

Semiannual Report to Congress

October 1, 2018—March 31, 2019

OIG-CA-19-016

Office of Inspector General
Department of the Treasury



Highlights

During this semiannual reporting period, the Office of Audit issued 45 products. Work by the Office of Investigations resulted in 14 indictments and 15 convictions. Some of our more significant results for the period are described below:

- Independent public accounting firms, working under contracts with and supervised by our Office of Audit, issued unmodified opinions on the Department of the Treasury's (Treasury) consolidated financial statements and the Gulf Coast Ecosystem Restoration Council's financial statements for fiscal year 2018.
- Our 2018 audits of Treasury's information system security program and practices for its unclassified and collateral National Security Systems, as required by the Federal Information Security Modernization Act of 2014, identified deficiencies that require management's attention.
- In our material loss review of Washington Federal Bank for Savings located in Chicago, Illinois, we determined that the bank failed because of fraud in the bank's loan activity perpetuated by bank employees.
- In our audit of the Office of Terrorism and Financial Intelligence's (TFI) report on Section 241 of the Countering America's Adversaries Through Sanctions Act, we found that TFI's report to Congress complied with the requirements, but the response to one of the sections lacked detailed analysis.
- Our joint investigation with the Small Business Administration Office of Inspector General (OIG) substantiated allegations of Bank Fraud and Bankruptcy Fraud. The subject pled guilty and agreed to pay restitution of \$4.8 million.
- Our joint investigation with the Social Security Administration OIG and the Internal Revenue Service Criminal Investigations identified three subjects who used stolen identities to access the MySocialSecurity (MySSA) system and redirected victims' benefit payments to accounts the subjects controlled. The subjects also filed false tax returns and redirected the fraudulent tax refunds to the subjects' accounts. The three subjects were indicted in the Middle District of Florida, Orlando Division, and arrested for Conspiracy, Aggravated Identity Theft, and Theft of Public Money.
- Our joint investigation with the U.S. Postal Inspection Service identified numerous counterfeit checks being negotiated in Newark, New Jersey, and in the Washington, DC area. Approximately \$250,000 was identified as counterfeit or altered. One subject has been arrested.



Message from the Inspector General

I am pleased to present the Department of the Treasury (Treasury) Office of Inspector General (OIG) Semiannual Report to Congress for the 6-month period ended March 31, 2019. I would like to express my appreciation to all Treasury OIG staff for making possible the significant audit and investigative results that are summarized in this Semiannual Report, and to Congress and Treasury for their sustained commitment to the important work of our office.

/s/

Eric M. Thorson
Inspector General

This page intentionally left blank.

Contents

Highlights	i
Message from the Inspector General	ii
Treasury Office of Inspector General Overview	1
Management and Performance Challenges	5
Office of Audit – Significant Audits and Other Products	7
Financial Management	7
Cyber/Information Technology	11
RESTORE Act	13
Material Loss Review	15
Anti-Money Laundering/Terrorist Financing and Intelligence	17
Resource Management.....	18
Office of Investigations – Significant Investigations	19
Other Treasury OIG Accomplishments and Activities	27
Statistical Summary	29
Summary of Treasury OIG Activities	29
Metrics Used for Office of Investigations Activities.....	29
Reports with Unimplemented Recommendations	30
Closed Investigations of Senior Government Employees Not Publicly Disclosed	41
Summary of Instances of Whistleblower Retaliation	41
Summary of Attempts to Interfere With Treasury OIG Independence, Including Instances Where Information or Assistance Request was Refused.....	41
Listing of Audit Products Issued	42
Audit Reports Issued With Questioned Costs	47
Audit Reports Issued With Recommendations that Funds Be Put to Better Use	48
Reports for Which No Management Comment was Returned Within 60 Days	49
Reports Issued Over 6 Months for Which No Management Decision Has Been Made	49
Significant Revised Management Decisions.....	49
Significant Disagreed Management Decisions.....	49
Peer Reviews.....	50

Other Reporting Requirements and Requests..... 51
References to the Inspector General Act..... 53
Abbreviations..... 55

Treasury Office of Inspector General Overview

The Department of the Treasury's (Treasury) Office of Inspector General (OIG) was established pursuant to the 1988 amendments to the Inspector General Act of 1978. Treasury OIG is headed by an Inspector General appointed by the President with the advice and consent of the Senate.

Treasury OIG performs independent, objective reviews of Treasury programs and operations, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and keeps the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action. The Treasury Inspector General for Tax Administration and the Government Accountability Office (GAO) perform oversight related to IRS. A Special Inspector General and GAO perform oversight related to TARP.

Treasury OIG also performs independent oversight of programs and operations funded by the Gulf Coast Restoration Trust Fund (Trust Fund) established within Treasury by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). In addition to performing oversight of Treasury-related activities, Treasury OIG performs oversight of programs and operations administered by the Gulf Coast Ecosystem Restoration Council (Council), established as an independent Federal entity, and the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program) administered by the National Oceanic and Atmospheric Administration (NOAA). With regard to the Council and the Science Program, Treasury OIG keeps the appointed Chairperson of the Council, the NOAA Science Program Administrator, and Congress fully informed of problems, deficiencies, and the need for corrective actions.

Treasury OIG has four components: (1) Office of Audit; (2) Office of Investigations; (3) Office of Counsel; and (4) Office of Management. Treasury OIG is headquartered in Washington, DC. Treasury OIG also has an audit office in Boston, Massachusetts, and investigative offices in Greensboro, North Carolina; Houston, Texas; and Jacksonville, Florida.

The Office of Audit, under the leadership of the Assistant Inspector General for Audit, performs and supervises financial and performance audits, attestation engagements, and evaluations. The Assistant Inspector General for Audit also serves as the Special Deputy Inspector General for Small Business Lending Fund (SBLF) Program Oversight.

Under the Assistant Inspector General for Audit, there are three deputies. The first deputy is primarily responsible for financial sector audits to include audits of banking supervision, manufacturing of currency and coins, resource management, and alcohol and tobacco excise tax revenue collection activities; the second deputy is primarily responsible for financial management and transparency audits to include financial audits of Treasury and the Council performed by Treasury OIG staff and contractors, audits of Government-wide collection, payment, and debt programs and operations, and audits of anti-money laundering/terrorist financing, foreign sanction, and intelligence programs and operations; and the third deputy is primarily responsible for cybersecurity, procurement, and financial assistance audits to include audits of Treasury and the Council information systems performed by Treasury OIG staff and contractors, audits of the SBLF program, and RESTORE Act programs and operations.

The Office of Investigations, under the leadership of the Assistant Inspector General for Investigations, performs investigations and conducts initiatives to detect and prevent fraud, waste, and abuse in programs and operations across Treasury OIG's jurisdictional boundaries; and to protect Treasury personnel and facilities against threats. The Office of Investigations also manages the Treasury OIG Hotline to facilitate reporting of allegations involving these programs and operations.

The Office of Counsel, under the leadership of the Counsel to the Inspector General, provides legal advice to the Inspector General and all Treasury OIG components. The office represents Treasury OIG in administrative legal proceedings and provides a variety of legal services, including (1) processing Freedom of Information Act and *Giglio*¹ requests; (2) conducting ethics training; (3) ensuring compliance with financial disclosure requirements; (4) reviewing proposed legislation and regulations; (5) reviewing administrative subpoena requests; and (6) preparing for the Inspector General's signature, cease and desist letters to be sent to persons and entities misusing the Treasury seal and name. Counsel also responds to media and Congressional inquiries and serves as the Whistleblower Protection Coordinator for Treasury.

The Office of Management, under the leadership of the Assistant Inspector General for Management, provides services to maintain the Treasury OIG administrative infrastructure. The Assistant Inspector General for Management is supported by a deputy in leading the day-to-day functions for administrative services; including

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

facilities, human resources, information technology, procurement, records management, and security.

Treasury OIG's fiscal year 2019 appropriation is \$37 million. Treasury OIG's oversight of the SBLF program is funded on a reimbursable basis. As of March 31, 2019, Treasury OIG had 158 full-time staff.

This page intentionally left blank.

Management and Performance Challenges

The Reports Consolidation Act of 2000 requires that the Department of the Treasury (Treasury) Inspector General annually provide his perspective on the most serious management and performance challenges facing Treasury and the Gulf Coast Ecosystem Restoration Council (Council). The following is a synopsis of our annual assessments which are available, in their entirety, on the Treasury Office of Inspector General (OIG) [website](#).

Treasury

In an October 15, 2018, memorandum to the Secretary of the Treasury Steven Mnuchin, we reported the following four challenges facing the Department that were repeated from the prior year:

- Operating in an Uncertain Environment
- Cyber Threats
- Anti-Money Laundering/ Terrorist Financing and Bank Secrecy Act Enforcement
- Efforts To Promote Spending Transparency and To Prevent and Detect Improper Payments

Other matters of concern were also highlighted:

- Challenges with currency and coin production
- Excise tax reform

Gulf Coast Ecosystem Restoration Council

In an October 1, 2018, letter to the Honorable Andrew Wheeler, Acting Administrator of the Environmental Protection Agency, as Chairperson of the Gulf Coast Ecosystem Restoration Council, we reported the following two management and performance challenges that were repeated from the prior year:

- Federal Statutory and Regulatory Compliance
- Grant and Interagency Agreement Compliance Monitoring

This page intentionally left blank.

Office of Audit – Significant Audits and Other Products

Financial Management

Treasury’s Consolidated Financial Statements

KPMG LLP (KPMG), a certified independent public accounting firm working under a contract with and supervised by our office, issued an unmodified opinion on the Department of the Treasury’s (Treasury) fiscal years 2018 and 2017 consolidated financial statements. KPMG reported (1) a significant deficiency in internal control over cash management information systems and a significant deficiency in internal control over Federal debt information systems at the Bureau of the Fiscal Service (Fiscal Service), representing a significant deficiency for Treasury as a whole, (2) a significant deficiency in internal control over unpaid tax assessments and a significant deficiency related to financial reporting systems at the Internal Revenue Service (IRS), collectively representing a significant deficiency for Treasury as a whole, and (3) two Anti-deficiency Act violations where the Treasury Departmental Offices expended amounts that were in excess of the available fund balance in fiscal year 2015. KPMG also reported that Treasury’s financial management systems did not substantially comply with certain requirements of the Federal Financial Management Improvement Act of 1996 related to Federal financial management system requirements. KPMG found no other instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested. **(OIG-19-016)**

In connection with its audit of Treasury’s consolidated financial statements, KPMG issued a management report that discussed new internal control deficiencies relating to Government-wide cash information systems at Fiscal Service that were identified during the audit. Due to the sensitive nature of the information contained in this management report, the management report was designated Sensitive But Unclassified. **(OIG-19-024)** Additionally, KPMG issued a management letter that discussed a matter relating to the Departmental Office’s monitoring of security events. **(OIG-19-019)**

Other Treasury Financial Audits

The Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, requires annual financial statement audits of Treasury and any component entities designated by the Office of Management and Budget (OMB). In this regard, OMB designated IRS for annual financial statement audits. The financial statements of certain other Treasury component entities are

Office of Audit – Significant Audits and Other Products

audited either pursuant to other requirements, their materiality to Treasury’s consolidated financial statements, or as a management initiative. The table below shows the audit results for fiscal years 2018 and 2017.

