting the following outcomes as for 66 institutions remaining in the program as of December 2016:

Institutions had increased their small-business lending by \$3.2 billion over a \$3.5 billion baseline. 89 percent of the institutions had increased their small-business lending by 10 percent or more over the baseline.

As of March 2017, Treasury reported that 267 of 332 institutions with aggregate investments of \$3.64 billion had fully redeemed their SBLF securities and exited the program. Of the remaining institutions, five had partially redeemed \$36 million of their securities, though they continued to participate in the program.

Under the terms of the authorizing legislation, the SBLF funds were intended to stimulate lending to small businesses, but participating institutions have no obligation to increase their small-business lending activity or report how they used Treasury investments. Further, because the SBLF Program is a capital



## Planned Projects by OIG Issue Area

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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 effect of SBLF funds on small-business lending cannot be isolated from other factors.

Although the direct effect of the SBLF Program is not measurable, Treasury evaluates program outcomes based on gains in small-business lending reported quarterly by participants using the calculation method prescribed by the act.

Treasury investments in some banks are in the form of noncumulative preferred stocks. For these investments, institutions are under no obligation to pay previously missed payments before exiting the program. According to Treasury, when dividend payments are missed, additional measures may be taken, ranging from requiring an explanation for the missed payment to naming an observer to an institution's board of directors. However, these measures are less effective if an institution's regulator has already restricted it from making dividend payments.

It should also be noted that some institutions may be unable to redeem their SBLF securities and cannot exit the program. Dividend and interest rates automatically rose to 9 percent for C corporations and 13.8 percent for S corporations and mutual institutions in the program for 4.5 years, which occurred in early 2016. Interest rates for CDLFs rise to 9 percent after 8 years in the program. These rate increases have already prompted some institutions to redeem their securities; however, Treasury will need to prepare for the possibility that some institutions may be unable to redeem or pay the higher dividend rate.

### In Progress and Planned FY 2018 Projects

#### **SBLF Asset Management and Consultant Fees (In Progress)**

We plan to (1) assess the process used to procure services from asset managers and other consultants and (2) determine whether services provided were consistent with contractual terms and fees paid to the providers were reasonable.

### Projects Under Consideration for Future Fiscal Years

#### **Impact of the Dividend and Interest Rate Increases**

We plan to evaluate the impact of the mandatory dividend and interest-rate increases on banks, including determining how many institutions have redeemed

## Planned Projects by OIG Issue Area

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their securities and whether Treasury is collecting the additional interest and dividends from institutions remaining in the program.

### **Audit of CDLF Participants**

We plan to determine (1) how effective CDLFs have been in increasing lending to small businesses and (2) whether CDLFs have accurately reported qualified small-business lending to Treasury.

### **The SBLF Program Exit Process**

We plan to (1) determine whether institutions that exited SBLF complied with program requirements, including repayment of funds to Treasury, and (2) identify Treasury's plans for winding down the program.

## Appendix A: Office of Audit FY 2018 Resource Allocation

The following table shows our planned OIG products for FY 2018, by priority area.

| <b>Audit Priority</b>                               | <b>Planned Products</b> |
|---|-------------------------|
| Audit products mandated by law                      | 36                      |
| Work requested by Congress or externally driven     | 4                       |
| Self-directed work in Treasury's highest-risk areas | 55                      |
| <b>Total</b>  | <b>95</b>               |

The following table shows our planned OIG staff resource allocation for FY 2018, by priority area.

| <b>Audit Priority</b>                               | <b>Percentage of Planned Audit Resources</b> |
|---|--|
| Audit products mandated by law                      | 21   |
| Work requested by Congress or externally driven     | 3  |
| Self-directed work in Treasury's highest-risk areas | 76   |
| <b>Total</b>  | <b>100</b>                                   |

The following table shows our planned OIG audit staff resource allocation for FY 2018, by OIG issue area.

| <b>OIG Issue Area</b>   | <b>Percentage of Planned Audit Resources</b> |
|---|--|
| Treasury General Management and Infrastructure Support:           |  |
| Financial Management  | 8  |
| Information Security  | 8  |
| General Management  | 8  |
| Terrorist Financing, Money Laundering, and Foreign Assets Control | 14   |

## Appendix A: Office of Audit FY 2018 Resource Allocation

|   |            |
|---|------------|
| Government-Wide Financial Services and Debt Management              | 16         |
| Safety, Soundness, and Accessibility of Financial Services          | 9          |
| Revenue Collections and Industry Regulation                         | 8          |
| Bill and Coin Manufacturing, Marketing, and Distribution Operations | 8          |
| Domestic and International Assistance Programs                      | 9          |
| Small Business Lending Fund   | 1          |
| Gulf Coast Restoration Trust Fund Oversight                         | 14         |
| <b>Total</b>  | <b>100</b> |

