



**Semiannual Report to Congress**

October 1, 2017–March 31, 2018

OIG-CA-18-017

Office of Inspector General  
Department of the Treasury

## Highlights

During this semiannual reporting period, the Office of Audit issued 56 products. The office also identified \$130,668 in monetary benefits. Work by the Office of Investigations resulted in 33 arrests, 35 indictments, and 21 convictions. Some of our more significant results for the period are described below:

- Independent public accounting firms, working under contracts with and supervised by of 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 2017.
- Treasury's Office of Budget and Travel potentially violated the Antideficiency Act by disbursing more than the Departmental Office's available fund balance with Treasury; incurring obligations and expenditures prior to the respective reimbursable agreements being signed; and using fiscal year 2016 funds for fiscal year 2015 costs related to reimbursable services provided to Departmental Office customers.
- Two funds in Arkansas' Seed and Angel Capital Network venture capital program, New Road Ventures, LLC and Virtual Incubation Company Investor Network, misused a total of \$130,668 of State Small Business Credit Initiative funds on four investments because the investments were in violation of conflict of interest rules in place at the time they were made.
- Our joint investigation with Internal Revenue Service Criminal Investigations, revealed a repeat offender involved in a sovereign citizen scheme who opened a bank account and attempted to deposit a fictitious \$300 million "Indemnity Bond" purported to be a valid instrument issued by Treasury. The suspect was indicted for Fictitious Obligations.
- Our investigation revealed the theft of \$37 million in Treasury checks from the U.S. Postal Service. The checks were stolen by contract employees, hired by the post office. To date, the investigation has identified 24 subjects. Two arrest warrants and a search warrant have been executed.
- Our investigation determined that a former Office of the Comptroller of the Currency Bank Examiner and two co-conspirators engaged in a scheme to defraud a movie financing company. The Vice President of a bank, a former Bank Examiner, used his position to assist two subjects with stealing \$2.5 million from the company by depositing funds into escrow accounts. The three subjects were sentenced from 30 weekends to 30 months in prison, 12 to 36 months of probation, and to a total of more than \$1.5 million in restitution, forfeiture, and fines.



## 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 that ended March 31, 2018. 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

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## 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. OIG is headed by an Inspector General appointed by the President with the advice and consent of the Senate.

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 (TIGTA) performs oversight related to IRS. A Special Inspector General performs oversight related to TARP.

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, 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, 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.

OIG has four components: (1) Office of Audit; (2) Office of Investigations; (3) Office of Counsel; and (4) Office of Management. OIG is headquartered in Washington, DC. 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, 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 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 OIG staff and contractors, and 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 under our jurisdiction. The Office of Investigations also manages the Treasury OIG Hotline to facilitate reporting of allegations involving these programs and operations. The Assistant Inspector General for Investigations is supported by a deputy in leading both the day-to-day operations and task force initiatives in Washington, DC; Greensboro, North Carolina; Houston, Texas; and Jacksonville, Florida.

The Office of Counsel, under the leadership of the Counsel to the Inspector General, provides legal advice to the Inspector General and all OIG components. The office represents the OIG in administrative legal proceedings and provides a variety of legal services, including (1) processing Freedom of Information Act and *Giglio*<sup>1</sup> 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 Ombudsman for Treasury, pursuant to the Whistleblower Protection Enhancement Act of 2012.

The Office of Management, under the leadership of the Assistant Inspector General for Management, provides services to maintain the 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 facilities, human resources, information technology, procurement, records management, and security.

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



OIG's fiscal year 2018 appropriation is \$37 million. The OIG's oversight of the SBLF program is funded on a reimbursable basis. As of March 31, 2018, OIG had 165 full-time staff.

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## 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 Inspector General Thorson’s annual assessments which are available, in their entirety, on the Treasury Office of Inspector General (OIG) [website](#).

### Treasury’s Management and Performance Challenges

In a memorandum to Secretary Steven Mnuchin dated October 16, 2017, Inspector General Eric Thorson reported four challenges facing Treasury. Three are repeat challenges previously reported and one is new.

The four challenges were reported as follows.

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

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

challenging as several Presidentially-appointed, Senate-confirmed leadership positions within Treasury remain vacant since January 2017.

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

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

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

This challenge focuses on the difficulties Treasury faces in identifying, disrupting, and dismantling the financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats to international security that continue to be challenging. Concerns over Office of Terrorism and Financial Intelligence's ability to meet mission critical objectives are heightened by multiple vacant key positions and the strained relationship among several of its offices. Major challenges for the United States and Treasury involve stopping the Islamic State of Iraq and Syria (ISIS), rogue regimes and countries, and other bad actors who want to harm people and properties and disrupt the global financial system. Enhancing the transparency of the financial system is one of the cornerstones of the effort to disrupt the ability of terrorist organizations. Other concerns include the increasing use of (1) mobile banking, internet banking, internet gaming, and peer-to-peer transactions; and (2) money service businesses, including virtual currency administrators and exchanges. Given the criticality of Treasury's mission to combat terrorist financing and money laundering, we consider anti-money laundering and combating terrorist financing to be inherently high-risk areas.

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

Treasury continues to make progress in its Government-wide and Department-wide implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act). The DATA Act requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars. Given the broad Government-wide implications and critical roles assigned to Treasury by the DATA Act, we consider this an ongoing high-risk implementation project and management challenge.

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

### **Other Matters of Concern**

In addition to the above challenges, Inspector General Thorson reported elevated concerns about two matters that were repeated from last year's memorandum, (1) challenges with currency and coin production and (2) lapses by Treasury in maintaining a complete and concurrent record of key activities and decisions.

## **Gulf Coast Ecosystem Restoration Council Management and Performance Challenges**

In an October 16, 2017, letter to the Acting Executive Director for the Chairperson of the Gulf Coast Ecosystem Restoration Council, Inspector General Thorson acknowledged the continuing challenges of establishing a relatively new Federal entity emphasizing the following management and performance challenges, two of which were repeated from last year and one which is a new challenge.



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

While Council made progress in filling critical administrative and programmatic positions and solidified many policies and procedures supporting internal control, problems still exist in filling key positions necessary to complete an organizational infrastructure. Most notable, the Executive Director departed on January 26, 2017. Furthermore, the Acting Executive Director dedicates about 50 percent of his time to the Council and must rely heavily on the senior executive staff. Key positions remain vacant in other operational areas, and only until quite recently has a person been identified and selected for the position of Chief Information Officer. Inconsistent staffing impedes the Council's ability to address information technology related challenges and risks. Infrastructure challenges should also be considered in context with OMB's update to Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control." The Council completed its initial risk management profile in May 2016. One of the key recommendations was to create an Enterprise Risk Management (ERM) staff function. Accordingly, the Council determined that a dedicated ERM Specialist position will be created to manage and implement ERM. To date, the Council has not filled this critical position.

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

The Council must ensure that activities and projects funded by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) meet all environmental laws and regulations at the Federal and State level. The Council must also ensure its own compliance with applicable laws and regulations as a Federal entity. This challenge focuses on the Council's ability to meet requirements of the DATA Act and the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The Council relies on a manual review and reconciliation process with limited staff to comply with all DATA Act requirements. Complicating this situation is the decision of the Council's contractor to no longer support the Restoration Assistance and Award Management System application. As such, the Council will need to acquire and migrate its financial assistance award and interagency agreement data to a new system and ensure all Federal information system and security requirements are met. As the Council continues to grow and anticipates the volume of reportable data to significantly increase, a more automated process will be necessary to ensure complete and accurate data is reported on

USAspending.gov. In addition, we expect that in the upcoming years as grant activity increases, the Council will be above the threshold of reporting requirements of IPERA.

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

The Council established the Initial Comprehensive Plan in 2013 and the Initial Funded Priorities List in 2015, and now staff are transitioning into the tasks of awarding funds. As such, the Council must now begin to conduct the necessary monitoring of projects and award recipients' progress, reporting, and compliance with their award agreements. The Council awarded over 20 grants and interagency agreements valued at approximately \$70 million under the Council Selected Restoration Component (\$64 million) and the Spill Impact Component (\$6 million). Current staffing levels may be sufficient to ensure the proper oversight of grants for this volume of awards. However, a significant increase in grant activity could potentially overwhelm a new and developing grants management staff. Additionally, compliance monitoring of grants, contracts, and interagency agreements should be considered in the context of the ERM requirements and the related staffing challenges. Specifically, of the seven top risks identified resulting from the Council's initial ERM risk management profile, five of them relate to the oversight and monitoring of grants.

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# 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 2017 and 2016 consolidated financial statements. KPMG reported (1) a material weakness in internal control over unpaid tax assessments and a significant deficiency related to financial reporting at the Internal Revenue Service (IRS), collectively representing a material weakness for Treasury as a whole, and (2) deficiencies in internal control over debt management information systems at the Bureau of the Fiscal Service (Fiscal Service), representing a significant deficiency for Treasury as a whole. KPMG also reported that Treasury’s financial management systems did not comply with certain requirements of the Federal Financial Management Improvement Act of 1996 related to Federal financial management system requirements and applicable Federal accounting standards. KPMG found no other instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested. **(OIG-18-015)**

In connection with its audit of Treasury’s consolidated financial statements, KPMG issued a management letter that discussed some continuing and new internal control deficiencies relating to Government-wide cash and other Treasury managed accounts information systems at Fiscal Service that were identified during the audit. Due to the sensitive nature of these systems, the management letter was designated Sensitive But Unclassified. **(OIG-18-020)** Additionally, KPMG issued a management letter recommending that Treasury develop and implement a policy that requires the Office of Performance and Budget to document who conducted the review of *SF-133, Report on Budget Execution and Budgetary Resources* and when the report was completed. **(OIG-18-019)**

### 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 audited either pursuant to other requirements, their materiality to Treasury’s

## Office of Audit – Significant Audits and Other Products

consolidated financial statements, or as a management initiative. The table below shows the audit results for fiscal years 2017 and 2016.

| Treasury-audited financial statements and related audits   |                                |                     |                          |                                |                     |                          |
|--|--------------------------------|---------------------|--------------------------|--------------------------------|---------------------|--------------------------|
|  | Fiscal year 2017 audit results |                     |                          | Fiscal year 2016 audit results |                     |                          |
| Entity   | Opinion                        | Material weaknesses | Significant deficiencies | Opinion                        | Material weaknesses | Significant deficiencies |
| <b>Government Management Reform Act/Chief Financial Officers Act requirements</b>  |                                |                     |                          |                                |                     |                          |
| Department of the Treasury   | U                              | 1                   | 1                        | U                              | 1                   | 1                        |
| Internal Revenue Service (A)   | U                              | 1                   | 1                        | U                              | 1                   | 1                        |
| <b>Other required audits</b>   |                                |                     |                          |                                |                     |                          |
| 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                              | 1                   | 0                        |
| Office of D.C. Pensions  | U                              | 0                   | 0                        | U                              | 0                   | 1                        |
| 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                   | 0                        | U                              | 0                   | 0                        |
| Custodial Gold and Silver Reserves   | U                              | 0                   | 0                        | U                              | 0                   | 0                        |
| <b>Other audited accounts/financial statements that are material to Treasury's financial statements</b>  |                                |                     |                          |                                |                     |                          |
| Bureau of the Fiscal Service   |                                |                     |                          |                                |                     |                          |
| Schedule of Federal Debt (A)   | U                              | 0                   | 0                        | U                              | 0                   | 0                        |
| Government Trust Funds   | (B)                            | (B)                 | (B)                      | U                              | 0                   | 0                        |
| Exchange Stabilization Fund  | U                              | 0                   | 0                        | U                              | 0                   | 0                        |
| <b>Management-initiated audits</b>   |                                |                     |                          |                                |                     |                          |
| 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.<br>(A) Audited by the Government Accountability Office.<br>(B) Attestation work was not performed on the Government Trust Funds for fiscal year 2017 at the request of management. |                                |                     |                          |                                |                     |                          |



In connection with the fiscal year 2017 financial statement audits, the auditors issued management letters on other matters involving internal control at the Federal Financial Bank (**OIG-18-013**), the Office of D.C. Pensions (**OIG-18-023**), the United States Mint (Mint) (**OIG-18-026**), and the Alcohol Tobacco Tax and Trade Bureau (TTB) (**OIG-18-035**).

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 2017 consolidated financial statements.

| Condition   | Type of noncompliance                             |
|---|---|
| Treasury continues to have deficiencies in IRS financial management systems. Specifically, IRS 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 systems requirements |
| Treasury has a material weakness at the IRS that affected its ability to prepare its financial statements in accordance with the Federal accounting standards. Specifically, IRS financial reporting systems did not provide timely, reliable and complete transaction-level financial information necessary to enable IRS to classify and report unpaid assessments balances in accordance with the Federal accounting standards. (first reported in fiscal year 1997) | Federal accounting standards                      |

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 2018 consolidated financial statements.