Treasury-audited financial statements and related audits						
	Fiscal year 2018 audit results			Fiscal year 2017 audit results		
Entity	Opinion	Material weak-nesses	Significant deficiencies	Opinion	Material weak-nesses	Significant deficiencies
Government Management Reform Act/Chief Financial Officers Act requirements						
Department of the Treasury	U	0	2	U	1	1
Internal Revenue Service (A)	U	0	2	U	1	1
Other required audits						
Department of the Treasury’s Closing Package Financial Statements	U	0	0	U	0	0
Office of Financial Stability (TARP) (A)	U	0	0	U	0	0
Bureau of Engraving and Printing	U	0	0	U	0	0
Community Development Financial Institutions Fund	U	0	0	U	0	0
Office of D.C. Pensions	U	0	0	U	0	0
Federal Financing Bank	U	0	0	U	0	0
Treasury Forfeiture Fund	U	0	0	U	0	0
U.S. Mint						
Financial Statements	U	0	1	U	0	0
Custodial Gold and Silver Reserves	U	0	0	U	0	0
Other audited accounts/financial statements that are material to Treasury’s financial statements						
Bureau of the Fiscal Service						
Schedule of Federal Debt (A)	U	0	1	U	0	1
Exchange Stabilization Fund	U	0	0	U	0	0
Management-initiated audits						
Office of the Comptroller of the Currency	U	0	0	U	0	0
Alcohol and Tobacco Tax and Trade Bureau	U	0	0	U	0	0
U.S. Gold Reserves Held by Federal Reserve Banks	U	0	0	U	0	0
U Unmodified opinion.						
(A) Audited by the Government Accountability Office.						

In connection with the fiscal year 2018 financial statement audits, the auditors issued management letters on other matters involving internal control at the Federal Financial Bank (**OIG-19-012**), the Community Development Financial Institutions Fund (**OIG-19-015**), the Treasury Forfeiture Fund (**OIG-19-023**), the United States Mint (**OIG-19-026**), the Office of D.C. Pensions (**OIG-19-028**), the Bureau of Engraving and Printing (**OIG-19-030**), and the Alcohol Tobacco Tax and Trade Bureau (**OIG-19-032**).

Gulf Coast Ecosystem Restoration Council’s Financial Statements

The audit of the Gulf Coast Ecosystem Restoration Council’s (Council) financial statements is also required by the Chief Financial Officers Act of 1990, as amended by the Accountability of Tax Dollars Act of 2002. RMA Associates, LLC (RMA), a certified independent public accounting firm working under a contract with and supervised by our office, issued an unmodified opinion on the Council’s fiscal years 2018 and 2017 financial statements. RMA did not identify any matters involving internal control and its operation that are considered material weaknesses. Additionally, RMA did not identify any instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested. (**OIG-19-017**)

Federal Financial Management Improvement Act

The following instances of noncompliance with the Federal Financial Management Improvement Act of 1996, were reported in connection with the audit of Treasury’s fiscal year 2018 consolidated financial statements.

Condition	Type of noncompliance
Treasury continues to have deficiencies in IRS financial management systems. Specifically, Treasury did not consistently design, implement, and operate information system controls and security programs over its financial systems in accordance with the Federal financial management system requirements. (first reported in fiscal year 1997)	Federal financial management system requirements
Treasury has deficiencies in Fiscal Service government-wide cash and Federal debt management information systems. Specifically, Fiscal Service did not consistently design, implement, and operate information system controls and security programs over its cash and Federal debt systems in accordance with the Federal financial management system requirements. (new reporting in fiscal year 2018)	Federal financial management system requirements

The status of these instances of noncompliance, including progress in implementing remediation plans, will be evaluated as part of the audit of Treasury’s fiscal year 2019 consolidated financial statements.

Attestation Engagements

Reports on the Processing of Transactions by Fiscal Service

KPMG examined general computer and investment/redemption processing controls used for processing various Federal agencies' transactions by Fiscal Service's Federal Investments and Borrowings Branch, and general computer and trust funds management processing controls used for processing various Federal and State agencies' transactions by the Fiscal Service's Funds Management Branch for the period beginning August 1, 2017, and ending July 31, 2018. KPMG found, in all material respects, that the controls were fairly presented in the description of controls for these activities and suitably designed. KPMG also found that controls tested operated effectively throughout the period. **(OIG-19-004, OIG-19-003)**

Reports on the Processing of Transactions by Treasury Enterprise Business Solutions

RMA examined Treasury Enterprise Business Solutions' description of controls for processing user entities' human resource transactions in its HRConnect system; and the suitability of the design and effectiveness of these controls for the period beginning September 1, 2017, and ending July 31, 2018. RMA found, in all material respects, the controls were fairly presented in the description of controls for this system, suitably designed, and controls tested operated effectively throughout the period. **(OIG-19-006)**

Cyber/Information Technology

The Federal Information Security Modernization Act of 2014 (FISMA) requires Inspectors General to perform an annual, independent evaluation of their agency’s information security program and practices. During this semiannual reporting period, we issued reports on Treasury’s and the Council’s compliance with FISMA.

Fiscal Year 2018 Audit of Treasury’s Federal Information Security Program for its Unclassified Systems

KPMG, a certified independent public accounting firm working under a contract with and supervised by our office, performed an audit of Treasury’s information security program and practices for its unclassified systems. The Treasury Inspector General for Tax Administration performed the annual FISMA evaluation of IRS’ unclassified systems. For fiscal year 2018, KPMG determined that Treasury’s information security program and practices for its unclassified systems were established and have been maintained for the 5 cybersecurity functions and 8 FISMA metric domains. However, the program was not effective. KPMG identified 8 deficiencies within 3 of the 5 cybersecurity functions and within 4 of the 8 FISMA metric domains. Specifically, KPMG reported the following at one or more Treasury component entity:

- security assessment and authorization processes were not consistently completed (2 component entities);
- system security plans were not always updated in accordance with National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, “Security and Privacy Controls for Federal Information Systems and Organizations”, Treasury Directive Publication 85-01, “Treasury Information Technology Security Program” (TD P 85-01), and bureau and office information security policies (2 component entities);
- monitoring of information security controls for systems hosted by third parties was not consistently defined, documented, and implemented (1 component entity);
- plans of actions and milestones were not consistently created and tracked in accordance with TD P 85-01 (1 component entity);
- information system hardware and software inventory controls were not fully defined and consistently reviewed (1 component entity);

- configuration security baselines were not always established, and vulnerability scanning was not consistently performed (1 component entity);
- account management policies were not consistently followed for authorizing, reviewing, recertifying, and removing user access (4 component entities); and
- contingency planning controls were not consistently implemented (1 component entity).

KPMG made 24 recommendations to the responsible officials to address the identified deficiencies. Treasury management agreed with the recommendations and prepared corrective action plans that met the intent of KPMG's recommendations. **(OIG-19-007)**

Fiscal Year 2018 Audit of Treasury's Federal Information Security Program for its Collateral National Security Systems

KPMG, working under a contract with and supervised by our office, also performed an audit of Treasury's information security program and practices for its collateral National Security Systems (NSS). For fiscal year 2018, KPMG reported that Treasury established and maintained its information security program and practices for its collateral NSS for the 5 cybersecurity functions and 8 FISMA metric domains. However, the program was not effective. KPMG identified 4 deficiencies within 3 of the 5 cybersecurity functions and within 3 of the 8 FISMA metric domains. Specifically, KPMG reported the following at one or more Treasury component entity:

- security controls in collateral system security plans were not defined and implemented in accordance with the Committee on National Security Systems Instruction 1253, "Security Categorization and Control Selection for National Security Systems," bureau and office information security policies, TD P 85-01, "Appendix B: Initial Security Control Set for Non-Intelligence National Security Systems and Information," and NIST (2 component entities);
- plans of actions and milestones were not documented appropriately for collateral NSS (1 component entity);
- collateral NSS access authorization and review controls needed enhancement (1 component entity); and

- a collateral NSS incident response plan was not reviewed (1 component entity).

KPMG made 9 recommendations to the responsible officials to address the identified deficiencies. Treasury management agreed with the recommendations and prepared corrective action plans that met the intent of KPMG's recommendations. **(OIG-19-008) Sensitive But Unclassified**

Annual Evaluation of the Gulf Coast Ecosystem Restoration Council's Information Security Program

RMA, working under a contract with and supervised by our office, performed an evaluation of the Council's information security program and practices for the period July 1, 2017 through June 30, 2018. RMA reported that the Council's information security program and practices were established and have been maintained for the 5 cybersecurity functions and 8 FISMA metric domains, and concluded that the Council's information security program and practices were effective for the period July 1, 2017 through June 30, 2018. **(OIG-CA-19-005)**

RESTORE Act

As part of our ongoing oversight of Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) programs, we assess the Council's and Treasury's activities funded by the Act. We issued the following two reports this semiannual period.

Florida Institute of Oceanography's Centers of Excellence Research Grants Program

McConnell & Jones LLP (McConnell & Jones), a certified independent public accounting firm working under a contract with and supervised by our office, assessed the Florida Institute of Oceanography's (FIO) administration of Centers of Excellence Research Grants Program (Centers of Excellence) subawards for compliance with the RESTORE Act and applicable Federal statutes, regulations, and award agreements. McConnell & Jones found no matters of concern in FIO's administration of its Centers of Excellence subawards as it related to areas of compliance with (1) allowable costs and cost principles, (2) activities allowed or unallowed, (3) cash management, (4) financial and performance reporting, (5) financial management, (6) environmental requirements, (7) records retention

requirements, (8) “Special Award Conditions” in the Notice of Award, and (9) “Program-Specific Terms and Conditions” in Treasury’s *RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions*. However, FIO’s subrecipient monitoring was insufficient. Specifically, FIO did not ensure that subrecipients who make subawards carry out all the responsibilities of a pass-through entity as described in OMB’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200 (Uniform Guidance)*. That is, FIO did not request and review copies of lower tier subaward agreements from the subrecipients.