The following table shows our planned OIG audit staff allocation for FY 2018, by Treasury headquarters operational component, Treasury bureaus, and other federal and state entities.

| Treasury Departmental Offices, Treasury Bureaus, and Other Federal and State Entities | Percentage of Planned Audit Resources |
|---|---------------------------------------|
| <b>Treasury Departmental Offices</b>  |                                       |
| Domestic Finance  | 5                                     |
| Office of the Assistant Secretary for Management and Chief Financial Officer          | 11                                    |
| Small Business Lending Fund   | 3                                     |
| Community Development Financial Institutions Fund                                     | 5                                     |
| Office of the Chief Information Officer   | 11                                    |
| Office of Gulf Coast Restoration*   | 7                                     |
| Other Departmental Offices  | 18                                    |
| <b>Treasury Bureaus</b>   |                                       |
| Office of the Comptroller of the Currency   | 10                                    |
| Bureau of the Fiscal Service  | 11                                    |
| Financial Crimes Enforcement Network  | 6                                     |
| Mint  | 1                                     |
| Bureau of Engraving and Printing  | 2                                     |
| Alcohol and Tobacco Tax and Trade Bureau  | 1                                     |
| <b>Other Federal and State Entities*</b>  |                                       |
| Gulf Coast Ecosystem Restoration Council*   | 7                                     |
| Other*  | 2                                     |
| <b>Total</b>  | <b>100</b>                            |

## Appendix A: Office of Audit FY 2018 Resource Allocation

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\* 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 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, comprising 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.

# Appendix B: Index of In Progress and Planned FY 2018 Audits, by Issue Area

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## Abbreviations

|                |  |
|----------------|--|
| ARC            | Administrative Resource Center                                     |
| BEP            | Bureau of Engraving and Printing                                   |
| BSA            | Bank Secrecy Act   |
| CBP            | Customs and Border Protection                                      |
| CDE            | Community Development Entity                                       |
| CDFI           | Community Development Financial Institution                        |
| CDLF           | community development loan fund                                    |
| CHIPRA         | Children’s Health Insurance Program Reauthorization Act of 2009    |
| CIGFO          | Council of Inspectors General on Financial Oversight               |
| CIO            | Chief Information Officer  |
| Council        | Gulf Coast Ecosystem Restoration Council                           |
| DATA Act       | Digital Accountability and Transparency Act of 2014                |
| Dodd-Frank     | Dodd-Frank Wall Street Reform and Consumer Protection Act          |
| EO             | Executive Order  |
| Fannie Mae     | Federal National Mortgage Association                              |
| FinCEN         | Financial Crimes Enforcement Network                               |
| FIO            | Federal Insurance Office   |
| Fiscal Service | Bureau of the Fiscal Service                                       |
| FISMA          | Federal Information Security Modernization Act of 2014             |
| Freddie Mac    | Federal Home Loan Mortgage Corporation                             |
| FSOC           | Financial Stability Oversight Council                              |
| FY             | fiscal year  |
| GAO            | Government Accountability Office                                   |
| HERA           | Housing and Economic Recovery Act of 2008                          |
| HR             | Human Resources  |
| IC             | Intelligence Community   |
| IPERA          | Improper Payments Elimination and Recovery Act of 2010             |
| IPERIA         | Improper Payments Elimination and Recovery Improvement Act of 2012 |

## Abbreviations

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|                            |  |
|----------------------------|--|
| IRS                        | Internal Revenue Service   |
| ISIL                       | Islamic State of Iraq and the Levant   |
| ISIS                       | Islamic State of Iraq and Syria  |
| IT                         | information technology   |
| MAP-21                     | Moving Ahead for Progress in the 21 <sup>st</sup> Century Act  |
| Mint                       | U.S. Mint  |
| NOAA                       | National Oceanic and Atmospheric Administration  |
| OCC                        | Office of the Comptroller of the Currency  |
| OFAC                       | Office of Foreign Assets Control   |
| OFR                        | Office of Financial Research   |
| OIG                        | Office of Inspector General  |
| OMB                        | Office of Management and Budget  |
| 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 Report   |
| SBLF                       | Small Business Lending Fund  |
| Science Program            | Gulf Coast Restoration Science, Observation, Monitoring, and Technology Program  |
| SSP                        | Treasury Franchise Fund Shared Services Program  |
| TARP                       | Troubled Asset Relief Program  |
| TEOAF                      | Treasury Executive Office for Asset Forfeiture   |
| TFI                        | Office of Terrorism and Financial Intelligence   |
| TIC                        | Trusted Internet Connection  |
| TIGTA                      | Treasury Inspector General for Tax Administration  |
| TMA                        | Treasury Managed Account   |
| Treasury or the Department | Department of the Treasury   |
| TTB                        | Alcohol and Tobacco Tax and Trade Bureau   |