### **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 2017 and 2016 financial statements. RMA did not identify any material weaknesses or significant deficiencies. Additionally, RMA did not identify any instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested. (**OIG-18-016**) In connection with the fiscal year 2017 financial statement audit, the auditors issued a management letter on other matters involving internal control at the Council. (**OIG-18-027**)

### Attestation Engagement

RMA, working under a contract with and supervised by our office, examined Treasury Enterprise Business Solutions' (EBS) 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, 2016, and ending August 31, 2017. 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 with one exception. EBS stated in its description for its control objective 13 that "Controls provide reasonable assurance that EBS monitors subservice organizations and tests for compliance with complementary user entity controls." However, EBS did not provide sufficient documentation to indicate that it monitored or tested complementary user entity controls of its subservice organizations during the period. As a result, controls were not operating effectively to achieve control objective 13. **(OIG-18-011)**

### 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 2017 Audit of Treasury's Federal Information Security Modernization Act—Unclassified Systems**

KPMG, working under a contract with and supervised by our office, performed an audit of Treasury's non-IRS unclassified systems. The Treasury Inspector General for Tax Administration (TIGTA) performed the annual FISMA evaluation of IRS' unclassified systems. For fiscal year 2017, 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 the 7 FISMA program areas. However, KPMG identified 7 deficiencies within 3 of the 5 cybersecurity functions and 4 of the 7 FISMA program areas. Specifically, KPMG reported the following at one or more Treasury component entities:

- information security policies, procedures, and security plans were either outdated or incomplete (2 component entities);

- asset management processes were not fully implemented (1 component entity);
- system inventory reviews were inconsistent (1 component entity);
- configuration compliance and vulnerability scanning were not consistently performed (4 component entities);
- missing or inconsistent patch management practices existed (3 component entities);
- account management activities were not compliant with system security policies (4 component entities); and
- contingency planning activities were not compliant with policies (2 component entities).

In all, KPMG made 32 recommendations to the responsible officials to address the deficiencies identified. Treasury management provided corrective action plans that met the intent of KPMG’s recommendations.

**(OIG-18-004)**

### **Fiscal Year 2017 Audit of Treasury’s Federal Information Security Modernization Act—Collateral National Security Systems**

KPMG, working under a contract with and supervised by our office, performed an audit of Treasury’s non-IRS Collateral National Security Systems. For fiscal year 2017, KPMG determined that Treasury established and maintained information security program and practices for its Collateral National Security Systems for the 5 cybersecurity functions and the 7 FISMA program areas. However, KPMG identified 4 deficiencies within 2 of the 5 cybersecurity functions and 4 of the 7 FISMA program areas. Specifically, KPMG reported the following at Treasury’s Departmental Offices (DO):

- Treasury Directive Publication, 85-01 “Treasury Information Technology (IT) Security Policy,” Appendix B “Classified National Security Systems,” and DO, “Collateral National Security System System Security Plan,” were not updated in accordance with the Committee on National Security Systems Instruction No. 1253, “Security Categorization and Controls Selection for National Security Systems;”
- DO Collateral National Security Systems patch management process was not compliant with the Treasury IT Security Program;

- DO Collateral National Security Systems account management activities were not compliant with its System Security Plan policies; and
- DO did not perform Business Impact Analyses for the DO Collateral National Security Systems.

Accordingly, KPMG made seven recommendations to address the deficiencies identified. Treasury management provided corrective action plans that met the intent of KPMG’s recommendations. **(OIG-18-005)**

### **Fiscal Year 2017 Evaluation of the Gulf Coast Ecosystem Restoration Council’s Federal Information Security Modernization Act Systems**

RMA, working under a contract with and supervised by our office, performed an evaluation of the Council’s security program and practices for the period July 1, 2016 through June 30, 2017. RMA concluded that the Council’s information security program and practices were established and have been maintained for the 5 cybersecurity functions and 7 FISMA metric domains. However, RMA identified 1 deficiency within the 5 cybersecurity functions and 7 FISMA metric domains. Specifically, RMA reported that the Council’s information security program and practices were formalized and documented but not consistently implemented for the period July 1, 2016 through June 30, 2017. As such, the Council’s information security program and practices were not fully effective for the period July 1, 2016 through June 30, 2017. However, RMA made no recommendation in its report as the Council had taken corrective action necessary to remediate the deficiency. **(OIG-CA-18-006)**

## **DATA Act**

Treasury and OMB are leading the Government-wide implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act). As part of our ongoing oversight of the DATA Act implementation, we are conducting a series of audits reviewing Treasury’s efforts to meet its responsibilities under the DATA Act.

### **Treasury Continues to Make Progress in Meeting DATA Act Reporting Requirements, but Data Quality Concerns Remain**

In this audit, the first in the series, we assessed the completeness, accuracy, timeliness, and quality of Treasury’s non-IRS financial and payment information

submitted for publication on Beta.USAspending.gov and its implementation and use of the data standards for the second quarter of fiscal year 2017.

We found that Treasury continued to make progress in its efforts to comply with the DATA Act by executing its comprehensive implementation plan that conformed to the Government-wide technical and informational guidance issued by OMB and Treasury's Program Management Office (PMO). On April 28, 2017, Treasury's senior accountable official submitted and certified Treasury's fiscal year 2017, second quarter spending data in the DATA Act broker for publication on Beta.USAspending.gov. However, we identified concerns with the completeness, accuracy, and timeliness of data submitted for publication that hindered the quality and usefulness of this information. For our sample of 160 non-IRS transactions, 25.0 percent were incomplete and 94.4 percent were inaccurate. While Treasury's comprehensive data submission was timely, we also noted timing differences between procurement award and awardee data extracted from external award reporting systems in 6.9 percent of the transactions in our sample. Additionally, we determined that Treasury's implementation and use of data standards was not always consistent with the definitions established by OMB and Treasury's Government-wide PMO. Until weaknesses identified in our report are addressed, any efforts to use Treasury's financial and award data will be impacted by uncertainties about data quality.

We recommended that Treasury's Assistant Secretary for Management, working as needed with Treasury's senior accountable official, reporting entities, and the Government-wide PMO, as well as OMB, take the following actions: (1) review the 57 data elements to ensure all reporting entity contracting specialist/officers understand and are trained on how the elements are defined, captured in underlying records, and reported in procurement and financial systems; (2) ensure that appropriate and complete documentation is maintained and readily available for all procurement awards; (3) continue to evaluate, address and communicate data quality concerns; and (4) continue to monitor the



resolution for issues identified in the corrective actions plans. Treasury's response met the intent of our recommendations. **(OIG-18-010R)**<sup>2</sup>

TIGTA, an entity independent of our office, performed a separate audit of the IRS's efforts to report financial and payment information as required by the DATA Act.<sup>3</sup> The results of our audit and TIGTA's audit were summarized to assess Treasury's efforts, as a whole, to comply under the DATA Act. **(OIG-CA-18-007R)**<sup>4</sup>

### Gulf Coast Ecosystem Restoration Council Met Reporting Requirements Under the DATA Act Despite Challenges

Council met the DATA Act requirement to publish its fiscal year 2017, second quarter data submission prior to the May 9, 2017, the deadline for publication on Beta.USAspending.gov. The Council's management controls over its fiscal year 2017, second quarter DATA Act submission, reconciliation, and certification process were reasonably designed, implemented, and operating effectively. Council also properly implemented and used the 57 financial data standard elements established by OMB and Treasury. However, some of the data submitted, as a result of issues beyond the Council's control, was not complete, timely, accurate, nor of quality. More specifically, as a result of an Administrative Resource Center (ARC) (the Council's service provider) error affecting many of its customers, there was a variance in the Council's procurement award data between the Council's Files C and D1 submission. In addition, another variance occurred because a grant award was included in the

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<sup>2</sup> Treasury OIG, *Treasury Continues to Make Progress in Meeting DATA Act Reporting Requirements, But Data Quality Concerns Remain*, OIG-18-010 (November 8, 2017) was revised on March 30, 2018, to reflect changes made on pages 1, 3, 21, 22, 23, and 25 of report number OIG-18-010. The changes clarify the percent of inaccurate transactions and corresponding accuracy rates for the individual data elements tested by OIG. The addressee of these reports was also updated to reflect the change in the incumbent Treasury Assistant Secretary for Management. These corrections did not affect the findings, conclusions, and recommendations previously reported.

<sup>3</sup> TIGTA, *Fiscal Year 2017 Digital Accountability and Transparency Act Reporting Compliance*, 2018-10-006 (November 7, 2017)

<sup>4</sup> Treasury OIG, *Audit of Treasury's Reporting of Financial and Payment Information Under the DATA Act—Summary Results*, OIG-CA-18-007 (November 8, 2017) was revised on March 30, 2018, to reflect changes made on pages 1, 3, 21, 22, 23, and 25 of report number OIG-18-010. The changes clarify the percent of inaccurate transactions and corresponding accuracy rates for the individual data elements tested by OIG. The addressee of these reports was also updated to reflect the change in the incumbent Treasury Assistant Secretary for Management. These corrections did not affect the findings, conclusions, and recommendations previously reported.

Council’s File D2, which was not in its File C submission. This variance was attributed to a grant award that was not timely included in ARC’s accounting system or in the second quarter data submission for fiscal year 2017. Also, adjustments to obligations made during the first quarter of fiscal year 2017 were not included in the Council’s fiscal year 2017 second quarter data. ARC did not include the required coding needed for these adjustments to be included in the Council’s File B submission. We noted that the Council’s processes for identifying and addressing these variances and issues were reasonable; and that the Council was proactive in reporting these variances on its Submission Certification Statement. Furthermore, the Council has begun working with ARC to ensure that ARC takes corrective actions to address these issues.

We recommended that the Council’s Executive Director ensure that the Council’s Senior Accountable Official continues to (1) refine the Council’s policies and procedures for compliance with DATA Act requirements; and (2) work closely with ARC to address the timing and ARC errors for future DATA Act submissions. We considered management’s response to have met the intent of our recommendations. **(OIG-18-008)**

### **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 assessed activities administered by Treasury, the Council, and the National Oceanic and Atmospheric Administration (NOAA) with respect to the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program). During this semiannual reporting period, we issued the following reports.

#### **Mississippi Department of Environmental Quality’s Policies and Procedures Did Not Reflect All Uniform Guidance Requirements**

McConnell & Jones LLP (McConnell & Jones), a certified independent public accounting firm, working under a contract with and monitored by our office, performed an audit of the Mississippi Department of Environmental Quality’s (MDEQ) Direct Component award for planning assistance to develop its Multiyear Implementation Plan (MYIP) under the RESTORE Act.

McConnell & Jones did not identify noncompliance in MDEQ’s use of the MYIP Planning Assistance award. However, areas were identified where the MDEQ’s policies and procedures did not reflect all *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 CFR Part 200 (Uniform Guidance) requirements related to equipment management and personally identifiable information. Accordingly, McConnell & Jones recommended that the Fiscal Assistant Secretary consider MDEQ’s need to further develop and strengthen documentation of its policies and procedures to align with the Uniform Guidance requirements. This consideration should be part of Treasury’s oversight and administration of MDEQ’s MYIP Planning Assistance award, as well as risk assessments required by the Uniform Guidance for future awards. McConnell & Jones considered management’s response to have met the intent of the recommendation. **(OIG-18-009)**

### **NOAA’s Administration of the Science Program Met RESTORE Act Requirements**

We performed an audit of NOAA’s management of the Science Program to assess whether NOAA is administering the Science Program in accordance with the RESTORE Act and applicable laws, regulations, and program policies and procedures. Overall, we concluded that NOAA is administering the Science Program in accordance with the RESTORE Act, Treasury’s RESTORE Act regulations, Uniform Guidance, and applicable program policies and procedures. Specifically, NOAA has incorporated the provisions of Section 1604<sup>5</sup> of the RESTORE Act into its management of the Science Program and has comprehensive and well-documented internal policies and procedures to guide personnel administering grants. As such, we made no recommendations in our report. **(OIG-18-036)**

### **Hernando County’s Multiyear Implementation Plan Complied with Applicable Federal Requirements**

We performed an audit of Hernando County, Florida’s (Hernando County) development of its MYIP under the Direct Component of the RESTORE Act to determine whether the plan was in compliance with the RESTORE Act, other

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<sup>5</sup> Section 1604 of the RESTORE Act authorized NOAA, in consultation with the U.S. Fish and Wildlife Service, to establish the Science Program to carry out research, observation, and marine and estuarine monitoring to support the long-term sustainability of the ecosystem, fish stocks, and fish habitat, as well as the recreational, commercial, and charter fishing industry in the Gulf of Mexico.

applicable Federal laws, regulations, and Treasury policies, procedures, and guidelines. We determined that Hernando County developed its MYIP to comply with applicable Federal requirements stipulated in the RESTORE Act, Treasury Regulations for the Gulf Coast Restoration Trust Fund Final Rule, Treasury’s policies, procedures, and the RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance. As such, we made no recommendations in our report. **(OIG-18-042)**

### State Small Business Credit Initiative

During this semiannual reporting period, we completed our final audit of awards made under Treasury’s State Small Business Credit Initiative (SSBCI) program. This program terminated on September 27, 2017.