Accordingly, McConnell & Jones recommended that Treasury’s Fiscal Assistant Secretary consider FIO’s need to strengthen its subrecipient monitoring procedures over Centers of Excellence subawards as part of Treasury’s oversight and administration of FIO’s Centers of Excellence award as well as risk assessments required by *Uniform Guidance* for future awards. Treasury management agreed with the recommendation and stated that it will review FIO’s documents as part of Treasury’s administration and oversight of awards. **(OIG-19-010)**

Escambia County’s Internal Control over Federal Awards

We assessed Escambia County, Florida’s (Escambia County) internal control over the administration of Federal awards in accordance with Federal laws, regulations, and Treasury’s grant application requirements. We concluded that Escambia County had designed and implemented a system of internal control to administer Federal awards as required by OMB’s *Uniform Guidance*, Treasury’s *RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions*, and Treasury’s *RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance*. As such, we made no recommendations in our report. **(OIG-19-002)**

Material Loss Review

Section 38(k) of the Federal Deposit Insurance Act requires the Inspector General for the primary Federal regulator of a failed financial institution to conduct a material loss review when the estimated loss to the Deposit Insurance Fund (DIF) is “material.” Within Treasury, the Office of the Comptroller of the Currency (OCC) is the primary regulator of financial institutions. A loss is considered “material” when it exceeds \$50 million (with provisions to increase the material loss review trigger to a loss that exceeds \$75 million under certain circumstances). As part of the review, we determine the causes of the bank’s failure; assess supervision of the bank, including implementation of Section 38 Prompt Corrective Action provisions (PCA);² and make recommendations for preventing any such loss in the future. During this reporting period, we completed a material loss review of Washington Federal Bank for Savings (Washington Federal) located in Chicago, Illinois.

Washington Federal Bank for Savings

On December 15, 2017, OCC closed Washington Federal and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. As of September 30, 2018, the FDIC estimated a loss to the DIF of \$82.6 million.

Washington Federal failed because of fraud in the bank’s loan activity perpetrated by bank employees. The fraudulent activity depleted the bank’s capital, with the result that the bank was insolvent and was in an extremely unsafe and unsound condition to transact business. Regarding supervision, OCC generally performed examinations of Washington Federal in accordance with laws, regulations, and guidance; however, we identified weaknesses in the execution of OCC’s supervision of the bank that led to missed opportunities for timely enforcement actions related to the bank’s loan portfolio. Specifically, the supervisory weaknesses identified were (1) the Supervisory Office and Examiners-in-Charge (EIC) did not provide sufficient supervision of examination staff comprised mainly of first-time Assistant Examiners-in-Charge (AEIC) and examiners with limited experience, (2) examiner conclusions were contradicted by documentation in the OCC work papers, (3) examiners did not act promptly

² PCA is a framework of supervisory actions for insured institutions that are not adequately capitalized. It is intended to ensure that action is taken when an institution becomes financially troubled in order to prevent a failure or minimize resulting losses. These actions become increasingly more severe as the institution falls into lower capital categories. The capital categories are well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

to address significant weaknesses in the loan portfolio reporting capability of the bank's management information system, (4) examiners missed red flags related to Washington Federal's loan portfolio and resultantly did not timely expand the core assessment minimum procedures, (5) examiners did not identify and did not report unsafe or unsound practices that were contrary to agency guidance and bank policy related to the appraisal program, and (6) examiners did not identify a lack of independence in the bank's lending or loan review function.

We recommended that OCC (1) assess the need for additional guidance related to the supervision of non-commissioned examiners by the EIC and the Supervisory Office including the need to require that supervision be documented; (2) revise examination guidance to clarify the roles and responsibilities of an EIC in supervising an examination team, with an emphasis on reviewing work papers and confirming that conclusions in work papers are supported by the documentation; (3) reinforce to examiners and provide training where necessary to ensure they understand (a) the requirements of OCC Bulletin 2000-20: *Uniform Retail Credit Classification and Account Management Policy* and the importance of the bank maintaining sufficient loan portfolio reporting for extensions, deferrals, renewals, and rewrites of closed-end loans, and (b) that bank assurances made to examiners regarding deficiencies being resolved should be viewed with skepticism unless support for the assurances is provided and the examiner validates the effectiveness of the bank's corrective actions, especially when the deficiencies result in noncompliance with regulation or law; (4) reinforce to examiners and provide training where necessary that expanded procedures are recommended when (a) an examination team is comprised of examiners in training positions and those with limited experience, including AEICs, and (b) that expanded procedures are recommended for banks, or examination areas, that are consistently considered low risk; (5) reinforce to examiners and provide training where necessary of the need to identify and report appraisal exceptions as required by the *Interagency Appraisal and Evaluation Guidelines*, and (6) reinforce to examiners and provide training where necessary of the need to identify and address issues of independence in small banks where employees or board members are participating in more than one function or committee.

OCC agreed with our recommendations and we considered OCC's planned corrective actions to be responsive to our recommendations. **(OIG-19-009)**

Anti-Money Laundering/Terrorist Financing and Intelligence

We conduct audits of Treasury’s anti-money laundering and terrorist financing and intelligence programs. During this semiannual reporting period, we issued the first of two audit reports related to the Office of Terrorism and Financial Intelligence’s (TFI) compliance with Title 2, *Countering Russian Influence in Europe and Eurasia Act of 2017*, of the *Countering America’s Adversaries Through Sanctions Act (CAATSA)*.

Audit of the Office of Terrorism and Financial Intelligence’s Report on Section 241 of the Countering America’s Adversaries Through Sanctions Act

In this first report, we assessed whether TFI complied with reporting requirements stipulated in CAATSA section 241, *Report on Oligarchs and Parastatal Entities of the Russian Federation*.

We found that TFI’s report to Congress complies with the requirements listed in CAATSA section 241, but the response to one of the sections lacks detailed analysis. Specifically, TFI’s response to section 241(a)(3), on the exposure of key economic sectors of the United States to Russian politically exposed persons and parastatal entities, could be more informative. The completion of the CAATSA section 241 report represents a great undertaking among members of multiple agencies including Treasury, represented by TFI. However, TFI’s prioritization of four of the five sections and a miscommunication between TFI personnel, led to a gap in project management over section 241(a)(3) and ultimately left little time for Treasury employees with requisite knowledge and experience to provide a more detailed analysis.

Accordingly, we recommended that TFI, in responding to new legislation and ad hoc requests from stakeholders requiring coordination among multiple components, assigns a project manager. TFI management concurred with the recommendation and agreed to continue to assign, as appropriate, an employee with sufficient stature and authority to be responsible for overseeing and coordinating complex, multifaceted reports, such as section 241. Management’s response met the intent of our recommendation.

The focus of our second report will be to assess whether TFI’s Ukraine-/Russia-related sanctions program complies with applicable laws and regulations, including the CAATSA Title 2 sections. **(OIG-19-033)**

Resource Management

We conduct audits related to Treasury’s administration of its programs and operations. During this semiannual reporting period, we issued a report on Treasury Office of Consumer Policy’s (OCP) administration of the Financial Empowerment Innovation Fund (Innovation Fund).

Treasury Office of Consumer Policy’s Administration of the Financial Empowerment Innovation Fund Complied with Requirements

The Innovation Fund was created to support the Federal Government’s policy to promote and enhance financial capability among the American people. We assessed OCP’s processes and controls related to the administration of the Innovation Fund, and of its compliance with applicable laws, regulations, policies, and procedures for project awards.

We concluded that OCP appropriately administered the Innovation Fund and complied with applicable policies, procedures, laws, and regulations. OCP collaboratively worked with IRS Procurement in developing an acquisition plan and drafting the solicitation for all contracts awarded under the Innovation Fund as of September 30, 2017. OCP was involved in the evaluation and selection process for the contracts. In addition, the contracting officer’s representative effectively monitored the contracts, reviewed deliverables, and approved invoice payments. To the extent possible, and in accordance with the contract terms and conditions, OCP also reviewed and provided insights as to the effectiveness of the research and tools made available through the contracts. OCP did not have any internal policies and procedures relating to the administration of contracts. However, OCP officials told us that OCP did not anticipate administering additional contracts in the future. As such, we did not make any recommendations in our report. That said, in the event that OCP issues contracts in the future, we encouraged OCP to develop internal policies and procedures relating to the administration of contracts. OCP agreed with our conclusion. **(OIG-19-001)**

Office of Investigations – Significant Investigations

Subject Pleads Guilty to Bank Fraud and Bankruptcy Fraud

Our joint investigation with the Small Business Administration Office of Inspector General (OIG) substantiated allegations of Bank Fraud and Bankruptcy Fraud. The case was referred to the U.S. Attorney’s Office (USAO), Northern District of Oklahoma by the Office of the U.S. Trustee. The bank alleged that the subject and his company, committed Loan and Bankruptcy Fraud in the amount of \$5 million. The subject pled guilty to Bank Fraud and Bankruptcy Fraud, and agreed to pay restitution of \$4.8 million. Judicial action is pending.

Former Treasury Contractor Indicted for Possession of Child Pornography

Our joint investigation with the Homeland Security Investigations (HSI) Child Exploitation Group was initiated when an internet protocol address (IP address) associated with child pornography material led to a former Department of the Treasury (Treasury) contractor. During an interview with HSI, the subject stated he was a contractor for Treasury. Treasury confirmed the subject was employed at Treasury’s Departmental Offices and that the contractor was responsible for supporting and assisting customers with information technology (IT) needs. The investigation revealed a collection of child pornography material that was located on the subject’s personal computer that he maintained at his residence. The subject was indicted on Receipt and Possession of Child Pornography and arrested on Possession of Child Pornography charges. A preliminary hearing was held in the U.S. District Court, Eastern District of Virginia, and probable cause was found to proceed the case to the Grand Jury. Judicial action is pending.

Three Subjects Arrested for Unauthorized Use of MySSA to Redirect SSA Benefits and Tax Refund Fraud

Our joint investigation with the Social Security Administration (SSA) OIG and the Internal Revenue Service Criminal Investigations (IRS-CI), identified three subjects who used stolen identities to access the MySocialSecurity (MySSA) system and redirected victims’ benefit payments to accounts the subjects controlled. The subjects also filed false tax returns and redirected the fraudulent tax refunds to the subjects’ accounts. The three subjects were indicted in the Middle District of Florida, Orlando Division, and were arrested for Conspiracy, Aggravated Identity Theft, and Theft of Public Money. Judicial action is pending.

Federal Complaints Filed for Four Subjects and One Subject Arrested for Stealing Veterans Funds

Our joint investigation with the U.S. Department of Veterans Affairs OIG, revealed an organized criminal group redirecting veterans' benefits to fraudulent bank accounts. The subjects used stolen personally identifiable information (PII) to establish the accounts and redirect the wire transfers of funds to prepaid debit cards, such as Netspend. The investigation has identified five subjects. Criminal Complaints were filed for four subjects in the U.S. District Court, Eastern District of New York. One of the four subjects was subsequently arrested for Conspiracy to Commit Wire Fraud. Judicial action is pending.

New Jersey Subject Arrested for Counterfeit/Altered Treasury Checks

Our joint investigation with the U.S. Postal Inspection Service (USPIS), identified numerous counterfeit checks being negotiated in Newark, New Jersey, and in the Washington, DC area. The checks used the Treasury routing number, listed the remitter as "Kansas City, MO", and had the appearance of being insurance payouts. Research through the Bureau of the Fiscal Service identified approximately \$250,000 of the checks as counterfeit or altered. One subject has been identified, and collectively; Treasury OIG, USPIS, New York State Office of Internal Affairs, and HSI arrested the subject. Judicial action is pending.

Subject Pleads Guilty for Denial of Service Attacks on Local and Federal Government Networks to Include Treasury.gov

Our joint investigation with the Federal Bureau of Investigation (FBI), identified a subject who initiated Denial of Service attacks on local and Federal Government websites, including a Treasury website. The subject, an anonymous-affiliated threat actor, took credit for the attacks by posting on Twitter. The subject was indicted for Damage to a Protected Computer and Loss to Persons of at least \$5,000 in the U.S. District Court, Northern District of Ohio Eastern Division. The FBI arrested the subject in Akron, Ohio, on the charge of Damage to a Protected Computer. The subject pled guilty to Damaging Protected Computers and is in the custody of the U.S. Marshall Service. Judicial action is pending.

Man Arrested for Fraudulently Obtaining Mother's SSA Benefits

Our joint investigation with the SSA OIG, revealed evidence that a subject received \$179,000 of his mother's SSA benefits, of which he was not entitled. The whereabouts of the victim, the subject's mother, are unknown. Her last known contact and residence was with her son in or about 1996. The victim would be 100 years-old, if still living. The subject was indicted for Theft of Government Funds in the Middle District of Florida Jacksonville Division, and has since been arrested. Judicial action is pending.

Subject Arrested for Wire Fraud after Takeover of a Thrift Savings Plan

Our joint investigation with the FBI and the Alexandria Police Department, Alexandria, Virginia, disclosed that a subject took over a victim's Thrift Savings Plan (TSP) account. The subject gained access to the victim's account by answering basic security questions and changing the password online. The subject filed a fraudulent TSP loan application for \$45,000 and deposited the funds into a bank account fraudulently opened in the victim's name. The subject also obtained a fraudulent Virginia driver's license using the victim's information. The subject was identified on automated teller machine surveillance videos withdrawing money from the fraudulent account, and was arrested for Wire Fraud. Judicial action is pending.

FinCEN Employee Terminated for Providing False Statements

Our investigation revealed that a Financial Crimes Enforcement Network (FinCEN) employee was stopped by local law enforcement while driving his personal vehicle with tinted windows and emergency law enforcement lights. During the traffic stop, the subject presented self-created credentials and provided false statements to the law enforcement officer. The subject was placed on administrative leave and was terminated at the conclusion of the investigation.

Following is information related to significant investigative activities from prior semiannual periods.

Subject Pleads Guilty to Conspiracy and Identity Theft

As reported in previous semiannual periods, our joint investigation with the IRS-CI and USPIS revealed that multiple subjects conspired to defraud the Federal Government by

producing at least 12,000 fraudulent Federal income tax returns using stolen identities, and negotiating the resulting tax refund payments, totaling at least \$40 million for personal gain.

Update: One subject pled guilty to Conspiracy and Aggravated Identity Theft. To date, the joint investigation has resulted in 49 arrests, including the arrest of employees of money services businesses, financial institutions, and the U.S. Postal Service. The arrests have so far resulted in 42 guilty pleas; 3 subjects were found guilty by jury trial. There have been 33 subjects sentenced to nearly 1,065 months in prison, 1,180 months of probation, and ordered to pay nearly \$22 million in restitution to Treasury. The case is being prosecuted by the USAOs in the District of Columbia; the District of Maryland, Greenbelt Office; and by the Department of Justice Tax Division. Judicial action is pending.

Subject Sentenced for Conspiracy to Commit Wire Fraud

As reported in a previous semiannual period, our joint investigation with the Treasury Inspector General for Tax Administration, determined that at least nine subjects in the Fort Worth, Texas area produced counterfeit commercial checks using the routing number specifically assigned to Treasury. The nine subjects were indicted on charges of Conspiracy to Commit Wire Fraud and Wire Fraud. Federal arrest warrants obtained through the USAO, Eastern District of Texas, were served on seven of the nine subjects.

Update: The final subject, charged with Conspiracy to Commit Wire Fraud, was sentenced to 60 months of probation, restitution of \$140,000, and a special assessment of \$100. All nine subjects have been sentenced to a total of 131 months in prison, 396 months of probation, \$464,000 in restitution, and \$900 in special assessment fees.

Two Subjects Indicted for Access Device Fraud Using Stolen Credit Cards

As reported in previous semiannual periods, our investigation of an organized criminal group using stolen credit cards issued by Treasury-regulated financial institutions to purchase \$400,000 in gift cards from stores, identified five subjects for prosecution. One subject pled guilty in U.S. District Court, District of Maryland, to Access Device Fraud for using stolen credit cards to purchase gift cards.

Update: Two additional subjects were indicted in U.S. District Court, District of Maryland, for Access Device Fraud using stolen credit cards to purchase gift cards. Judicial action is pending.

Subject Sentenced for Producing and Uttering Fictitious Treasury Obligations

As reported in previous semiannual periods, our joint investigation with the FBI led to the indictment of a subject identified as a Sovereign Citizen, who attempted to pay off a mortgage and other loans, totaling \$253,000, with fictitious documents purportedly issued by the Treasury. The subject was indicted and arrested for Producing and Uttering Fictitious Treasury obligations in U.S. District Court, Middle District of Florida. The subject was found guilty and sentencing was pending.

Update: The subject was sentenced to 15 months in prison, 24 months of probation, and ordered to pay a \$400 special assessment.

Subject Sentenced for Conspiracy to Commit Access Device Fraud and Aggravated Identity Theft and Arrest of a Fugitive

As reported in previous semiannual periods, our investigation identified three subjects that used fraudulently obtained PII to compromise a retail merchant's accounts at Treasury-regulated financial institutions. The subjects were indicted for Conspiracy to Commit Access Device Fraud, Use of Unauthorized Access Devices, and Aggravated Identity Theft. The first subject was arrested in the Southern District of Florida, pled guilty to Conspiracy to Commit Access Device Fraud and Aggravated Identity Theft, and was sentenced to 34 months in prison, 36 months of probation, ordered to pay \$83,000 in restitution, and a \$200 special assessment. The second subject had been arrested. The third subject was a fugitive.

Update: The second subject pled guilty to Conspiracy to Commit Access Device Fraud and Aggravated Identity Theft and was sentenced to 34 months in prison, 36 months of probation, and ordered to pay \$83,000 in restitution, and a \$200 special assessment. The United States Secret Service, Charlotte Field Office, Charlotte, North Carolina, arrested the third subject, who was a fugitive. The third subject pled guilty to Conspiracy to Commit Access Device Fraud and Aggravated Identity Theft and was sentenced to 39 months in prison, 36 months of probation, and ordered to pay \$83,000 in restitution, and a \$200 special assessment.

Two Subjects Sentenced for Conspiracy to Commit Bank Fraud

As reported in previous semiannual periods, our joint investigation with the Fairfax City Police Department, Virginia, and USPIS uncovered a criminal fraud conspiracy involving subjects using counterfeit Washington, DC, drivers' licenses to negotiate stolen Treasury checks and Washington, DC, payroll checks. This case is being prosecuted by the USAO, Eastern District of Virginia.

Update: Two subjects were sentenced. One subject was sentenced to 3 months in prison, 36 months of probation, \$12,000 in restitution, and a \$100 special assessment. The other subject was sentenced to 12 months in prison, 36 months of probation, \$23,000 in restitution, and a \$100 special assessment. To date, six of seven subjects have been identified, with two pending arrests. Four of the six subjects identified have been sentenced for a total of 104 months and 1 day in prison, 144 months of probation, \$100,000 in restitution, and \$400 in special assessments.

Two Subjects Plead Guilty to Aggravated Identity Theft and Making a Materially False Statement to a Bank

As reported in previous semiannual periods, our joint investigation with the North Carolina Treasury Financial Crimes Task Force (NC-TFCTF) and the Durham Police Department, North Carolina, determined a subject, who was on probation, targeted female victims through internet dating websites and social media. The subject obtained personal bank account information by convincing the victims to provide access, changed the victims' passwords, and ordered checks. Checks obtained by the subject from a victim's account were deposited in another victim's account. The subject withdrew funds before the Treasury-regulated bank detected the scheme. This case was prosecuted by the USAO, Middle District of North Carolina. The subject was arrested for Making a Materially False Statement to a Bank and Aggravated Identity Theft. The subject pled guilty and was sentenced to 45 months in prison, 60 months of probation, ordered to pay restitution in the amount of \$19,000, and a \$200 special assessment. Two additional subjects were indicted and arrested for Aggravated Identity Theft and Making a Materially False Statement to a Bank.

Update: The two subjects accepted a plea deal. Judicial action is pending.

Subject Sentenced for Unauthorized Access Devices, with Intent to Defraud

As reported in a previous semiannual period, our joint investigation, initiated after a request for investigative assistance from the Brevard County, Florida Sheriff's Office, revealed a subject in Melbourne, Florida, was in possession of over 106 debit and credit cards, numerous financial institution documents related to bank accounts, cash, guns, PII, and electronic equipment, all of which were seized with a search warrant conducted on the residence. The subject admitted to conducting identity theft crimes for approximately 3 years. The subject was charged and pled guilty for knowingly being in possession of 15 or more Unauthorized Access Devices, with the Intent to Defraud. Prosecution of this case is being conducted by the USAO, Middle District of Florida.

Update: The subject was sentenced to 36 months of probation and ordered to pay \$36,000 in restitution. Two additional subjects have been indicted for violations of Access Device Fraud and Aggravated Identity Theft. Judicial Action is pending.

Former BEP Employee Pleads Guilty to Wire Fraud

As reported in a previous semiannual period, a former senior Bureau of Engraving and Printing (BEP) employee, in a sensitive high-risk position, stole over \$16,000 from an employee-funded organization's account, making at least seven personal withdrawals. The subject made statements to other employees that additional dues were owed by members to cover the debts of the organization and used the withdrawals to partially pay on debt the subject owed to the IRS. The subject was indicted in the U.S. District Court, District of Maryland, Baltimore Office on charges related to Wire Fraud.