#### Arkansas’ Use of Federal Funds for Venture Capital Programs

Our audit focused on Arkansas’ compliance with the SSBCI program requirements and prohibitions with respect to funds invested in its venture capital programs. We found that not all investments fully complied with venture capital program requirements and prohibitions. Specifically, two funds in Arkansas’ Seed and Angel Capital Network venture capital program, New Road Ventures, LLC and Virtual Incubation Company Investor Network, recklessly misused a total of \$130,668 of SSBCI funds on four investments because the investments were in violation of conflict of interest rules in place at the time they were made.<sup>6</sup> We also found that Arkansas Development Finance Authority (ADFA) misreported three venture capital investments totaling \$227,495 in its *2014 SSBCI Annual Report* when the investments were actually made with non-SSBCI funds in December 2013 and January 2014. Accordingly, we recommended that the Deputy Assistant Secretary for Small Business, Community Development, and Housing declare a specific event of default of its Allocation Agreement with Arkansas and recoup \$130,668 of SSBCI funds found to be recklessly misused by New Road Ventures, LLC in the amount of \$5,668 and by Virtual Incubation Company Investor Network in the amount of \$125,000. We also recommended that Treasury management require

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<sup>6</sup> Reckless misuse as defined by Treasury is a use of Allocated Funds that the Participating State or its administering entity/ies should have known was unauthorized or prohibited. A “reckless misuse of funds” is a highly unreasonable departure or willful disregard from the standards of ordinary care, and may be a single instance or a series of instances.

ADFA to amend its *2014 SSBCI Annual Report* to reflect the removal of the three investments inappropriately reported.

Treasury management agreed to declare a specific event of default under Section 6.3 of Arkansas' Allocation Agreement and recoup \$130,668, and to request that Arkansas amend its *2014 SSBCI Annual Report* for Treasury's internal records. However, due to the timing of this amended submission, Treasury was not able to update its reports that incorporate data from the State's *2014 SSBCI Annual Report*. We consider management's response to have met the intent of our recommendations.

**(OIG-18-002); Questioned Costs \$130,668**

### 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 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);<sup>7</sup> and make recommendations for preventing any such loss in the future. During this reporting period, we completed a material loss review of Guaranty Bank.

#### Guaranty Bank

On May 5, 2017, OCC closed Guaranty Bank (Guaranty), located in Milwaukee, Wisconsin, and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. As of September 30, 2017, the FDIC estimated a loss to the Deposit Insurance Fund (DIF) of \$148.6 million.

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<sup>7</sup> 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.

Guaranty failed primarily because of relaxed loan underwriting standards, poor risk management, and deficient supervision by the board of directors and bank management. Regarding supervision, OCC examiners generally followed guidance in supervising Guaranty; however, that supervision did not prevent a material loss to the DIF. We found that OCC did not adequately review (1) Guaranty's request for retention bonuses for PCA compliance prior to providing a determination of no supervisory objection; and, (2) the salaries of Guaranty's senior executives, and therefore did not detect until 2017 that Guaranty gave yearly salary increases to senior executive officers from 2012 to 2016, which were prohibited by PCA. As a result, the bank paid \$468,926 in bonuses and salary increases to senior executive officers in violation of PCA.

We recommended that the Comptroller of the Currency develop and document examination procedures for banks subject to PCA restrictions that are designed to identify and track all types of compensation paid to executive officers as defined in 12 CFR 215 *Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks*, also known as Regulation O.<sup>8</sup> OCC concurred with our findings. We consider OCC's planned corrective actions responsive to our recommendation. **(OIG-18-034)**

## Other Audits of Treasury Programs and Operations

### Treasury's Office of Budget and Travel Potentially Violated the Antideficiency Act and Needs To Improve Its Reimbursable Agreement Process

We assessed the circumstances surrounding a potential Antideficiency Act (ADA) Violation and whether transactions to transfer funds between Treasury offices and bureaus, as well as non-Treasury entities, were done in accordance with laws, regulations, policies, procedures, and respective reimbursable agreements. We found that Treasury's Office of Budget and Travel (OBT) potentially violated ADA by: (1) disbursing more than DO's available fund balance with Treasury; (2) incurring obligations and expenditures prior to the respective reimbursable agreements being signed; and (3) using fiscal year 2016 funds for fiscal year 2015 costs related to reimbursable services provided to DO customers. Accordingly, we recommended that the Assistant Secretary for Management ensure OBT, within 60 days of the issuance

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<sup>8</sup> The Regulation O definition of executive officer includes every vice president, unless that person was formally excluded from the decision-making process by the bank's bylaws or a resolution from the board of directors.

of the report, finalize OBT's internal review of its fiscal year 2015 records and request a Government Accountability Office (GAO) decision to determine if ADA violations occurred for findings 1, 2, and 3, respectively; and analyze OBT's fiscal year 2016 and 2017 records to determine whether ADA violations occurred. OBT has requested GAO's determination as to whether ADA violations have occurred for findings 2 and 3 and is seeking an opinion from OMB before determining further action with respect to GAO for finding 1.

We also identified the following internal control weaknesses within OBT during our audit: (1) untimely processing of reimbursable agreements; (2) untimely collections of revenue from DO customers; (3) premature loading of DO's reimbursable budget authority prior to reimbursable agreements being signed by both OBT and the respective DO customers; (4) failure to follow close-out policies, procedures, and guidance; (5) lack of adequate training for OBT management and staff; and (6) lack of, or outdated, policies and standard operating procedures (SOPs). In addition, OBT violated the recording statute by not timely obligating costs for annual operating agreements for rent with the General Services Administration. OBT also violated the Prompt Payment Act by not ensuring proper funding was available for ARC to pay several invoices timely; which resulted in ARC paying accrued interest on a late payment for reimbursable services provided to a customer.

To address the weaknesses, we recommended that the Assistant Secretary for Management ensure OBT: (1) develops, revises, and/or finalizes office-wide manuals, policies, and SOPs; (2) 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; (3) complies with the DO *Reimbursable Agreement Policy (October 2010)* by reviewing and updating the 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; (4) performs an analysis to determine whether advances should be obtained from DO customers at the time reimbursable services are ordered; and (5) 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's response met the intent of our recommendations. **(OIG-18-024)**



### Review of OFR's Government Purchase Card Program

In light of concerns that were raised to our office with respect to the Office of Financial Research's (OFR) spending, we performed an audit of OFR's procurement activity between July 2012 and December 2016. This is the first of two reports on the results of our audit of OFR's procurement activities. This report provided our assessment of OFR's use of Government purchase cards (GPC). We concluded that OFR purchase cardholders made split purchases, which is prohibited by the Federal Acquisition Regulation and Treasury's Office of the Procurement Executive *Charge Card Management Plan Purchase Card Program*. A split purchase is defined as a single purchase that is divided into two or more separate purchases and thus avoids exceeding the micro-purchase threshold and competitive selection of a vendor. In addition, OFR's cardholder files were not in compliance with applicable documentation requirements due to a lack of training and understanding of the requirements. Consequently, the files did not provide a complete history of each transaction showing that informed decisions were made at each step of the process and proper approvals were obtained.

Accordingly, we recommended that the Director of OFR: (1) work with DO's Purchase Card Program Coordinator to conduct a one-time purchase cardholder and approver refresher training on split purchase transactions, within 60 days of the issuance of the report; (2) develop and implement a policy to require OFR Approving Officials to review purchase card transactions for potential split purchases on a monthly basis when approving official duties are transferred to OFR employees in 2018; (3) share the results of our review of OFR's split purchases with OBT, OFR's shared service provider responsible for approving officials duties; (4) review purchase cardholders' files to ensure that all documents required by policy and procedures are included in the files; (5) develop and implement a policy for storing and maintaining GPC transaction documentation in a centralized location; (6) conduct a one-time GPC cardholder and approver refresher training, within 60 days of the issuance of this report, on cardholder file documentation and retention requirements; and (7) share the results of findings related to OFR's documentation of GPC transactions with OBT. Management agreed with our recommendations and its actions, both taken and planned, meet the intent of our recommendations. **(OIG-18-038)**



## Opportunities Exist to Enhance TTB’s COLAs and Formulas Online Programs

We audited TTB’s Certificate of Label Approval (COLA) and Formulas Online processes to determine whether the processes are working as intended and meet the growth of TTB’s alcohol-related regulated industries. We found that despite TTB’s efforts to improve its COLA and formula application processes, by decreasing the need for certain application approvals and promoting the use of electronic filing, processing times of COLA and formula applications have increased. This is due, in part, to the substantial volume of electronic applications that are resubmitted after errors are corrected. In an effort to promote electronic filing, TTB set a policy to process resubmitted electronic applications before processing new applications. However, the policy had the unintended consequence of increasing processing time for the majority of electronic applicants, who submitted an error-free application on the first submission, and resubmitted applications have increased TTB’s workload by as much as 45 percent. We also found that TTB’s performance standards were obsolete and most Advertising, Labeling, and Formulation Division specialists were not cross-trained to work in other areas of the division. TTB established formal written procedures for its specialists to follow when processing COLA and formula applications in May 2015, but the guidance could be improved to ensure consistency in label and formula reviews. Additionally, TTB had not performed quarterly quality assurance reviews for formulas to ensure consistent processing of applications.

We recommended that the Administrator of TTB: (1) evaluate the current electronic resubmission policy to determine the impact on COLA and Formulas Online and the benefit to industry members; (2) continue to cross-train staff in order to address fluctuations in workload, reduce COLA and formula application processing times, and ensure continuity of operations; (3) update application processing standards for specialists to assist in determining staffing needs; (4) review TTB’s guidance for processing label and formula applications and update as needed to provide a consistent methodology for processing applications; and (5) establish and document quality assurance reviews for formula applications to monitor the consistency and accuracy of all specialists’ formula approvals. Overall, TTB agreed with our recommendations and stated that it was already working to address several of the recommendations. TTB management’s response met the intent of our recommendations. **(OIG-18-001)**

## OIA's Management of Intelligence Community Public Key Infrastructure Certificates

While performing an audit to assess Treasury Office of Intelligence and Analysis' (OIA) progress in meeting its statutory responsibilities, we received emails alleging that OIA initiated a mass revocation of the Financial Crimes Enforcement Network's (FinCEN) intelligence community public key infrastructure certificates; and that delays in providing FinCEN employees with the certificates prevented FinCEN from effectively performing its mission. We found that OIA did not initiate a mass revocation of FinCEN's certificates. Instead, a large number of Treasury employees, including 25 FinCEN employees, had certificates that expired. Reminders were sent by OIA's Office of Special Security Programs (SSP) to OIA employees that expiration dates were approaching; however, no reminders were sent to most FinCEN employees. Therefore, many of these FinCEN employees were unaware that their certificates were expiring until after the expiration date. OIA is not required to remind users that their certificates are expiring, but SSP did not consistently make users aware that it was their responsibility to track the expiration date. Moreover, OIA did not have policies and procedures that document the intelligence community public key infrastructure access process. During the time that the certificates were expiring, FinCEN initiated or had pending requests for 78 certificates waiting for OIA's approval. While reviewing information to validate FinCEN's requests, SSP identified that more than half of these requests were included in error. At the time of our report, FinCEN was working towards providing OIA with additional information needed for SSP to approve the remaining certificates.

We also observed that the working relationship between OIA and FinCEN related to the process is strained. The lack of documented policies and procedures related to access is contributing to fundamental disagreements between the two components. Understanding the basic differences in the way that FinCEN and OIA officials view the need for access to support their individually defined roles and responsibilities, including FinCEN's autonomy, will improve cooperation between the two offices and enhance the relationship between the two entities. Accordingly, we recommended that the Under Secretary for the Office of Terrorism and Financial Intelligence ensures that: (1) OIA and SSP clarify, formalize, and distribute its certificate process policies and procedures; (2) employees at all levels are trained on the process and documentation required to efficiently gain access; (3) an assessment is performed to determine the adequacy of staffing and system resources, as well as cross-training of SSP employees responsible for reviewing and renewing certificates; and (4) OIA and FinCEN officials work together to ensure that they understand their roles and

responsibilities. Management concurred with our recommendations and outlined actions already taken and planned. Management’s response met the intent of our recommendations. **(OIG-18-006)**

### OFAC Human Resources Practices Need Improvement

In response to an allegation we received in January 2015 that claimed, among other things, unethical and unfair hiring practices by the Office of Foreign Assets Control (OFAC), we initiated an audit to determine whether OFAC conducts its human resources activities in accordance with Federal and Treasury requirements and OFAC policies and procedures. Although we found that OFAC human resources activities generally complied with Federal and Treasury requirements, some improvements were needed. Specifically, we found that: (1) OFAC did not consistently comply with Treasury guidance for promotions of career ladder legacy employees,<sup>9</sup> (2) promotion potential for career ladder legacy employees was downgraded without a change to the position descriptions, (3) documentation for exceptions to the legacy employee promotion process was inadequate, and (4) the electronic Official Personnel Folders (e-OPF) did not include all required documentation.