Update: The subject pled guilty to Wire Fraud. Judicial action is pending.

Subject Preying on Elderly Pleads Guilty to Bank Fraud and Aggravated Identity Theft

As reported in a previous semiannual period, our investigation, conducted at the request of the USAO, Middle District of North Carolina, by the NC-TFCTF identified a subject who preyed upon the elderly. The subject forced elderly victims to forge and negotiate checks at Treasury-regulated financial institutions, taking the proceeds from the victims. The subject had an extensive criminal history for similar crimes impacting

the community. The subject was indicted for Aggravated Identity Theft, Bank Fraud, and Wire Fraud by the USAO, Middle District of North Carolina.

Update: The subject pled guilty to Bank Fraud and Aggravated Identity Theft and was sentenced to 52 months in prison, 60 months of probation, and ordered to pay \$300 in restitution.

Veterinarian Pleads Guilty to False Statements and Identity Theft

As reported in previous semiannual periods, our joint investigation with the NC-TFCTF and the Durham Police Department, North Carolina, determined a veterinarian fraudulently used customers' credit cards through merchant chargebacks with an on-site credit card processor and credit applications to establish fraudulent credit lines at Treasury-regulated financial institutions. The subject was indicted for violations of Access Device Fraud, Aggravated Identity Theft, Bank Fraud, Wire Fraud, and Prescription Fraud by the USAO, Middle District of North Carolina.

Update: The subject pled guilty to False Statements and Identity Theft. Judicial action is pending.

Other Treasury OIG Accomplishments and Activities

Treasury OIG Leadership Roles

Treasury OIG professionals serve on various important public and private professional organizations supporting the Federal audit community. Examples of participation in these organizations follow:

Deborah Harker, Assistant Inspector General for Audit, serves as the Co-Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Federal Audit Executive Council's (FAEC) Digital Accountability and Transparency Act (DATA Act) Working Group Governance Committee. **Ms. Harker** also represents CIGIE on the Chief Financial Officers Council, Leveraging Data as a Strategic Asset Working Group.

Pauletta Battle, Deputy Assistant Inspector General for Financial Management and Transparency Audits, chairs the FAEC's DATA Act Working Group, which educates Inspectors General and Government financial communities on the DATA Act oversight process. The Working Group consists of approximately 200 members representing 38 OIGs. **Ms. Battle** hosted the CIGIE FAEC fiscal year 2019 Common Methodology DATA Act Workshop (Workshop) at the Nuclear Regulatory Commission OIG's auditorium on February 15, 2019. The Workshop included over 370 registered attendees, which included representatives from agencies across the Federal government as well as contractors. The purpose of the Workshop was to educate the OIG community on the changes to the DATA Act guide from the previous audit cycle and facilitate the consistency across OIGs in performing their respective DATA Act audits.

Lisa Carter, Deputy Assistant Inspector General for Financial Sector Audits, serves as the Treasurer for the Association of Inspectors General DC Chapter, an organization of Federal, State, and local Inspectors General. **Ms. Carter** is also a member of its Training committee.

Donna Joseph, Deputy Assistant Inspector General for Cyber and Financial Assistance Audits, serves as the National Single Audit Coordinator for Treasury, and is a member of the American Institute of Certified Public Accountants' (AICPA) National Governmental Accounting and Auditing Update planning committee. The committee coordinates its annual east coast conference.

James Hodge, Audit Director, serves with **Ms. Joseph** on the AICPA National Governmental Accounting and Auditing Update Conference planning committee, and is

Other Treasury OIG Accomplishments and Activities

a member of the Office of Management the Budget's Fraud Reduction and Data Analytics Act Working Group. The Working Group's current focus is on fraud taxonomy to improve the Federal Government's fraud risk management efforts. Within the Working Group are numerous subgroups, broken out by internal and external fraud types. **Mr. Hodge** is a member of the internal fraudulent financial reporting subgroup.

Jeffrey Dye, Audit Director, regularly teaches a module of the Introductory Auditor course sponsored by the CIGIE Training Institute.

Statistical Summary

Summary of Treasury OIG Activities

October 1, 2018 through March 31, 2019

OIG Activity	Number or Dollar Value
Office of Counsel Activities	
Regulation and legislation reviews	3
Instances where information was refused	0
Office of Audit Activities	
Reports issued and other products	45
Disputed audit recommendations	0
Significant revised management decisions	0
Management decision in which the Inspector General disagrees	0
Monetary benefits (audit)	
Questioned costs	\$0
Funds put to better use	\$0
Total monetary benefits	\$0
Office of Investigations Activities	
Criminal and judicial actions (including joint investigations)*	
Investigative reports issued	139
Cases referred for prosecution and/or litigation	24
Individuals referred for criminal prosecution to the Department of Justice	26
Individuals referred for criminal prosecution to state and local authorities	0
Cases accepted for prosecution and/or litigation	13
Arrests	9
Indictments/informations	14
Convictions (by trial and plea)	15

**During the reporting period, subjects were sentenced to 181 months of prison time, 375 months of probation, 1,095 days of community service, and ordered to pay fines, restitution, and court fees in the amount of \$9.1 million. In addition, Department of the Treasury (Treasury) Office of Inspector General (OIG) seized \$5.8 million as the result of criminal prosecutions.*

Metrics Used for Office of Investigations Activities

Treasury OIG investigative statistics listed above were obtained through reports drawn from Treasury OIG's Office of Investigations case management system.

Reports with Unimplemented Recommendations

Issued prior to October 1, 2018

The following list of Treasury OIG reports with unimplemented recommendations is based on information in Treasury’s automated audit recommendation tracking system, which is maintained by Treasury management officials, and recommendations tracked by other Federal organizations related to Treasury OIG’s oversight of the Resources and Ecosystems Sustainability, Tourist Operations, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) programs and activities of the Gulf Coast Ecosystem Restoration Council (Council) and the National Oceanic and Atmospheric Administration’s Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program.

Treasury OIG is reporting 94 open and unimplemented recommendations for 20 reports issued prior to October 1, 2018. Treasury OIG does not have any potential cost savings to report for these reports.

Treasury OIG considers all unimplemented recommendations for reports issued over 6 months to be significant.

Treasury Programs and Operations

Number	Date	Report Title and Recommendation Summary
OIG-15-036	06/15	<p><i>RESTORE Act: Alabama’s Center of Excellence Was Not Selected through Competitive Award</i></p> <p>The Fiscal Assistant Secretary should ensure that the Alabama Council selects its Centers of Excellence through a competitive process in accordance with the RESTORE Act and Treasury regulations prior to disbursing grant funds to the Alabama Council for funding Centers of Excellence. Management agreed with the recommendation. (1 recommendation)</p>
OIG-15-040	07/15	<p><i>OSP Needs to Promptly Inform OIG of Potential Illegal Activity and Improve Other Processes</i></p> <p>The Assistant Secretary for Intelligence and Analysis should (1) conduct, in conjunction with the Office of the Chief</p>

Information Officer, a resource analysis of the Office of Security Programs (OSP) to determine the proper information technology software, equipment, and support needed to comply with Central Verification System requirements and (2) ensure that OSP works with the Office of the Chief Information Officer and Office of Personnel Management, as appropriate, to resolve OSP system and data issues with the Central Verification System so that Treasury employee security clearance data is provided to and maintained in the Central Verification System on a complete, current, and accurate basis going forward. Management agreed with the recommendations. (2 recommendations)

OIG-16-001 10/15 *Libyan Sanctions Case Study*
 The Director of the Office of Foreign Assets Control (OFAC) should (1) implement a methodology to identify blocked assets that have been released by license type (general or directive); and (2) develop a lessons-learned process to capture and communicate acquired knowledge from past sanctions programs at a time appropriate for each sanctions program. Management agreed with the recommendations. (2 recommendations)

OIG-16-010 11/15 *Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2015 Performance Audit*
 United States Mint (Mint) management, for the selected system, should (1) ensure access forms are completed, properly reviewed by the help desk prior to granting access, and centrally retained by the help desk; (2) ensure that control implementation statements and statuses for all National Institute of Standards and Technology Special Publication 800-53, Revision 4, "Security and Privacy Controls for Federal Information Systems and Organizations" controls and control enhancements are fully addressed in the system security plan; and (3) ensure that its third-party cloud service provider

provides Federal Information Security Modernization Act of 2014 (FISMA)-related artifacts to demonstrate FISMA compliance to the Mint security compliance team. Management agreed with the recommendations. (3 recommendations)

OIG-16-059 09/16 *General Management: Treasury Has Policies and Procedures to Safeguard Classified Information but They Are Not Effectively Implemented*

The Assistant Secretary for Intelligence and Analysis should direct the Deputy Assistant Secretary for Security to (1) emphasize to derivative classifiers the importance of properly marking classification decisions, including adding a note in classified emails to remind employees to properly portion mark emails before sending; (2) update the Treasury Security Manual to include OSP responsibilities to (i) follow-up timely with Departmental Offices (DO) and bureaus on their Standard Form (SF) 311 submissions; (ii) review the SF 311s for completeness and accuracy; (iii) implement a mechanism such as a checklist or reconciliation to ensure complete and accurate reporting of SF 311 information; and (iv) document explanations for corrections made to DO's and bureaus' SF 311 reporting if OSP makes any changes; (3) provide additional guidance and training to SF 311 preparers focusing on areas of repeated weaknesses such as difficulties identifying the difference between original and derivative classification decisions; and (4) update the Treasury Security Manual to include procedures requiring OSP to follow up and obtain all bureau self-inspection reports. Management agreed with the recommendations. (4 recommendations)

Treasury OIG Comment: Recommendation 3 is closed in Treasury's audit follow-up system, the Joint Audit Management Enterprise System (JAMES). However, Treasury OIG considers the recommendation to be unimplemented, as documentation used to support the closure did not include evidence that guidance was provided to DO and bureau SF 311 preparers focusing on difficulties identifying the difference

between original and derivative classification decisions, including a reminder to DO and bureaus of their responsibilities to ensure that the SF 311 is complete and accurate.

OIG-17-044 05/17 *Terrorist Financing/Money Laundering: Federal Agencies Are Generally Satisfied with TFFC's Collaboration Efforts, but Enhancements Can Be Made*

The Assistant Secretary for Terrorist Financing should (1) develop policies and procedures to ensure continuity and consistency in collaboration efforts with interagency task forces and workgroups; (2) develop and implement a mechanism to monitor, evaluate, and report on the effectiveness of the Office of Terrorist Financing and Financial Crimes' (TFFC) interagency collaboration; (3) develop meaningful performance measures specific to TFFC collaboration; and (4) address areas of concern expressed by Federal agencies regarding TFFC's collaboration that includes feedback, intersessional meetings, and invitations to participate in bilateral meetings with foreign countries during the Financial Action Task Force Plenary. Management agreed with the recommendations. (4 recommendations)

OIG-17-046 06/17 *RESTORE Act: Gulf County's Policies and Procedures Did Not Reflect All Uniform Guidance Requirements*

The Fiscal Assistant Secretary should consider the County's need to further develop and strengthen its policies and procedures to fully document the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. This consideration should be part of Treasury's oversight and administration of the County's Multiyear Implementation Plan Planning Assistance award as well as risk assessments required by the *Uniform Guidance* for future awards. Management agreed with the recommendation. (1 recommendation)

OIG-18-004 10/17 *Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2017 Performance Audit*

Bureau of the Fiscal Service (Fiscal Service) management should implement an enterprise-wide Software Asset Management (SAM) tool to discover and identify installed software on the Fiscal Service network, manage software product signatures, analyze software use (i.e., license consumption), and facilitate software asset management reporting. Management agreed with the recommendation. (1 recommendation)

OIG-18-005 10/17 *Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2017 Performance Audit for Collateral National Security Systems*

DO should (1) evaluate the current test environment to determine if management needs to enhance the environment to allow for adequate testing of changes and patches, and, if necessary, implement a cost-effective solution; (2) establish a process to review at a defined frequency the DO collateral National Security Systems user accounts; and (3) disable terminated or inactive DO employees' or contractors' DO collateral National Security Systems accounts accordingly. Management agreed with the recommendations. (3 recommendations)

OIG-18-006 10/18 *Terrorist Financing/Money Laundering: Audit of the Office of Intelligence and Analysis' Management of the Office of Terrorism and Financial Intelligence Employees' Intelligence Community Public Key Infrastructure Certificates*

The Under Secretary for Terrorism and Financial Intelligence (TFI) should ensure that (1) an assessment is performed to determine the adequacy of staffing and system resources, as well as cross-training of Office of Special Security Programs employees responsible for reviewing and renewing intelligence community public key infrastructure certificates; and (2) the Office of Intelligence and Analysis (OIA) and the Financial

Crimes Enforcement Network (FinCEN) officials work together to ensure that they understand their roles and responsibilities. Management agreed with the recommendations.
(2 recommendations)

OIG-18-010R 11/17 *Treasury Continues to Make Progress in Meeting DATA Act Reporting Requirements, But Data Quality Concerns Remain*
The Treasury Assistant Secretary for Management, working as needed with Treasury's senior accountable official, reporting entities, and the Government-wide Program Management Office, as well as OMB should (1) review the list of 57 data elements, including the standardized definitions, to ensure that all reporting entity contracting specialists/officers understand and are trained on how the elements are defined, where these elements are captured in underlying records, and how these elements are reported in procurement and financial systems; (2) ensure that appropriate and complete documentation is maintained and readily available for all procurement awards including, but not limited to, base award documentation and requisitions; and (3) continue to monitor the resolution for issues identified in corrective action plans including, but not limited to, the Administrative Resource Center's process to report procurement data on behalf of its customer agencies. Management agreed with the recommendations.
(3 recommendations)

Treasury OIG Comment: Recommendations 1 and 2 are closed in JAMES. However, Treasury OIG considers recommendation 3 to be unimplemented until it performs follow-up to determine if the recommendation is implemented.

OIG-18-018 11/17 *Terrorist Financing/Money Laundering: OFAC Human Resources Practices Need Improvement*
The OFAC Director should (1) ensure that legacy employees' current position descriptions are evaluated to ensure that the documented promotion potential of these non-supervisory employees is consistent with OFAC's current promotion

practices; and (2) work with the Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer to ensure that required records are included in the electronic Official Personnel Folders (eOPF). Management agreed with the recommendations. (2 recommendations)

OIG-18-024 12/17 *Resource Management: Treasury's Office of Budget and Travel Potentially Violated the Antideficiency Act and Needs to Improve Its Reimbursable Agreement Process*

For findings 1 to 3, the Assistant Secretary for Management should (1) within 60 days of the issuance of this report, finalize the Office of Budget and Travel's (OBT) internal review of its fiscal year 2015 records and request a Government Accountability Office (GAO) decision to determine if the Antideficiency Act (ADA) violations occurred; and (2) analyze OBT's fiscal year 2016 and 2017 records to determine whether ADA violations occurred. For findings 4 to 11, the Assistant Secretary for Management should (3) ensure OBT develops, revises, and/or finalizes office-wide manuals, policies, and standard operating procedures (SOP) to ensure: a. adequate documentation of all processes and procedures for budget formulation and execution, as well as reimbursable agreements; b. the signing of reimbursable agreements before periods of performance begin; c. timely billing of and revenue collection from DO customers (requesting agencies); d. recording of DO's reimbursable budget authority in the appropriate funds and timely recording of obligations and expenditures of reimbursable funds related to its requesting agencies subsequent to the signing of reimbursable agreements; e. ongoing communication between OBT and DO customers to effectively monitor OBT's execution of the goods and services provided, available funding, and collection of revenues against reimbursable agreements; and f. adequate supervision of OBT staff in the performance of budget formulation and execution duties, as well as the monitoring of reimbursable agreements that OBT is responsible for executing and servicing; (4) ensure OBT performs an analysis to determine whether advances should be obtained from DO customers at the time

reimbursable services are ordered; (5) ensure OBT distributes to OBT management and staff, and provides training on, new or revised OBT policies and SOPs and timely notifies them of any modifications to the reimbursable agreement process; (6) ensure OBT complies with DO Reimbursable Agreement Policy (October 2010) by reviewing and updating a procedural manual that addresses roles, responsibilities, and activities associated with each phase of the reimbursable agreement lifecycle, as necessary, at least once every 2 years; and (7) ensure OBT develops a mandatory training program to ensure that all OBT management and staff are properly trained on budget execution and formulation, the reimbursable agreement process, and the requirements of applicable laws, regulations, policies, and guidance. Management agreed with the recommendations. (46 recommendations—recommendations are repeated for each applicable finding)

Treasury OIG Comment: The 46 recommendations are closed in JAMES. However, Treasury OIG considers these recommendations to be unimplemented until it performs follow-up to determine if the recommendations are implemented.

OIG-18-026 12/17 *Financial Management: Management Letter for the Audit of the U.S. Mint's Fiscal Years 2017 and 2016 Financial Statements*
 Mint management should (1) implement an oversight process to ensure that Mint personnel are complying with Mint account management policies and procedures; (2) validate that the existing Wide Area Network (WAN)/Local Area Network (LAN) and Order Management System II (OMS) user accounts are still appropriate; (3) configure the WAN/LAN to disable user accounts automatically after 90 days of inactivity; (4) validate that the existing three WAN/LAN user accounts are still appropriate; (5) develop formal procedures for completing and submitting the annual Web Time and Attendance (WebTA) user access review and recertification; (6) evaluate WebTA users defined to the Philadelphia site and ensure that the current user access and privileges are still appropriate; (7) update Mint

HRConnect policies and procedures to specify the period to remove the access of terminated users from the HRConnect system; and (8) remove terminated user access in accordance with recommendation 1. Management agreed with the recommendations. (8 recommendations)

OIG-18-032 12/17 *Terrorist Financing/Money Laundering: Financial Institutions Used FinCEN Guidance Designed To Avoid Duplicate Filing of Reports With OFAC and FinCEN, but BSA Data Users Did Not Have Access to All Data*

The Director of FinCEN, in collaboration with the Director of OFAC, should review the 2004 guidance and information sharing agreement based on changes to sanctions programs and update accordingly. Management agreed with the recommendation. (1 recommendation)

OIG-18-034 12/17 *Financial Regulation and Oversight: Material Loss Review of Guaranty Bank*

The Office of the Comptroller of the Currency (OCC) should develop and document examination procedures, for banks subject to prompt corrective action restrictions, that are designed to identify and track all types of compensation paid to executive officers (as defined in Regulation O). The implementation of documented examination procedures for identifying and tracking executive officer compensation (salary, bonuses, etc.) will enhance compliance monitoring of compensation restrictions. Management agreed with the recommendation. (1 recommendation)

OIG-18-038 02/18 *Financial Regulation and Oversight: Treasury OIG Review of the Office of Financial Research's Government Purchase Card Program*

The Director of the Office of Financial Research (OFR) should (1) when Approving Official (AO) duties are transferred to OFR employees in 2018, develop and implement a policy to require OFR AOs to review purchase card transactions for potential split purchases on a monthly basis; (2) ensure a review of

purchase cardholder files are completed to ensure that all documents required by policy and procedures are included in the files; and (3) develop and implement a policy for storing and maintaining government purchase card transaction documentation in a centralized location. Management agreed with the recommendations. (3 recommendations)

OIG-18-043 04/18 *Terrorist Financing/Money Laundering: OFAC's Licensing Program Would Benefit From System Enhancements*
 The Director of the OFAC should (1) implement additional categories for case status and consider future enhancements to the OFAC's Administrative System for Investigations and Sanctions (OASIS) to improve the usability and quality of information stored in the system within the next year, (2) ensure the delinquent Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA) reports are provided to Congress within 90 days of this report being issued, (3) ensure the licensing division's written SOP is updated as needed, including providing guidance to ensure that acknowledgement letters are completed and TSRA reports are filed timely; and (4) develop performance measures specific for the licensing division. Management agreed with the recommendations. (4 recommendations)

OIG-18-044 04/18 *Terrorist Financing/Money Laundering: Audit of the Office of Intelligence and Analysis' Authorities and Actions Related to U.S. Persons' Financial Information*
 The Under Secretary for TFI, as expeditiously as possible, should ensure that OIA (1) U.S. Persons Procedures are finalized and submitted for approval to the Attorney General of the United States and (2) implements a compliance monitoring program to assess whether intelligence analysts' activities are conducted in accordance with OIA authorities, and electronic searches and other queries are performed in a manner that fully protects the rights of U.S. persons. Management agreed with the recommendations. (2 recommendations)

OIG-18-049 08/18 *RESTORE Act: St. Bernard Parish's Internal Control over Federal Awards*

The Fiscal Assistant Secretary should consider St. Bernard Parish's control deficiencies over (1) grant timekeeping and (2) employees' lack of knowledge, experience, and training on Federal grants as part of Treasury's oversight and administration of St. Bernard Parish's awards. This consideration should also be part of Treasury's risk assessments required by the Uniform Guidance for future awards. Management agreed with the recommendation. (1 recommendation)

Closed Investigations of Senior Government Employees Not Publicly Disclosed

October 1, 2018 through March 31, 2019

There were no investigations involving senior Government employees that were closed during the period.