As such, we recommended that the OFAC Director ensure that (1) promotions of legacy employees in career ladder progression are based on an equitable, consistent, and supportable methodology, including alignment with the official Office of Personnel Management ratings categories, Treasury and OFAC requirements, and the duties and responsibilities of the employees’ assigned position descriptions; (2) the 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; (3) considerations and justifications used for promotions are documented when promotion decisions are inconsistent with established policies; and (4) in coordination with the Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer, all required records are included in the official personnel files. Management generally agreed with our recommendations and outlined actions already taken and planned. OFAC’s management response met the intent of our recommendations. **(OIG-18-018)**

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<sup>9</sup> Legacy employees are employees hired before 2009 into non-supervisory career ladder positions that started at the GS-9 level with promotion potential to the GS-14 and GS-15 level. All positions in the Federal service are assigned a career ladder. The grade range assigned to a position’s career ladder is a measure of the work typically available in an organization to be performed to accomplish the mission. Noncompetitive career ladder promotions may be given up to the highest grade level in the career ladder.

## 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

We performed an audit of OFAC and FinCEN's sharing of blocked transaction reports for suspicious activity reporting and concluded that financial institutions, with few exceptions, avoided duplicative reporting consistent with FinCEN's 2004 guidance. However, controls were not in place to ensure blocked transaction information filed with OFAC was made available to Bank Secrecy Act (BSA) data users through FinCEN's BSA database. Specifically, FinCEN did not reconcile reports in its system to ensure required information was available to BSA data users. Consequently, FinCEN was unaware that it did not upload to the BSA database information related to approximately 3,220 (88 percent) of the 3,653 blocked transaction reports received from OFAC between January 2010 and December 2012. FinCEN was unaware of this gap until our fieldwork in April 2013. At that time, OFAC and FinCEN performed a reconciliation of blocked transaction reports between the two entities. When the problem was identified, FinCEN implemented a process for BSA data users to obtain the OFAC blocking reports through the FinCEN Portal.

We also noted two other matters of concern from our review of blocking reports and suspicious activity reports (SAR). First, the 2004 guidance did not consider OFAC sanctions programs implemented after the guidance was issued. And second, we identified 387 SARs describing transactions processed by the filing institutions that potentially violated an OFAC sanctions program. These SARs described transactions that possibly should have been blocked or rejected but were processed by the bank. We referred these potential violations to OFAC and the appropriate regulator for consideration of enforcement action. Accordingly, we recommended that the Director of FinCEN, in collaboration with the Director of OFAC, reconcile the blocked transaction data to ensure FinCEN makes all data available to BSA data users and review the 2004 guidance and information sharing agreement based on changes to sanctions programs and update accordingly. FinCEN and OFAC management concurred with our recommendations and outlined actions already taken and planned. Management's response met the intent of our recommendations. **(OIG-18-032)**

## The Universal Suspicious Activity Report and Electronic Filing Have Helped Data Quality but Challenges Remain

In March 2012, FinCEN introduced a new Universal Suspicious Activity Report (BSAR) form designed for use by all industry members. Beginning in April 2013, FinCEN mandated all filers use the BSAR and submit filings to FinCEN electronically, through discrete filings for which BSARs are entered through online forms and submitted through FinCEN's BSA E-Filing System or with batch filings which are BSARs that financial institutions submit in text files daily to FinCEN. In our audit of BSAR data quality, we found that FinCEN's implementation of the BSAR and the electronic filing mandate have contributed to its ongoing efforts to further the quality of SAR data. However, despite FinCEN's efforts, challenges remain in the bureau's efforts to continue to improve the quality of BSAR data. FinCEN received approximately 1.75 million BSARs between May 2013 and April 2014. We reviewed filer responses for 39 data fields deemed critical by FinCEN and found one or more data errors in 33.5 percent (586,190) of the filings. The most common errors identified related to critical data fields with no entries when a response for that data field was expected, and included many batch filed BSARs where the filers did not include subject address or institution branch sub-records in the submissions that would contain the critical information. We also found inconsistent and incomplete responses provided by filers as well as numerous responses in critical data fields that, while not classified as invalid, were examples of poor quality reporting, often not in conformance with FinCEN filing requirements and guidance, and of limited value to users. FinCEN controls also did not ensure filers provided the prior BSA document number when submitting new BSARs intended to correct or amend prior filings, or to continue reporting on suspicious activities. Further, FinCEN did not ensure batch filers resubmitted BSARs when required to do so.

We recommended that the Director of FinCEN: (1) address areas for which additional filer education is needed for specific instances or systemic errors identified with specific filers or the filer community to reduce invalid and non-responses, including guidance on the mechanics for proper reporting of data fields for which the values requested are unknown; (2) implement controls in FinCEN's validation edits that systemically identify batch filed BSARs that do not include a subject address or institution branch sub-record when these records are expected; (3) develop a methodology to systemically identify inconsistent and incomplete filer responses in critical data fields for all filings, and identify filers with systemic issues and notify them as deemed appropriate; (4) implement controls to ensure that BSARs in which a valid response is not provided in the prior document number field are systemically

identified as errors by FinCEN and filers are notified of this condition; and (5) implement controls to identify and track BSAR filings with primary errors and determine if filers comply with FinCEN policy requiring correction and resubmission. FinCEN management concurred with our recommendations and outlined actions taken. We consider actions taken by FinCEN to be responsive to our recommendations. (OIG-18-041)

### **FinCEN’s Regulatory Helpline Provides Guidance but Controls Need to be Enhanced**

We performed an audit of the FinCEN Resource Center’s Regulatory Helpline (Helpline) to determine and assess the controls over the Helpline to provide guidance to users that is responsive and consistent with BSA, USA PATRIOT Act, and related regulations. We found that OMB authorized customer satisfaction surveys showed that users understood the guidance provided by FinCEN’s Helpline staff, but internal controls over the process needed to be enhanced. FinCEN could not provide a record of inquiries unique to the Helpline from January 1, 2012 through June 30, 2014, our audit period. In addition, FinCEN did not keep a record of all entries, as missing request Identification numbers were identified. Further, we were unable to determine if inquiries were being properly recorded, and properly addressed by staff because FinCEN’s policy is to delete Helpline messages immediately after the inquiry is responded to and the response is logged in the system. Also, the timeliness of responses to Helpline inquiries could not be assessed. Helpline staff were not required to document the time and date inquiries were actually received at FinCEN. In most cases, Helpline staff input an inquiry in its call center application and closed out the inquiry at the same time resulting in the date and time the inquiry was created and resolved being identical. Because Helpline voicemail and email inquiries were deleted, we could not audit the accuracy of information entered into the call center application and could not determine that guidance to users was responsive and consistent with BSA, USA PATRIOT Act, and related regulations. Moreover, the results of quality control reviews were not consistently documented by FinCEN.

We recommended that the Director of FinCEN: (1) retain all request Identification numbers created in order to provide an accounting of all actions taken in the system used to record Helpline inquiries; (2) implement processes to ensure that every inquiry received is appropriately documented to determine the timeliness of the response; and (3) document the methodology and results of quality control reviews and retain complete and accurate records of these reviews. FinCEN management concurred with



our recommendations and outlined actions taken. Management’s response met the intent of our recommendations. **(OIG-18-040)**

### **BEP Needs To Finalize Its COOP Plan**

We performed an audit of the Bureau of Engraving and Printing’s (BEP) continuity of operations (COOP) planning and concluded that BEP’s COOP plan had not been finalized and had been in draft since October 2015. BEP had not finalized a COOP plan since its previous plan in 2002. Our review of the October 2015 draft plan found that it had incomplete and missing supporting documentation. BEP’s draft COOP plan and associated documentation showed that BEP’s overall plan for a COOP event was to shut down production at the affected facility and use telework for conducting administrative functions only. The draft COOP plan was contingent on BEP’s assumption that operations will be unaffected and available to support actions directed by the BEP Director, or the Director’s successor, at BEP’s other production facility. Moreover, BEP’s draft COOP plan did not identify any Mission Essential Functions (MEF). The plan stated that BEP had no essential functions that need to be continued uninterrupted during an emergency. Officials at the Board of Governors of the Federal Reserve System (Board) questioned BEP’s MEF determination and told us that BEP provided services that directly support the Board and that these services could not be deferred during an emergency. Federal Emergency Management Administration officials told us that BEP should have identified MEFs based on the requirements identified in Federal Continuity Directives.

Accordingly, we recommended that the Director of BEP: (1) finalize BEP’s COOP plan, and include among other things, plans specific to both facilities and supporting documentation required by Federal Continuity Directives, such as business process and impact analyses to address risk and a comprehensive Test, Training, and Exercise program; and (2) work with the Board, in consultation with Federal Emergency Management Agency’s National Continuity Programs Office as necessary, to determine BEP’s MEFs and if any of those MEFs support other organizations’ MEFs. BEP management concurred with our recommendations and outlined actions already taken and planned. Management’s response met the intent of our recommendations. **(OIG-18-037)**

## OCC Complied with Section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996

Section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) of 1996 requires that, applicable banking agencies, not less than once every 10 years, conduct a review of their regulations to identify outdated or otherwise unnecessary regulatory requirements imposed on insured depository institutions. We conducted a review of OCC's process to review its regulations under the EGRPRA. We concluded that OCC complied with Section 2222 of the EGRPRA. OCC (1) categorized its regulations by type; (2) provided notice and solicited public comment on the 12 regulatory categories at regular intervals, asking commenters to identify regulations that were outdated, unnecessary, or unduly burdensome; (3) completed its review within 10 years; (4) published in the Federal Register a summary of comments received, identifying significant issues raised and providing comment on such issues; (5) eliminated unnecessary regulations to the extent that such action was appropriate; and (6) submitted a report to Congress. As such, we did not make any recommendations to OCC as a result of our audit. However, we suggested that during the next regulatory review, OCC could enhance its documentation of the review process by developing a cross-walk between the public comments received and the comment summaries developed for each Federal Register Notice. **(OIG-18-039)**



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## **Office of Investigations – Significant Investigations**

### **Subject Indicted for \$300 Million Fictitious Obligations**

Our joint investigation with Internal Revenue Service Criminal Investigations (IRS-CI), revealed a repeat offender involved in a sovereign citizen scheme who produced fictitious obligations purportedly drawn on the Department of the Treasury (Treasury). The subject opened a bank account and attempted to deposit a fictitious "Indemnity Bond" purported to be a valid instrument issued by the Treasury for \$300 million. The suspect was indicted in U.S. District Court, Eastern District of Tennessee, for Fictitious Obligations. Judicial action is pending.

### **Subjects Arrested for Theft of \$37 Million in Treasury Checks**

Our investigation revealed the theft of \$37 million in Treasury checks from the U.S. Postal Service (USPS). The checks were stolen by contract employees, hired by the post office. The subjects sold the stolen checks for a fraction of the value to co-conspirators. The investigation has identified 24 subjects. Two arrest warrants and a search warrant were executed in U.S. District Court, Central District of California. Judicial action is pending.

### **Subjects Arrested for Bank Fraud**

Our joint investigation with the Federal Bureau of Investigation (FBI) and U.S. Secret Service (USSS) determined 6 subjects were involved in a sovereign citizen scheme attempting to obtain 104 fraudulent loans amounting to \$3.4 million. Fraudulent Treasury money orders were used in an attempt to pay off \$160,000 in loans at lending institutions and at a residential leasing company. The subjects were indicted for Bank Fraud and are being prosecuted in U.S. District Court, Northern District of Georgia. Five of the subjects were arrested. The sixth subject is a fugitive outside the United States (U.S.A.). Judicial action is pending.

### **Subject Indicted for Possession with Intent to Distribute Heroin and Possession of a Firearm by a Felon**

Our joint investigation with the Drug Enforcement Agency and FBI identified a subject, involved in the laundering of fraudulent proceeds obtained from an illegal drug trafficking enterprise. The subject is also being investigated for the commission of violent crimes and was identified as the source of fentanyl-laced heroin traced to multiple overdoses, 10 of which were related to deaths. This case is being prosecuted

in U.S. District Court, Eastern District of Virginia. The subject was indicted for Possession with Intent to Distribute Heroin and Possession of a Firearm by a Felon. Judicial action is pending.