Summary of Instances of Whistleblower Retaliation

October 1, 2018 through March 31, 2019

In the two previous semiannual periods we reported that Treasury OIG was investigating two instances of possible whistleblower retaliation. The cases were ongoing as of the end of this reporting period. There were no new cases of possible whistleblower retaliation opened during this reporting period. As such, there were no established cases of whistleblower retaliation to report for the period.

Summary of Attempts to Interfere With Treasury OIG Independence, Including Instances Where Information or Assistance Request was Refused

October 1, 2018 through March 31, 2019

There were no attempts made to resist, delay, or restrict Treasury OIG access to records or other information and no instances where an information or assistance request was refused during this reporting period.

Listing of Audit Products Issued

October 1, 2018 through March 31, 2019

In the list of 45 audit products below we identified 3 products that were issued during the reporting period that were not publicly disclosed.

Office of Audit

Letter to the Honorable Andrew Wheeler, Acting Administrator, Environmental Protection Agency and Chairperson, Gulf Coast Ecosystem Restoration Council: 2019 Management and Performance Challenges (OIG-CA-19-001, 10/1/2018)

Resource Management: Treasury Office of Consumer Policy's Administration of the Financial Empowerment Innovation Fund Complied with Requirements (OIG-19-001, 10/4/2018)

Audit Termination Memorandum—BEP Enterprise (BEN) Implementation (OIG-CA-19-002, 10/4/2018)

Gulf Coast Restoration: Escambia County's Internal Control over Federal Awards (OIG-19-002, 10/9/2018)

Quarterly Summary Memorandum for the Lead Inspector General, Department of Defense: Operation Inherent Resolve—Summary of Work Performed by the Department of the Treasury and Office of Inspector General Related to Terrorist Financing, ISIS, and Anti-Money Laundering (OIG-CA-19-003, 10/9/2019)

Information Memorandum for Secretary Mnuchin, Department of the Treasury: Management and Performance Challenges Facing the Department of the Treasury - October 2018 (OIG-CA-19-004, 10/15/2018)

Financial Management: Report on the Bureau of the Fiscal Service Funds Management Branch's Description of its Trust Funds Management Processing Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2017, to July 31, 2018 (OIG-19-003, 10/18/2018)

Financial Management: Report on the Bureau of the Fiscal Service Federal Investments and Borrowings Branch's Description of its Investment/Redemption Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2017, to July 31, 2018 (OIG-19-004, 10/18/2018)

Financial Management: Audit of the United States Mint's Schedules of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2018 and 2017 (OIG-19-005, 10/24/2018)

Information Technology: The Gulf Coast Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Evaluation Report for Fiscal Year 2018 (OIG-CA-19-005, 10/24/2018)

Financial Management: Report on the Enterprise Business Solutions' Description of its HRConnect Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period September 1, 2017, to July 31, 2018 (OIG-19-006, 10/30/2018)

Annual Plan, Fiscal Year 2019, Office of Inspector General, Department of the Treasury (OIG-CA-19-007, 10/31/2018)

Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2018 Performance Audit (OIG-19-007, 10/31/2018)

*Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2018 Performance Audit for Collateral National Security Systems. (OIG-19-008, 10/31/2018) **Sensitive But Unclassified, After consulting with the Department of the Treasury's Departmental Offices, this report was determined to be releasable pursuant to the Freedom of Information Act.***

Financial Regulation and Oversight: Material Loss Review of Washington Federal Bank for Savings (OIG-19-009, 11/6/2018)

Gulf Coast Restoration: Florida Institute of Oceanography's Centers of Excellence Research Grants Program (OIG-19-010, 11/7/2018)

Financial Management: Audit of the Federal Financing Bank's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-011, 11/9/2018)

Financial Management: Management Letter for the Audit of the Federal Financing Bank's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-012, 11/9/2018)

Financial Management: Audit of the Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2018 and 2017 (OIG-19-013, 11/9/2018)

Financial Management: Audit of the Community Development Financial Institutions Funds Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-014, 11/14/2018)

Financial Management: Management Letter for the Audit of the Community Development Financial Institutions Funds Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-015, 11/14/2018)

Financial Management: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-016, 11/15/2018)

Financial Management: Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-017, 11/15/2018)

Financial Management: Audit of the Department of the Treasury's Closing Package Financial Statements for Fiscal Year 2018 (OIG-19-018, 11/16/2018)

Financial Management: Management Letter for the Audit of the Department of the Treasury's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-019, 12/6/2018)

Financial Management: Audit of the Exchange Stabilization Fund's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-020, 12/7/2018)

Financial Management: Audit of the Office of the Comptroller of the Currency's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-021, 12/12/2018)

Financial Management: Audit of the Department of the Treasury Forfeiture Fund's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-022, 12/13/2018)

Financial Management: Management Letter for the Audit of the Department of the Treasury Forfeiture Fund's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-023, 12/13/2018)

Financial Management: Management Report for the Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-024, 12/14/2018) **Sensitive But Unclassified, Not Publicly Disclosed**

Financial Management: Audit of the United States Mint's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-025, 12/17/2018)

Financial Management: Management Letter for the Audit of the United States Mint's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-026, 12/17/2018)

Financial Management: Audit of the Office of D.C. Pensions' Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-027, 12/18/2018)

Financial Management: Management Letter for the Audit of the Office of D.C. Pensions' Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-028, 12/18/2018)

Financial Management: Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-029, 12/20/2018)

Financial Management: Management Letter for the Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-030, 12/20/2018)

Financial Management: Audit of the Alcohol and Tobacco Tax and Trade Bureau's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-031, 12/21/2018)

Financial Management: Management Letter for the Audit of the Alcohol and Tobacco Tax and Trade Bureau's Financial Statements for Fiscal Years 2018 and 2017 (OIG-19-032, 12/21/2018)

Letter to the Honorable Mick Mulvaney, Director, Office of Management and Budget: Annual Report on the Status of the Gulf Coast Ecosystem Restoration Council's Implementation of Purchase and Travel Card Audit Recommendations (OIG-CA-19-008, 1/28/2019)

Letter to the Honorable Mick Mulvaney, Director, Office of Management and Budget: Annual Report on the Status of the Department of the Treasury's Implementation of Purchase and Travel Card Audit Recommendations (OIG-CA-19-009, 1/31/2019)

Quarterly Summary Memorandum for the Lead Inspector General, Department of Defense: Operation Inherent Resolve—Summary of Work Performed by the Department of the Treasury and Office of Inspector General Related to Terrorist Financing, ISIS, and Anti-Money Laundering for First Quarter Fiscal Year 2019 (OIG-CA-19-010, 2/5/2019)

Anti-Money Laundering/Terrorist Financing: Audit of the Office of Terrorism and Financial Intelligence's Report on Section 241 of the Countering America's Adversaries Through Sanctions Act (OIG-19-033, 2/22/2019)

Memorandum for the Honorable Eric M. Thorson, Treasury Inspector General: Joint Purchase and Integrated Card Violation Report (April 1, 2018–September 30, 2018) (OIG-CA-19-011, 3/5/2019) **Internal Treasury OIG Memorandum, Not Publicly Disclosed**

Council of the Inspectors General on Integrity and Efficiency, Federal Audit Executive Council Inspectors General Guide to Compliance under the DATA Act for Fiscal Year 2019 (OIG-CA-19-012, 2/14/2019)

Congressional Briefing (OIG-CA-19-013, 3/14/2019) **Sensitive But Unclassified, Not Publicly Disclosed**

Audit Reports Issued With Questioned Costs

October 1, 2018 through March 31, 2019

Category	Total No. of Reports	Total Questioned Costs	Total Unsupported Costs
For which no management decision had been made by beginning of reporting period	0	\$0	\$0
Which were issued during the reporting period	0	\$0	\$0
Subtotals	0	\$0	\$0
For which a management decision was made during the reporting period	0	\$0	\$0
Dollar value of disallowed costs	0	\$0	\$0
Dollar value of costs not disallowed	0	\$0	\$0
For which no management decision was made by the end of the reporting period	0	\$0	\$0
For which no management decision was made within 6 months of issuance	0	\$0	\$0
Questioned costs include expenditures: (1) that are questioned because of an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds; (2) that, at the time of the audit, are not supported by adequate documentation (i.e., unsupported costs); or (3) used for the intended purpose that are unnecessary or unreasonable.			

Audit Reports Issued With Recommendations that Funds Be Put to Better Use

October 1, 2018 through March 31, 2019

Category	Total No. of Reports	Total	Savings	Revenue Enhancement
For which no management decision had been made by beginning of reporting period	0	\$0	\$0	\$0
Which were issued during the reporting period	0	\$0	\$0	\$0
Subtotals	0	\$0	\$0	\$0
For which a management decision was made during the reporting period	0	\$0	\$0	\$0
Dollar value of recommendations agreed to by management	0	\$0	\$0	\$0
Dollar value based on proposed management action	0	\$0	\$0	\$0
Dollar value based on proposed legislative action	0	\$0	\$0	\$0
Dollar value of recommendations not agreed to by management	0	\$0	\$0	\$0
For which no management decision was made by the end of the reporting period	0	\$0	\$0	\$0
For which no management decision was made within 6 months of issuance	0	\$0	\$0	\$0
<p>A recommendation that funds be put to better use denotes funds could be used more efficiently if management took actions to implement and complete the recommendation including: (1) reduction in outlays; (2) de-obligations of funds from programs or operations; (3) costs not incurred by implementing recommended improvements related to operations; (4) avoidance of unnecessary expenditures noted in pre-award review of contract or grant agreements; (5) any other savings which are specifically identified; or (6) enhancements to revenues of the Federal Government.</p>				

Reports for Which No Management Comment was Returned Within 60 Days

As of March 31, 2019

There were no such reports issued for comment over 60 days as of the end of the reporting period.

Reports Issued Over 6 Months for Which No Management Decision Has Been Made

As of March 31, 2019

There were no such reports as of the end of the reporting period.

Significant Revised Management Decisions

October 1, 2018 through March 31, 2019

There were no significant revised management decisions during the reporting period.

Significant Disagreed Management Decisions

October 1, 2018 through March 31, 2019

There were no significant disagreed management decisions during the reporting period.

Peer Reviews

October 1, 2018 through March 31, 2019

Office of Audit

Audit organizations that perform audits and attestation engagements of Federal Government programs and operations are required by generally accepted government auditing standards to undergo an external peer review every 3 years. The objectives of an external peer review are to determine, during the period under review, whether the audit organization was complying with its quality control system to provide the audit organization with reasonable assurance that it was conforming to applicable professional standards. Federal audit organizations can receive a peer review rating of *Pass*, *Pass with Deficiencies*, or *Fail*.