### **Former OCC Bank Examiner Sentenced for Bribery of a Bank Officer and Two Co-Conspirators Sentenced for Conspiracy to Commit Wire Fraud**

Our investigation determined that a former Office of the Comptroller of the Currency (OCC) Bank Examiner and two co-conspirators engaged in a scheme to defraud a movie financing company. The Vice President of a bank, a former Bank Examiner, used his position to assist two subjects with stealing \$2.5 million from the company by depositing funds into escrow accounts. One subject pled guilty in the U.S. District Court, District of Maryland, to Conspiracy to Commit Wire Fraud and was sentenced to 18 months in prison, 36 months of probation, and a \$100 fine. The second subject pled guilty to Conspiracy to Commit Wire Fraud and was sentenced to 30 months in prison, 36 months of probation, forfeiture of \$821,000, and restitution of \$700,000. The former OCC Bank Examiner pled guilty to Bribery of a Bank Officer and was sentenced to 30 weekends in prison, 12 months of probation, and a \$2,000 fine.

### **Subject Pleads Guilty to Conspiracy to Defraud the Government**

Our joint investigation with IRS-CI determined that a subject in Hazleton, Pennsylvania was involved in a fraud scheme to illicitly procure and negotiate Treasury checks. The subject, who owns two money services businesses (MSB), was linked to approximately \$10 million in potential fraud related to stolen Treasury checks, and a Stolen Identity Refund Fraud scheme. The subject pled guilty to Conspiracy to Defraud the Government in U.S. District Court, Middle District of Pennsylvania, and forfeited \$2 million. Sentencing is pending. Investigative efforts continue to locate and arrest the remaining co-conspirators.

### **Subjects Arrested for Conspiracy, Embezzlement of Credit Union Funds, False Documents, and Aggravated Identity Theft**

Our joint investigation with the FBI determined two subjects conspired to embezzle over \$1 million from a Hawaiian credit union, whose deposits were insured by the National Credit Union Administration. The subjects admitted to creating fictitious deposits to erase overdraft fees and used a general ledger account to pay personal expenses. The investigation identified fictitious documents and entries in the credit union's records created to conceal embezzlement from the credit union's board of

directors and the National Credit Union Administration. The embezzlement resulted in the collapse of the credit union. The liquidation of the credit union was the largest loss to the National Credit Union Share Insurance Fund in 2016. The subjects were indicted in U.S. District Court, District of Hawaii, and arrested for Conspiracy, Embezzlement of Credit Union Funds, False Documents, and Aggravated Identity Theft. Judicial action is pending.

### **Subject Sentenced for Conspiracy, Aggravated Identity Theft of Treasury Checks**

Our joint investigation with IRS-CI and the Loudon County, Virginia Sheriff's Office determined a subject cashed stolen Treasury checks in Ashburn and Leesburg, Virginia. The subject admitted to a scheme where Treasury checks were stolen from the USPS mail system and negotiated by the subject and additional known and unknown co-conspirators using fraudulent identification documents. The subject and the co-conspirators negotiated, or attempted to negotiate, six checks, totaling \$1 million, in Virginia and Pennsylvania. The subject pled guilty to Conspiracy and Aggravated Identity Theft in U.S. District Court, Eastern District of Virginia. The subject was sentenced to 64 months in prison, 36 months of probation, ordered to pay \$46,000, and a \$200 special assessment.

### **Subject Pleads Guilty to Access Device Fraud Using Stolen Credit Cards**

Our investigation of an organized criminal group using stolen credit cards 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. Additional judicial action is pending.

### **Subject Arrested for Obtaining Property by False Pretenses**

Our investigation, with assistance from the Nigerian Economic and Financial Crimes Commission, revealed a subject received more than \$100,000 from co-conspirators in the U.S.A. Funds were obtained through victims of a pre-payment scam offering loans from Treasury's Community Development Financial Institutions Fund. In March 2018, the subject was arrested by the Nigerian Economic and Financial Crimes Commission for violating Nigerian Criminal Code, Obtaining Property by False Pretenses. Judicial action is pending in Nigerian Federal Court.

### **Subject Charged with Bank Fraud**

Our joint investigation with the Fairfax County, Virginia Police Department determined a subject participated in a scheme to alter and negotiate a Treasury check. The subject deposited the check into a bank account, withdrew the funds through automated teller machines (ATM), and purchased money orders. The subject was charged with Bank Fraud in U.S. District Court, Eastern District of Virginia. Charges against a co-conspirator are anticipated. Judicial action is pending.

### **Subject Indicted for Producing and Uttering Fictitious Treasury Obligations**

Our joint investigation with the FBI, led to the indictment of a Sovereign Citizen, who attempted to pay off a mortgage with documents purportedly issued by the Treasury. The subject was arrested for Producing and Uttering Fictitious Treasury obligations, in U.S. District Court, Middle District of Florida. The subject was released on bond, additional judicial action is pending.

### **Subjects Plead Guilty for the Use of Counterfeit Access Devices, Aggravated Identity Theft, and Possession of Access Device-Making Equipment with Intent to Defraud**

Our joint investigation with the North Carolina Treasury Financial Crimes Task Force (NC-TFCTF) and Asheboro, North Carolina, Police Department determined two subjects conducted a credit card fraud scheme impacting financial institutions. During the execution of a search warrant the subjects were found to be in possession of over 100 counterfeit and re-encoded credit cards, a card reader device, two computers, and an embossing machine. The case is being prosecuted by the U.S. Attorney's Office, Middle District of North Carolina. The subjects pled guilty to Use of Counterfeit Access Device, Aggravated Identity Theft, Possession of Access Device-Making Equipment with Intent to Defraud, and Possession of 15 or more Counterfeit Devices. Judicial action is pending.

### **Bank Employee Arrested for Bank Fraud**

Our investigation of an OCC-regulated bank employee determined the subject stole a customer's identity and account information to pay off approximately \$150,000 in student loans and debts. In February 2018, the subject was arrested for Bank Fraud in the Middle District of Florida, Orlando Division. Judicial action is pending.

### **Subject Pleads Guilty to Theft of Public Money**

Our joint investigation with the Social Security Administration (SSA) Office of Inspector General (OIG) disclosed a subject fraudulently obtained \$108,000 in Social Security, Title II Retirement and Survivors Insurance funds for which he was not entitled. The subject was estranged from his wife and infant son. When his wife died, he abandoned the child and left him in the care of his wife’s best friend. The subject pled guilty to Theft of Public Money in U.S. District Court, Northern District of Florida. Judicial action is pending.

### **Subject Arrested for Theft of Government Funds and Aggravated Identity Theft**

Our joint investigation with the SSA OIG identified a subject that fraudulently collected \$70,000 of his deceased neighbor’s Social Security benefits. The subject allegedly accessed the neighbor’s checking account to retrieve funds, including Social Security benefit payments. The subject was arrested in the Middle District of Florida for Theft of Government Funds and Aggravated Identity Theft. Judicial action is pending.

### **Subject Sentenced for Theft of Public Money**

Our joint investigation with the SSA OIG revealed a subject continued to receive benefits of a Social Security recipient after the recipient’s death. The subject was sentenced for Theft of Public Money, to 24 months of probation, a \$1,000 fee, a \$400 assessment, restitution of \$46,000, and 50 hours of community service by the U.S. District Court, Southern District of Florida.

### **Subject Sentenced for Making a Materially False Statement to a Bank and Aggravated Identity Theft**

Our joint investigation with NC-TFCTF and the Durham Police Department, North Carolina, determined the subject, 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 bank detected the scheme. This case was prosecuted by the U.S. Attorney’s Office, 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 and 60 months of probation.

### **Veterinarian Indicted for Violations of Access Device Fraud and Aggravated Identity Theft**

Our joint investigation with the NC-TFCTF and the Durham Police Department, North Carolina, determined a veterinarian fraudulently used customer's credit cards through merchant chargebacks with an on-site credit card processor and credit applications to establish fraudulent credit lines. This case is being prosecuted by the U.S. Attorney's Office, Middle District of North Carolina. The subject has been indicted for violations of Access Device Fraud and Aggravated Identity Theft. Judicial action is pending.

### **Subjects Plead Guilty to Conspiracy to Commit Bank Fraud, Bank Fraud, and Aggravated Identity Theft**

Our joint investigation with the NC-TFCTF and the Randolph County, North Carolina Sheriff's Office revealed that two subjects, both illegal aliens, operated a credit card skimming operation. During an unrelated investigation by the Sheriff's Office, a search warrant executed at the subjects' residence revealed counterfeit credit cards, credit card skimmers, computers, and a credit card embosser. Also found, were two thumb drives with identity theft victims' personally identifiable information (PII) and OCC-regulated bank account information. The case is being prosecuted by the U.S. Attorney's Office, Middle District of North Carolina. Both subjects have pled guilty for Conspiracy to Commit Bank Fraud, Bank Fraud, and Aggravated Identity Theft. Sentencing is pending.

### **Subject Pleads Guilty to Theft of Government Property**

Our joint investigation with National Archives and Records Administration OIG discovered a subject had stolen historical items, including dog tags, from the National Archives. Our office assisted the National Archives and Records Administration in the execution of a search warrant of the subject's residence. Electronic devices seized during the search of the subject's residence were examined for forensic analysis. The subject was arrested and pled guilty in U.S. District Court, District of Maryland, to Theft of Government Property. Judicial action is pending.

### **Subject Arrested for Defrauding a Financial Institution and Obtaining Personal Property with Intent to Defraud**

Our investigation discovered a subject compromised a bank's credit card accounts, using stolen PII with a fraud loss of \$15,000. In January 2018, the subject was arrested by the Jacksonville Sheriff's Office, Jacksonville, Florida, for Defrauding a Financial Institution and Obtaining Personal Property with Intent to Defraud. The case was accepted for prosecution by the U.S. Attorney's Office, Middle District of Florida. Judicial action is pending.

### **Subject Pleads Guilty to Possession of Counterfeit and Unauthorized Access Devices and Possession of Device Making Equipment**

Our investigation identified three subjects for prosecution, in a case of that involved identity theft, fraudulent access devices, theft, money laundering, and organized criminal activity. The subjects used gas pump skimming devices to obtain victim credit card information used to produce counterfeit access devices for purchases. One subject pled guilty to Possession of Counterfeit and Unauthorized Access Devices and Possession of Device Making Equipment in U.S. District Court, Southern District of Texas. Additional arrests and judicial action is pending.

### **Subjects Indicted for Conspiracy to Commit Access Device Fraud, Use of Unauthorized Access Devices, and Aggravated Identity Theft**

Our investigation identified three subjects that used fraudulently obtained PII to compromise a retail merchant's accounts. The subjects were indicted for Conspiracy to Commit Access Device Fraud, Use of Unauthorized Access Devices, and Aggravated Identity Theft. One subject has been arrested in the Southern District of Florida. Judicial action is pending.

### **Treasury Bureau Employee Sentenced for Battery and Brandishing a Weapon**

Our investigation was initiated when a Treasury bureau employee, the subject, was arrested for felonious burglary and wanton endangerment with a firearm. The subject unlawfully entered the house of the victim and punched the victim in the face several times while the victim was asleep. The subject located a shotgun that was inside the residence and pointed it at the victim before the subject departed. The victim had visible injuries to the face. The subject was contacted by the Wood County Sheriff's



Department, Parkersburg, West Virginia, and admitted to the incident. The subject pled guilty to Battery and Brandishing a Weapon and was sentenced to 24 months of probation and \$321 in fines.

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

### **Subjects Plead Guilty to Identity Theft and Tax Fraud**

As reported in previous semiannual periods, our joint investigation with the IRS-CI and U.S. Postal Inspection Service (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:** Multiple subjects were sentenced during this semiannual reporting period. To date, the joint investigation has resulted in 48 arrests, including the arrest of employees of MSBs, financial institutions, and USPS. Of the 48 arrests, 41 subjects have pled guilty and 3 subjects were found guilty by jury trial. Thirty-one subjects have been sentenced to nearly 935 months in prison, 1,108 months of probation, and ordered to pay more than \$18.5 million in restitution to Treasury. The case is being prosecuted by the U.S. Attorney's Offices in the District of Columbia; the District of Maryland, Greenbelt Office; and by the Department of Justice, Tax Division. Additional judicial action is pending.

### **Money Service Business Owner Pleads Guilty to Failing to Develop, Implement, and Maintain an Anti-Money Laundering Program**

As reported in the previous semiannual period, our investigation of a check cashing business in Dallas, Texas, determined that the owner of MSBs facilitated in the negotiation of nearly 3,500 fraudulently obtained Treasury checks totaling \$16.6 million. The subject failed to establish an anti-money laundering program required by a business working as a money transmitter. The subject pled guilty to Failure to Develop, Implement, and Maintain an Anti-Money Laundering Program in U.S. District Court, Northern District of Texas, Dallas Division.

**Update:** The subject was sentenced to 13 months in prison, 36 months of probation, and assessed a \$5,000 fine. Final restitution is pending.

### 19 Subjects Indicted for International Fraud and Money Laundering

As reported in previous semiannual periods, our joint investigation with the FBI determined a transnational organized crime network conducted a multi-million dollar fraud and money laundering operation that resulted in the theft of over \$13 million from more than 170 victims. As a result of fraudulent transactions identified by this investigation, additional thefts of over \$56 million in victim funds were prevented, disrupted, or returned. The operation involved online vehicle sales fraud, business email compromise schemes, and an unlicensed money transmitting and international money laundering network, “hawala.” These fraud schemes tricked both individuals and corporations into wiring millions of dollars to bank accounts under the control of the crime network. This network operated in the U.S.A., Europe, and Israel. Nineteen subjects were indicted by a Federal grand jury in U.S. District Court, District of Columbia, and subsequently arrested in New York, New York; Los Angeles, California; and Israel, Hungary, Bulgaria, Germany, and Romania. The subjects were charged with various violations that include: Bank Fraud, Conspiracy to Commit Bank and Mail Fraud, Conspiracy to Commit Money Laundering, Conspiracy to Commit Wire Fraud, and Conspiracy to Operate an Unlicensed Money Transmitting Business.

**Update:** One subject, a Russian-Israeli dual citizen, pled guilty to Conspiracy to Commit Money Laundering and was sentenced to 18 months in prison, ordered to pay \$50,000 in restitution, and ordered to be deported. Additional judicial action is pending.

### Subjects Arrested for Redirecting Treasury Funds from Supplemental Nutrition Assistance Program Benefits

As reported in previous semiannual periods, our joint investigation with the Department of Agriculture and SSA OIGs, the Department of Homeland Security Investigations (HSI), the Drug Enforcement Agency, USSS, IRS-CI, and with State and local law enforcement agencies determined that complicit store owners and scheme organizers orchestrated the fraudulent exchange and redirection of over \$6.3 million in Treasury funded, State-managed welfare and benefit cards. Nine subjects were initially indicted and arrested in the Middle District of Florida for Conspiracy and Wire Fraud, with an additional charge of Drug Trafficking for 2 of the 9 subjects. Two additional subjects were indicted for Wire Fraud, and another subject was charged with Theft of Public Funds. Eleven (11) of the 12 subjects pled guilty to Wire Fraud related or Theft of Public Funds charges, including two subjects who also pled guilty to Drug

Trafficking. The twelfth subject was found guilty of Conspiracy and Wire Fraud. Eleven (11) of the 12 subjects were sentenced to a total of 344 months in prison, 394 months of probation, and \$7.3 million in restitution. Sentencing was pending for the final subject.

**Update:** The final subject was sentenced to 15 months in prison, 36 months of probation, and ordered to pay \$653,000 in restitution. The 12 subjects were sentenced to a total of 359 months in prison, 430 months of probation, and over \$8 million in restitution.

### Subjects Arrested for Structuring over \$4.6 Million through Financial Institutions

As reported in the previous semiannual period, our joint investigation with IRS-CI, SSA OIG, Federal Deposit Insurance Corporation OIG, USSS, and State and local police determined two subjects, who have no legitimate source of income, structured over \$4.6 million through financial institutions within 1 year. Additionally, the subjects fraudulently obtained Social Security child auxiliary benefits and made false statements. The subjects were indicted and subsequently arrested in the Middle District of Florida for Structuring, False Statements, and Theft of Public Money.

**Update:** The two subjects pled guilty to Conspiracy to Structure and Structuring Transactions to Evade Reporting Requirement Prohibited. Judicial action is pending.

### Hospital Employee Arrested for Embezzlement

As reported in the previous semiannual period, our joint investigation with NC-TFCTF, USSS, HSI, and State and local law enforcement agencies determined that the Director of Financial Management at a North Carolina hospital embezzled approximately \$4 million of hospital funds. The subject wrote fraudulent checks out of hospital accounts and deposited the funds into the subject's bank account. The subject was arrested on State Embezzlement charges pending Federal indictment in North Carolina. The subject's house, 3 personal bank accounts, and 15 motor vehicles were seized to refund the hospital.

**Update:** State criminal charges have been dismissed in lieu of Federal prosecution. The subject was indicted in U.S. District Court, Middle District of North Carolina for violations of Wire Fraud, Aggravated Identity Theft, Bank Fraud, and Possession of a Forged Security. The subject signed a plea agreement. Judicial Action is pending. To date this investigation has recovered \$1.5 million in assets.

### **Subject Pleads Guilty to Wire Fraud and Aggravated Identity Theft**

As reported in previous semiannual periods, our joint investigation with HSI, IRS-CI, SSA OIG, and USPIS determined that a citizen of the Ivory Coast, living in Ashburn, Virginia, used assumed identities to commit financial crimes. The subject claimed to be a tax preparer, filed false Federal income tax returns, and diverted tax refunds to bank accounts that the subject controlled. The subject pled guilty to Wire Fraud and Aggravated Identity Theft and was sentenced to 54 months in prison and ordered to pay \$672,000 in restitution and \$652,000 in forfeiture. A second subject, who provided information to be used in the scheme to the first subject, was indicted for Wire Fraud, False Claims, and Conspiracy to Defraud the Government. The second subject pled guilty to Conspiracy to Commit Wire Fraud and False Claims, and was sentenced to 15 months in prison, 36 months of probation, and ordered to pay \$106,000 in restitution and \$38,000 in forfeiture. A third subject was arrested after being indicted for violations of Conspiracy, Aiding and Assisting in the Preparation of a False Tax Return, and Fraud and Misuse of Visa, Permit and Other Documents. The third subject opened several bank accounts where fraudulent Federal income tax return payments were deposited and was authorized to stay lawfully within the U.S.A. after making a false statement on his application for a Legal Permanent Resident card. The third subject pled guilty to Conspiracy to Commit Wire Fraud and Fraud and Misuse of Visa, Permit and Other Documents, which will be used for deportation purposes. This case is being prosecuted in U.S. District Court, Eastern District of Virginia.

**Update:** The third subject was sentenced to 22 months in prison, 36 months of probation, and ordered to pay \$720,000 in restitution and \$652,000 in forfeiture.

### **Civilian Contractor Pleads Guilty to Stealing Government Employee Payroll Deposits and Thrift Savings Plan Retirement Deposits**

As reported in the previous semiannual period, our joint investigation with the Department of Veterans Affairs (VA) OIG discovered a civilian contractor re-directed Government employee payroll deposits to multiple bank accounts controlled by the subject with a loss to the Government of \$270,000. The subject also transferred Thrift Savings Plan payroll deposits into personally owned bank accounts. The subject pled guilty to Theft of Public Money in U.S. District Court, District of Maryland, Baltimore.

**Update:** The subject was sentenced to 24 months in prison and 36 months of probation for Theft of Public Money by the U.S. Attorney's Office, District of Maryland, Baltimore. Final restitution is pending.

### **Subject Arrested for Mail Fraud, Wire Fraud, and Aggravated Identity Theft**

As reported in previous semiannual periods, our joint investigation with NC-TFCTF and the Durham Police Department, North Carolina, determined that a paralegal embezzled over \$180,000 from OCC-regulated bank accounts managed by two law firms. The subject was indicted in U.S. District Court, Middle District of North Carolina, for Mail Fraud, Wire Fraud, and Aggravated Identity Theft. The subject pled guilty to Mail Fraud and Aggravated Identity Theft. The case was prosecuted by the U.S. Attorney's Office, Middle District of North Carolina.

**Update:** The subject was sentenced to 65 months in prison, 36 months of probation, and ordered to pay \$180,000 in restitution.

### **Subject Arrested for Access Device Fraud and Aggravated Identity Theft**

As reported in previous semiannual periods, our joint investigation with NC-TFCTF and the Durham Police Department, North Carolina, determined that a Durham, North Carolina, subject fraudulently used credit cards issued to a religious ministry organization. The subject obtained the credit cards and socially engineered retail merchants to "force" over 400 transactions, totaling \$170,000 in attempted credit card purchases. The subject was indicted by a Federal grand jury in U.S. District Court, Middle District of North Carolina, for Access Device Fraud, Use of an Unauthorized Access Device, and Aggravated Identity Theft. The subject pled guilty to Wire Fraud, Aggravated Identity Theft, and Access Device Fraud.

**Update:** The subject was sentenced to 94 months in prison, 36 months of probation, and ordered to pay \$73,000 in restitution.

### **Subject Arrested for Bank Fraud**

As reported in previous semiannual periods, our joint investigation with NC-TFCTF, and the Randolph County Sheriff's Office, Forsyth County Sheriff's Office, and the Durham Police Department, North Carolina, determined a subject opened personal and business accounts at several banks. The subject deposited fraudulent checks into the

accounts, purchased items using the accounts, and then withdrew the funds before the deposited checks cleared the bank. Fraudulent purchases in excess of \$150,000 were made. The subject was indicted in U.S. District Court, Middle District of North Carolina, for Bank Fraud, Possession of a Counterfeit Security, and Aggravated Identity Theft. The subject pled guilty to Bank Fraud. This case was prosecuted by the U.S. Attorney's Office, Middle District of North Carolina.

**Update:** The subject was sentenced to 70 months in prison, 60 months of probation, and ordered to pay \$150,000 restitution.

### **Subject Pleads Guilty to Theft of Government Property**

As reported in the previous semiannual period, our joint investigation with the VA OIG determined a private citizen residing in Lexa, Arkansas, improperly received \$118,000 in veteran's benefits paid by Treasury. The subject maintained a joint bank account with the benefit recipient, where benefit payments were deposited, and continued to receive payments after the death of the recipient. The subject pled guilty to Theft of Government Property in U.S. District Court, Eastern District of Arkansas.

**Update:** The subject was sentenced to 60 months of probation and ordered to pay restitution in the amount of \$119,000 to the VA.

### **Alcohol and Tobacco Tax and Trade Bureau Auditor Charged with Gambling While Teleworking**

As reported in the previous semiannual period, our joint investigation with IRS-CI, revealed an Alcohol and Tobacco Tax and Trade Bureau Auditor conducted personal business while teleworking to engage in gambling at legal establishments and did not report the proceeds of winnings. The subject was charged with a Federal Criminal Information related to charges of Theft of Public Money in U.S. District Court, Southern District of Ohio. The subject pled guilty.

**Update:** The subject was sentenced to 36 months of probation and ordered to pay \$60,000 in restitution.

### Two Subjects Indicted and Arrested for Negotiating Altered Treasury Checks

As reported in previous semiannual periods, our joint investigation with the USSS, USPIS, and SSA OIG determined that three California subjects negotiated stolen and altered Treasury checks totaling approximately \$24,000. The subjects used stolen identities to create fictitious documents to facilitate this scheme. The subjects were indicted in U.S. District Court, Northern District of California, and subsequently arrested for Bank Fraud, Aggravated Identity Theft, Theft of Government Money, and Possession with Intent to Distribute Methamphetamines. The second subject was sentenced to 25 months in prison, 60 months of probation, and ordered to pay \$23,000 in restitution for Bank Fraud and Aggravated Identity Theft. Sentencing was pending for the other subjects.

**Update:** The first subject was sentenced to 54 months in prison, 36 months of probation, and ordered to pay \$17,000 in restitution after a guilty plea to Theft of Government Property, Possession with Intent to Distribute Methamphetamine, and Aggravated Identity Theft. The third subject was sentenced to 36 months of probation, and ordered to pay \$13,000 in restitution after pleading guilty to Theft of Government Property.

### Subject Indicted for Preparing and Filing False Tax Returns

As reported in the previous semiannual period, our joint investigation with IRS-CI and USPIS determined that subjects prepared and submitted over 1,300 fraudulent Federal income tax returns for undocumented workers and resident foreign nationals. Subjects used other individual's wages and falsely reported a high number of dependents to produce an excessive tax refund. One subject was indicted in the District of Minnesota for Fictitious and Fraudulent Claims and Theft of Public Money.

**Update:** The first subject was arrested. A second subject was indicted for Fictitious and Fraudulent Claims, Theft of Public Money, and Aggravated Identity Theft. Judicial action is pending.

### Subjects Arrested for Uttering Counterfeit Checks

As reported in the previous semiannual period, our joint investigation with the Jacksonville Sheriff's Office, Jacksonville, Florida, determined that 17 subjects conspired to cash counterfeit checks drawn on OCC-regulated financial institutions in



Jacksonville, Florida. Arrest warrants were issued for the 17 subjects in the Fourth Judicial Circuit of Florida for Bank Fraud and Uttering. Five (5) of the 17 subjects were arrested for Uttering Counterfeit Checks.

**Update:** Six more of the 17 subjects were arrested, pled guilty to Uttering, and were sentenced from 12 days to 20 months in prison and ordered to pay restitution from \$481 to \$950 each. Prosecution was deferred for four subjects, and adjudication was withheld for another subject after diversion.<sup>10</sup> Judicial action is pending for 6 of the 17 subjects.