The most recent peer review of our office was performed by the Department of Education (Education) OIG. In its report dated September 24, 2018, Education OIG rendered a *Pass* rating for our system of quality control in effect for the year ended March 31, 2018. External audit peer review reports of our office are available on Treasury OIG's [website](#). Treasury OIG's peer review of the Department of Labor (Labor) OIG was ongoing as of the end of the reporting period.

Office of Investigations

Council of the Inspectors General on Integrity and Efficiency (CIGIE) mandates that the investigative law enforcement operations of all OIGs undergo peer reviews every 3 years to ensure compliance with (1) CIGIE's investigations quality standards and (2) the relevant guidelines established by the Office of the Attorney General of the United States.

In its report dated October 16, 2017, the Department of Energy OIG found our office to be in compliance with all relevant guidelines for the period of April 2014 to July 2017. In addition, the peer review team identified best practices that increased the efficiency and effectiveness of our office. Best practices identified were the Treasury OIG policy for Certified Forensic Examiners and a process used in obtaining Inspector General Subpoenas. Treasury OIG is performing a peer review of the Federal Deposit Insurance Corporation OIG's investigative law enforcement organization. The peer review was ongoing as of the end of the reporting period.

Other Reporting Requirements and Requests

This section addresses certain reporting requirements of our office that are separate from the reporting requirements in the Inspector General Act of 1978 (as amended).

Reviews of Bank Failures with Nonmaterial Losses

We conduct reviews of failed banks supervised by the Office of the Comptroller of the Currency (OCC) with losses to the Federal Deposit Insurance Corporation's (FDIC) Deposit Insurance Fund (DIF) that do not meet the definition of a material loss in the Federal Deposit Insurance Act (FDIA). The reviews are performed to fulfill the requirements found in 12 U.S.C. §1831o(k). The term "material loss" triggers a material loss review if a loss to the DIF exceeds \$50 million (with provisions to increase that trigger to a loss that exceeds \$75 million under certain circumstances). For losses that are not material, FDIA requires that each 6-month period, the Office of Inspector General (OIG) of the Federal banking agency must (1) identify the estimated losses that have been incurred by the DIF during that 6-month period and (2) determine the grounds identified by the failed institution's regulator for appointing the FDIC as receiver, and whether any unusual circumstances exist that might warrant an in-depth review of the loss. For each 6-month period, we are also required to prepare a report to the failed institutions' regulator and the Congress that identifies (1) any loss that warrants an in-depth review, together with the reasons why such a review is warranted and when the review will be completed; and (2) any losses where we determine no in-depth review is warranted, together with an explanation of how we came to that determination.

During this reporting period, there were no banks supervised by the OCC that failed.

Operation Inherent Resolve Quarterly Summary Memorandums to the Department of Defense OIG

During this reporting period, we issued two summary memorandums to the Department of Defense OIG regarding information we obtained on the Department of the Treasury's (Treasury) activities with respect to disrupting the Islamic State of Iraq and Syria's (ISIS) finances. The memorandums included specific examples of activities to disrupt ISIS's financing, information on

Treasury programs that combat terrorist financing, and work we performed or plan to perform to review these programs. **(OIG-CA-19-003, OIG-CA-19-010)**

Annual Reports on the Status of Implementation of Purchase and Travel Card Audit Recommendations

We provided annual reports on the progress made by Treasury and by the Gulf Coast Ecosystem Restoration Council (Council) in implementing charge card related audit recommendations in accordance with the Charge Card Act and OMB Memorandum M-13-21, "Implementation of the Government Charge Card Abuse Prevention Act of 2012." In fiscal year 2018, we issued one audit report on the Treasury's charge card use within its Office of Financial Research (OFR).³ The report identified two findings related to OFR purchase cardholders making split purchases and OFR's purchase card files not meeting documentation requirements. As a result, we made seven recommendations. OFR management reported that it implemented 4 of the 7 recommendations and plan to fully implement the following 3 open recommendations by August 2019:

- when approving official duties are transferred from Treasury Departmental Offices to OFR employees in 2018, develop and implement a policy to require OFR approving officials to review purchase card transactions for potential split purchases on a monthly basis;
- ensure a review of purchase cardholders' files to ensure all documents required by policy and procedures are included in the files; and
- develop and implement a policy for storing and maintaining Government purchase card transaction documentation in a centralized location.

Our office did not issue any charge card related audit findings and recommendations to the Council, and therefore, did not have anything to report for the Council for fiscal year 2018. **(OIG-CA-19-008, OIG-CA-19-009)**

³ Treasury OIG, *Financial Regulation and Oversight: Treasury OIG Review of the Office of Financial Research's Government Purchase Card Program*, OIG-18-038 (February 8, 2018)

References to the Inspector General Act

Section	Requirement	Page
Section 4(a)(2)	Review of legislation and regulations	29
Section 5(a)(1)	Significant problems, abuses, and deficiencies	7-26
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	7-26
Section 5(a)(3)	Significant unimplemented recommendations described in previous semiannual reports	30-40
Section 5(a)(4)	Matters referred to prosecutive authorities	29
Section 5(a)(5)	Summary of instances where information was refused	41
Section 5(a)(6)	List of audit reports	42-46
Section 5(a)(7)	Summary of significant reports	7-26
Section 5(a)(8)	Audit reports with questioned costs	47
Section 5(a)(9)	Recommendations that funds be put to better use	48
Section 5(a)(10)(A)	Summary of each audit, inspection, and evaluation report issued before the beginning of the reporting period for which no management decision was made	49
Section 5(a)(10)(B)	Summary of each audit, inspection, and evaluation report issued for which no management comment was returned within 60 days	49
Section 5(a)(10)(C)	Summary of each audit, inspection, and evaluation report issued before the beginning of the reporting period for which there are outstanding unimplemented recommendations, including the aggregate potential cost savings	30-40
Section 5(a)(11)	Significant revised management decisions made during the reporting period	49
Section 5(a)(12)	Management decisions with which the Inspector General is in disagreement	49
Section 5(a)(13)	Instances of unresolved Federal Financial Management Improvement Act noncompliance	9
Section 5(a)(14)	Results of peer reviews conducted of Treasury OIG by another OIG	50
Section 5(a)(15)	List of outstanding recommendations from peer reviews	50
Section 5(a)(16)	List of peer reviews conducted by Treasury OIG, including a list of outstanding recommendations from those peer reviews	50
Section 5(a)(17)(A-D)	Statistics for the period related to the number of (A) investigative reports issued, (B) persons referred to the Department of Justice for criminal prosecution, (C) persons referred to state and local authorities for criminal prosecution, and (D) criminal indictments/informations	29
Section 5(a)(18)	Description of metrics used to develop investigative statistics in Section 5(a)(17)	29
Section 5a(19)	Summary of each investigation involving a senior Government employee where allegation of misconduct was substantiated	41
Section 5a(20)	Instances of whistleblower retaliation	41
Section 5a(21)	Summary of attempts to interfere with Treasury OIG independence	41
Section 5a(22)(A)	Description of each inspection, evaluation, and audit that was closed and not publicly disclosed	42-46
Section 5a(22)(B)	Description of each investigation closed, involving a senior Government employee, that was not publicly disclosed	41
Section 5(d)	Serious or flagrant problems, abuses, or deficiencies	N/A
Section 6(b)(2)	Report to Secretary when information or assistance is unreasonably refused	49

This page intentionally left blank.

Abbreviations

CAATSA	Countering America’s Adversaries Through Sanctions Act
Centers of Excellence	Centers of Excellence Research Grants Program
CIGIE	Council of the Inspectors General on Integrity and Efficiency
Council	Gulf Coast Ecosystem Restoration Council
DATA Act	Digital Accountability and Transparency Act of 2014
DO	Departmental Offices
DIF	Deposit Insurance Fund
EIC	Examiners-in-Charge
FAEC	Federal Audit Executive Council
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FinCEN	Financial Crimes Enforcement Network
FIO	Florida Institute of Oceanography
Fiscal Service	Bureau of the Fiscal Service
FISMA	Federal Information Security Modernization Act of 2014
IRS	Internal Revenue Service
HSI	Homeland Security Investigations
Innovation Fund	Financial Empowerment Innovation Fund
JAMES	Joint Audit Management Enterprise System
KPMG	KPMG LLP
LAN	Local Area Network
McConnell & Jones	McConnell & Jones LLP
Mint	United States Mint
NC-TFCTF	North Carolina Treasury Financial Crimes Task Force
NIST	National Institute of Standards and Technology
NSS	National Security Systems
OBT	Office of Budget and Travel
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Assets Control
OFR	Office of Financial Research
OIG	Office of Inspector General
OIA	Office of Intelligence and Analysis
OSP	Office of Security Programs
OMB	Office of Management and Budget
PII	personally identifiable information
RESTORE Act	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012
RMA	RMA Associates, LLC

SBLF	Small Business Leading Fund
Science Program	Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program
SF	standard form
SSA	Social Security Administration
SOP	standard operating procedure
TFFC	Office of Terrorist Financing and Financial Crimes
TFI	Office of Terrorism and Financial Intelligence
Treasury	Department of the Treasury
Uniform Guidance	Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200
USAO	U.S. Attorney’s Office
USPIS	U.S. Postal Inspection Service
WAN	Wide Area Network
Washington Federal	Washington Federal Bank for Savings



The Albert Gallatin Statue on the north side of the Treasury building in Washington, DC

Albert Gallatin was appointed Secretary of the Treasury in 1801 by President Thomas Jefferson and continued under President James Madison until 1814. Gallatin was in office nearly 13 years, the longest term of any Secretary in the Department's history.

Source: <https://www.treasury.gov/about/history/Pages/agallatin.aspx>

Treasury Office of Inspector General Locations

1500 Pennsylvania Avenue, N.W., Room 4436
Washington, DC 20220

875 15th Street, N.W., Suite 200
Washington, DC 20005

408 Atlantic Avenue, Room 330
Boston, Massachusetts 02110



Treasury OIG Website

Access Treasury OIG reports and other information online:

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

Report Waste, Fraud, and Abuse

Treasury OIG Hotline for Treasury Programs and Operations – Call toll free: 1-800-359-3898

Email: Hotline@oig.treas.gov

Gulf Coast Restoration Hotline – Call toll free: 1-855-584.GULF (4853)

Email: GulfCoastRestorationHotline@oig.treas.gov

Submit a complaint using our online form:

<https://www.treasury.gov/about/organizational-structure/ig/Pages/OigOnlineHotlineForm.aspx>