### **Subject Pleads Guilty to Stolen Treasury Checks and Counterfeit Driver’s License Scheme**

As reported in the previous semiannual period, our joint investigation with the Fairfax City Police Department, City of Fairfax, Virginia, and USFIS uncovered a criminal fraud conspiracy involving subjects using counterfeit Washington, DC, drivers’ licenses to negotiate stolen Treasury checks and Washington, DC, payroll checks. Three subjects have been identified. One subject pled guilty to charges of Bank Fraud. The case is being prosecuted by the U.S. Attorney's Office, Eastern District of Virginia.

**Update:** The subject that pled guilty to charges of Bank Fraud was sentenced to 20 months in prison, 36 months of probation, and restitution of \$47,000. A second subject was arrested and pled guilty to Conspiracy to Commit Bank Fraud. Judicial action is pending.

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<sup>10</sup> Diversion is an alternative to prosecution which seeks to divert certain offenders from traditional criminal justice processing into a program of supervision and services administered by the courts.



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## Other OIG Accomplishments and Activities

### CIGIE Award Ceremony

Department of the Treasury (Treasury) Office of Inspector General (OIG) staff members were recognized with two awards of excellence at the 20<sup>th</sup> Annual Council of the Inspectors General on Integrity and Efficiency (CIGIE) Awards Ceremony on October 19, 2017, in Washington, DC. The annual ceremony recognizes the outstanding accomplishments of the Federal Inspectors General workforce.

- **Audit Award for Excellence:** **Richard Delmar**, Counsel to the Inspector General; **Deborah Harker**, Assistant Inspector General for Audit; **Jeffrey Dye**, Audit Director; **Andrea Smith**, Audit Director; **Kenneth Dion**, Audit Manager; **Gregory Sullivan**, Audit Manager; **Jeanne DiFruscia**, Auditor; and **Shaneasha Edwards**, Program Analyst; were recognized for excellence in performing a review of the U.S. Government's \$1.3 billion payment to Iran from the Judgment Fund.
- **Investigations Award for Excellence:** **Jacob Heminger**, Special Agent, was recognized for his exemplary investigative passion and tenacity leading to the conviction of an identity thief who conducted multiple email scams to receive illegal Treasury checks.

### Forensic Accounting and Cyber Investigations Conference

Treasury OIG's Office of Investigations and Florida Atlantic University co-sponsored a conference on Forensic Accounting and Cyber Investigations at the Wyndham Deerfield Beach Resort in Deerfield Beach, Florida, on February 21–22, 2018. The event included numerous local and Federal law enforcement agencies, prosecutors, representatives from financial institutions, and members of Treasury OIG's Office of Investigation staff. **Jerry Marshall**, Treasury OIG Deputy Assistant Inspector General for Investigations, and **Dr. Michael Crain**, Director of the Center for Forensic Accounting at Florida Atlantic University's College of Business, opened the conference. **Richard Delmar**, Counsel to the Inspector General, discussed ethics, breaches of personal information, social media in Employment law, and the collection of digital information. **Chris Hersey**, Treasury OIG Special Agent, discussed anti-money laundering investigations.

### OIG Leadership Roles

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

**Inspector General Thorson** participated in a flash mentoring event hosted by the Department of Justice (DOJ) OIG, in Washington, DC, on December 12, 2017. The event provided an opportunity for staff from various divisions within DOJ to mingle with and learn from leaders in the OIG community. Also during the reporting period, **Inspector General Thorson** provided an OIG "roles and mission" brief to CXO Fellows Program participants at a CIGIE workshop, on March 7, 2018, in Washington, DC. The CXO Fellow Program provides leadership training and exposure for mid-level, GS 11-14 career Federal employees in the Finance, Information Technology, Human Capital, and Acquisition functions from the 24 Chief Financial Officers' Act agencies. Participants are afforded opportunities to hear from senior leaders across Government, take part in professional development, visit agencies, and learn about cross-Government initiatives.

**Deborah Harker**, Assistant Inspector General for Audit, is serving as the Co-Chair of the 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.

**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. Treasury OIG hosted a DC Chapter meeting and training event on October 24, 2017. **Inspector General Thorson** opened the event, which featured speakers **Johan-Bos-Beijer**, Special Assistant to the Naval Inspector General, Senior Advisor to the Naval Sea Systems Command Inspector General, and **Matthew Bohrer**, Assistant State's Attorney for Prince George's County in the Special Prosecution Unit. **Mr. Bos-Beijer** presented on the use of data analytics and **Mr. Bohrer** spoke on

presenting cases for prosecution, including best practices for using social media and online data mining. **Ms. Carter** is also a member of the Senior Executives Association Fiscal Accountability and Human Capital Leadership Communities of Change. The Communities of Change work collaboratively with Senior Executives Association members and key stakeholders to develop fiscal accountability and human capital leadership programs and policies that improve the overall effectiveness of senior executives and other leaders within the Federal Government. In addition, **Ms. Carter** participated in the December 12, 2017, DOJ OIG flash mentoring event with **Inspector General Thorson**.

**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 is coordinating the annual east coast conference in Washington, DC, to be held on August 13–15, 2018.

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

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

### OIG Hosts Belarus Delegation

On October 20, 2017, **Inspector General Thorson** and other OIG executives met with a group of management officials from Belarus, brought to the United States by the International Visitor Leadership Program to learn about the mission of the U.S. Treasury, its organizational structure, the internal control environment, and how OIG conducts independent audits of the Treasury.

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# Statistical Summary

## Summary of OIG Activities

October 1, 2017 through March 31, 2018

| OIG Activity   | Number or Dollar Value |
|--|------------------------|
| <b>Office of Counsel Activities</b>  |                        |
| Regulation and legislation reviews   | 4                      |
| Instances where information was refused                                      | 0                      |
| <b>Office of Audit Activities</b>  |                        |
| Reports issued and other products  | 56                     |
| Disputed audit recommendations   | 0                      |
| Significant revised management decisions                                     | 0                      |
| Management decision in which the Inspector General disagrees                 | 0                      |
| <b>Monetary benefits (audit)</b>   |                        |
| Questioned costs   | \$130,668              |
| Funds put to better use  | \$0                    |
| Total monetary benefits  | \$130,668              |
| <b>Office of Investigations Activities</b>                                   |                        |
| <b>Criminal and judicial actions (including joint investigations)*</b>       |                        |
| Investigative reports issued   | 152                    |
| Cases referred for prosecution and/or litigation                             | 77                     |
| Individuals referred for criminal prosecution to the Department of Justice   | 73                     |
| Individuals referred for criminal prosecution to state and local authorities | 14                     |
| Cases accepted for prosecution and/or litigation                             | 42                     |
| Arrests  | 33                     |
| Indictments/informations   | 35                     |
| Convictions (by trial and plea)  | 21                     |

*\*During the reporting period, defendants were sentenced to 815 months of prison time, 722 months of probation, 3 days of community service, and ordered to pay fines, restitution, and court fees in the amount of \$6.1 million. In addition, Treasury OIG seized \$1.9 million as the result of a criminal prosecution and participated in an investigation where a judgement of \$2 million was ordered and paid to Treasury.*

## Metrics Used for Office of Investigations Activities

Department of the Treasury (Treasury) Office of Inspector General (OIG) investigative statistics listed above were obtained through reports drawn from OIG's Office of Investigations case management system.

## Reports with Unimplemented Recommendations

Issued prior to October 1, 2017

The following list of Treasury OIG reports with unimplemented recommendations is based on information in the Treasury’s automated audit recommendation tracking system, which is maintained by Treasury management officials, and recommendations tracked by other Federal organizations related to 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.

OIG is reporting 39 open and unimplemented recommendations for 14 reports issued prior to October 1, 2017. OIG does not have any potential cost savings to report for these reports.

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; (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; (3) improve the security clearance process guidance by streamlining the Treasury Security Manual and other related sources by, for example, including a roles and responsibilities matrix/cross-index of all the parties involved in the security clearance process; and (4) ensure that OSP develops and implements comprehensive standard operating procedures for the security clearance process. Management agreed with the recommendations. (4 recommendations)

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OIG-CA-15-004 11/15 *Information Technology: Department of the Treasury Federal Information Security Management Act Fiscal Year 2014 Evaluation*

United States Mint (Mint) management, for the selected systems, should ensure National Institute of Standards and Technology Special Publication 800-53 Revision 4, "Security and Privacy Controls for Federal Information Systems and Organizations" (NIST P 800-53 Rev. 4) controls and enhancements are implemented on the systems and tested promptly. Management agreed with the recommendation. (1 recommendation)

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OIG-16-001 10/15 *Libyan Sanctions Case Study*

The Director of the Office of Foreign Assets Control should (1) implement a methodology to identify blocked assets that have been released by license type (general or directive); (2) continue to pursue development and implementation of

electronic filing for high-volume filers; and (3) 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. (3 recommendations)

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OIG-16-010    11/15 *Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2015 Performance Audit*

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 NIST P 800-53 Rev. 4 controls and control enhancements are fully addressed in the system security plan; (3) revisit the existing third-party cloud service provider's contract and ensure the appropriate Federal Risk and Authorization Management Program security clauses and requirements related to the Federal Information Security Modernization Act of 2014 (FISMA) and NIST guidance is incorporated; and (4) ensure that its third-party cloud service provider provides FISMA-related artifacts to demonstrate FISMA compliance to the Mint security compliance team. Management agreed with the recommendations. (4 recommendations)

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OIG-16-050    07/16 *Information Technology: Vulnerabilities in Security Controls Over Mint's Systems Need to Be Addressed*

The Principal Deputy Director of the Mint should ensure (1) all scanning capabilities look for all connected systems and scan results are reconciled against the Mint's inventory; (2) obsolete software is either removed or upgraded; (3) software patches and updates are timely applied; (4) systems and software are securely configured; and (5) scanning capabilities detect published vulnerabilities. Management agreed with the recommendations. (5 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 the Department Offices' 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 remind DO and bureaus of their responsibilities to ensure that the SF 311 is complete and accurate; (4) emphasize to bureaus with employees who handle and generate classified information the importance of conducting annual self-inspections, documenting the results, and submitting the reports to OSP; (5) update the Treasury Security Manual to include procedures requiring OSP to follow up and obtain all bureau self-inspection reports; (6) ensure that training materials are periodically reviewed and updated to include current Federal and Treasury requirements; and (7) use the Treasury Learning Management System (TLMS) or a similar system to retain records of training and monitor completion of required derivative classifier and original classifier training. Management agreed with the recommendations. (7 recommendations)

OIG-17-003 11/16 *Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2016 Performance Audit*

Bureau of the Fiscal Service (Fiscal Service) management, for the second system, should configure or acquire additional system capability to automatically disable user accounts in accordance with system and Fiscal Service defined frequency. Management agreed with the recommendation.  
(1 recommendation)

OIG Comment: This recommendation was repeated and superseded in Treasury’s fiscal year 2017 Federal Information Security Modernization Act audit and has a planned corrective action due date of June 2018.<sup>11</sup>

Mint management, for the selected system, should require that senior level officials document their approvals of the Contingency Plan by adding their signature to the Contingency Plan signature page following each annual plan update. Management agreed with the recommendation.  
(1 recommendation)

DO, for the selected system, should configure the system to disable user accounts automatically after 120 days of inactivity. Management agreed with the recommendation.  
(1 recommendation)

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OIG-17-004 11/16 *Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2016 Performance Audit for Collateral National Security Systems (Sensitive But Unclassified)*

Due to the sensitive nature of the findings and recommendations, we designated the report sensitive but unclassified. (1 recommendation)

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<sup>11</sup> Treasury OIG, *Information Technology: Treasury Federal Information Security Modernization Act Fiscal Year 2017 Performance Audit*, OIG-18-004 (October 27, 2017).

OIG-17-012 11/16 *Audit of the Department of the Treasury’s Consolidated Financial Statements for Fiscal Years 2016 and 2015*  
 The Assistant Secretary for Management and the Deputy Chief Financial Officer should ensure that the (1) Internal Revenue Service (IRS) takes corrective action to improve controls over financial reporting; (2) Fiscal Service takes corrective action to resolve control deficiencies over its information systems; and (3) IRS implements its remediation plan outlining actions to be taken to resolve noncompliance with the Federal Financial Management Improvement Act of 1996 requirements and the resources and responsible organizational units for such planned actions. Management agreed with the recommendations.  
 (3 recommendations)

OIG Comment: These recommendations were repeated and superseded in the audit of Treasury’s fiscal years 2017 and 2016 consolidated financial statements and have planned corrective action due dates of November 2020.<sup>12</sup>

OIG-17-041 05/17 *Domestic Assistance-Recovery Act: Audit of Arkansas Development Finance Authority’s Payment Under 1602 Program*  
 Treasury’s Fiscal Assistant Secretary should ensure that the Arkansas Development Finance Authority completes the final financial feasibility underwriting for Rock Creek of Conway. Management agreed with the recommendation.  
 (1 recommendation)

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

<sup>12</sup> Treasury OIG, *Financial Management: Audit of the Department of the Treasury’s Consolidated Financial Statements for Fiscal Years 2017 and 2016*, OIG-18-015 (November 15, 2017).

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)

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- 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 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)
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### Other Federal Agency Programs and Operations

- OIG-16-051    07/16    *RESTORE Act: Gulf Coast Ecosystem Restoration Council's Records Management System Needs Improvement*  
The Executive Director of the Council should establish and implement appropriate records management policies and procedures to document the decision making process and ensure transparency of the Council's operations. The records management policies and procedures should address the handling and public disclosure of comments related to proposed rulemaking. Management agreed with the recommendation. (1 recommendation)
-

## Closed Investigations of Senior Government Employees Not Publicly Disclosed

October 1, 2017 through March 31, 2018

OIG closed three investigations involving senior Government employees during the period that were not publicly disclosed. Of these investigations, two substantiated instances of misconduct against a senior Government employee and one was unsubstantiated. One of the substantiated instances has been referred to Department of Justice (DOJ) for prosecution.

| Case Number   | Allegation/Disposition  |
|---------------|---|
| BFS-18-0043-I | <p>A complainant alleged that a senior staff employee at a Treasury bureau inappropriately offered and issued spot awards to reimburse managers for contributing personal funds toward food for an employee celebration.</p> <p><i>Substantiated</i></p>  |
| DO-18-0017-I  | <p>A complainant alleged that a senior leadership team in DO retaliated against the complainant for filing an Equal Employment Opportunity case. The specific allegation was that the complainant had applied for a senior management position and made the certification, but was told no one made the certification. The complainant was declined an interview and the complainant’s performance rating was downgraded.</p> <p><i>Unsubstantiated</i></p> |
| OCC-17-0813-I | <p>A complainant alleged that a senior staff employee at a Treasury bureau may have provided a bank with information regarding the Consumer Finance Protection Bureau, the City of Los Angeles Attorney's Office, the Office of the Comptroller of the Currency’s (OCC) Civil Money Penalties Matrix, discussions</p>   |



of the OCC's Major Matters Supervision Review Committee, and other internal OCC discussions.

*Unsubstantiated*

As well, the complainant alleged that a senior staff member at a Treasury bureau may have released information regarding the existence of a DOJ and Treasury OIG investigation.

*Substantiated and Referred to DOJ for Prosecution*

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## Summary of Instances of Whistleblower Retaliation

October 1, 2017 through March 31, 2018

Treasury OIG is investigating two instances of possible whistleblower retaliation. The cases were not closed as of the end of the reporting period. Thus, there were no established cases of whistleblower retaliation to report for this reporting period.

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

October 1, 2017 through March 31, 2018

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

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## Listing of Audit Products Issued

October 1, 2017 through March 31, 2018

In the list of 56 audit products below we identified 4 products that were issued during the reporting period that were not publicly disclosed.

### Office of Audit

*Revenue Collection and Industry Regulation: Opportunities Exist To Enhance TTB's COLAs and Formulas Online Programs* (OIG-18-001, 10/3/2017)

*State Small Business Credit Initiative: Arkansas' Use of Federal Funds for Venture Capital Programs* (OIG-18-002, 10/6/2017) **Questioned Costs \$130,668**

*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-18-001, 10/10/2017)

*Information Memorandum for Secretary Mnuchin, Department of the Treasury: Management and Performance Challenges Facing the Department of the Treasury - October 2017* (OIG-CA-18-002, 10/16/2017)

*Letter to Ben Scaggs, Acting Executive Director for the Chairperson, Gulf Coast Ecosystem Restoration Council: 2018 Management and Performance Challenges - October 2017* (OIG-CA-18-003, 10/16/2017)

*Financial Management: Audit of the United States Mint's Schedules of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2017 and 2016* (OIG-18-003, 10/24/2017)

*Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2017 Performance Audit* (OIG-18-004, 10/27/2017)

*Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2017 Performance Audit for the Collateral National Security Systems* (OIG-18-005, 10/27/2017)

*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 (OIG-18-006, 10/30/2017)*

*Annual Plan, Fiscal Year 2018, Office of Inspector General, Department of the Treasury (OIG-CA-18-005, 10/30/2017)*

*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, 2017 and 2016 (OIG-18-007, 10/31/2017)*

*Information Technology: Gulf Coast Ecosystem Restoration Council Federal Information Security Modernization Act of 2014 Fiscal Year 2017 Evaluation (OIG-CA-18-006, 10/31/2017)*

*Resource Management-DATA Act: Council Met Reporting Requirements Under the DATA Act Despite Challenges (OIG-18-008, 11/2/2017)*

*RESTORE Act: MDEQ's Compliance with Its Use of the Planning Assistance Award to Develop the Multiyear Implementation Plan (OIG-18-009, 11/7/2017)*

*Treasury Continues to Make Progress in Meeting DATA Act Reporting Requirements, But Data Quality Concerns Remain (OIG-18-010R, 11/8/2017) Reissued 3/30/2018*

**Note:** Report *OIG-18-010*, originally issued on 11/8/2017 was revised on 3/30/2018 to reflect changes made on pages 1, 3, 21, 22, 23, and 25. The changes clarify the percent of inaccurate transactions and corresponding accuracy rates for the individual data elements tested by OIG. The addressee of this report was also updated to reflect the change in the incumbent Treasury Assistant Secretary for Management. These corrections did not affect the findings, conclusions, and recommendations previously reported.

*Audit of Treasury's Reporting of Financial and Payment Information Under the DATA Act – Summary Results (OIG-CA-18-007R, 11/8/2017) Reissued 3/30/2018*

**Note:** Report *OIG-CA-18-007*, originally issued on 11/8/2017 was revised on 3/30/2018 to reflect changes made on pages 1, 3, 21, 22, 23, and 25 of report number *OIG-18-010R*. The changes clarify the percent of inaccurate transactions and corresponding accuracy rates for the individual data elements tested by OIG. The addressee of this report was also updated to reflect the change in the incumbent Treasury Assistant Secretary for Management. These corrections did not affect the findings, conclusions, and recommendations previously reported.

*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, 2016, to August 31, 2017 (OIG-18-011, 11/9/2017)*

*Financial Management: Audit of the Federal Financing Bank's Fiscal Years 2017 and 2016 Financial Statements (OIG-18-012, 11/9/2017)*

*Financial Management: Management Letter for the Audit of the Federal Financing Bank's Fiscal Years 2017 and 2016 Financial Statements (OIG-18-013, 11/9/2017)*

*Financial Management: Audit of the Community Development Financial Institutions Fund's Fiscal Years 2017 and 2016 Financial Statements (OIG-18-014, 11/14/2017)*

*Financial Management: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2017 and 2016 (OIG-18-015, 11/15/2017)*

*Financial Management: Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2017 and 2016 (OIG-18-016, 11/15/2017)*

*Financial Management: Audit of the Department of the Treasury's Closing Package Financial Statements for Fiscal Year 2017 (OIG-18-017, 11/16/2017)*

*Termination Memorandum - Audit of the Administration of My Retirement Account Program (OIG-CA-18-008, 11/22/2017)*

*Terrorist Financing/Money Laundering: OFAC Human Resources Practices Need Improvement (OIG-18-018, 11/27/2017)*

*Financial Management: Management Letter for the Audit of the Department of the Treasury's Fiscal Years 2017 and 2016 Financial Statements (OIG-18-019, 11/30/2017)*

*Termination Memorandum—Audit of Bureau of Engraving and Printing Capital Investment Program (OIG-CA-18-009, 12/4/2017)*

*Financial Management: Management Letter for the Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Year 2017 (OIG-18-020, 12/6/2017) **Sensitive But Unclassified, Not Publicly Disclosed***

*Financial Management: Audit of the Exchange Stabilization Fund's Fiscal Years 2017 and 2016 Financial Statements (OIG-18-021, 12/7/2017)*

*Financial Management: Audit of the Office of D.C. Pensions' Fiscal Year 2017 Financial Statements and Fiscal Year 2016 Balance Sheet* (OIG-18-022, 12/8/2017)

*Financial Management: Management Letter for the Audit of the Office of D.C. Pensions' Fiscal Year 2017 Financial Statements and Fiscal Year 2016 Balance Sheet* (OIG-18-023, 12/8/2017)

*Resource Management: Treasury's Office of Budget and Travel Potentially Violated the Antideficiency Act and Needs to Improve Its Reimbursable Agreement Process* (OIG-18-024, 12/8/2017)

*Financial Management: Audit of the U. S. Mint's Fiscal Years 2017 and 2016 Financial Statements* (OIG-18-025, 12/12/2017)

*Financial Management: Management Letter for the Audit of the United States Mint's Fiscal Years 2017 and 2016 Financial Statements* (OIG-18-026, 12/12/2017)

*Financial Management: Financial Management: Management Letter for the Audit of the Gulf Coast Ecosystem Restoration Council's Fiscal Years 2017 and 2016 Financial Statements* (OIG-18-027, 12/12/2017)

*Review of IC IG's Evaluation on Whistleblower Activities* (OIG-CA-18-010, 12/14/2017) **For Official Use Only, Not Publicly Disclosed**

*Financial Management: Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2017 and 2016 Financial Statements* (OIG-18-028, 12/14/2017)

*Financial Management: Audit of the Office of the Comptroller of the Currency's Fiscal Years 2017 and 2016 Financial Statements* (OIG-18-029, 12/15/2017)

*Classified Audit Report* (OIG-18-030, 12/19/2017) **Classified, Not Publicly Disclosed**

*Financial Management: Audit of the Bureau of Engraving and Printing's Fiscal Years 2017 and 2016 Financial Statements* (OIG-18-031, 12/19/2017)

*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* (OIG-18-032, 12/19/2017)

*Financial Management: Audit of the Alcohol and Tobacco Tax and Trade Bureau's Fiscal Years 2017 and 2016 Financial Statements* (OIG-18-033, 12/20/2017)

*Financial Regulation and Oversight: Material Loss Review of Guaranty Bank* (OIG-18-034, 12/29/2017)

*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-18-011, 1/10/2018)

*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-18-012, 1/24/2018)

*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-18-013, 1/24/2018)

*Memorandum to the Honorable Eric M. Thorson, Treasury Inspector General: Semiannual Joint Report on Purchase Card Violations for the Period of April 1, 2017 through September 30, 2017* (OIG-CA-18-014, 1/24/2018) **Internal OIG Memorandum, Not Publicly Disclosed**

*Financial Management: Management Letter for the Audit of the Alcohol and Tobacco Tax and Trade Bureau’s Fiscal Years 2017 and 2016 Financial Statements* (OIG-18-035, 1/26/2018)

*RESTORE Act: NOAA’s Administration of the Science Program Met RESTORE Act Requirements* (OIG-18-036, 2/1/2018)

*Bill and Coin Manufacturing: BEP Needs To Finalize Its COOP Plan* (OIG-18-037, 2/7/2018)

*Financial Regulation and Oversight: Treasury OIG Review of the Office of Financial Research’s Government Purchase Card Program* (OIG-18-038, 2/8/2018)

*Financial Regulation and Oversight: OCC Complied With Section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996* (OIG-18-039, 2/22/2018)

*Terrorist Financing/Money Laundering: FinCEN’s Regulatory Helpline Provides Guidance But Controls Need to be Enhanced* (OIG-18-040, 2/26/2018)

*Customs Revenue Function under the Trade Facilitation and Trade Enforcement Act of 2015 – Section 112 and Section 115 (OIG-CA-18-015, 3/5/2018)*

*Terrorist Financing/Money Laundering: The Universal Suspicious Activity Report and Electronic Filing Have Helped Data Quality But Challenges Remain (OIG-18-041, 3/9/2018)*

*RESTORE Act: Hernando County’s Multiyear Implementation Plan Complied with Applicable Federal Requirements (OIG-18-042, 3/20/2018)*



## Audit Reports Issued With Questioned Costs

October 1, 2017 through March 31, 2018

| 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  | 1                    | \$130,668              | \$0                     |
| Subtotals  | 1                    | \$130,668              | \$0                     |
| For which a management decision was made during the reporting period   | 1                    | \$130,668              | \$0                     |
| Dollar value of disallowed costs   | 1                    | \$130,668              | \$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, 2017 through March 31, 2018

| 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> |                      |       |         |                     |

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## **Reports for Which No Management Comment was Returned Within 60 Days**

As of March 31, 2018

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

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

As of March 31, 2018

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

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## **Significant Revised Management Decisions**

October 1, 2017 through March 31, 2018

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

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## **Significant Disagreed Management Decisions**

October 1, 2017 through March 31, 2018

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

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## Peer Reviews

October 1, 2017 through March 31, 2018

### 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 Labor (DOL) OIG. In its report dated November 23, 2015, DOL OIG rendered a *Pass* rating for our system of quality control in effect for the year ended March 31, 2015. External audit peer review reports of our office are available on Treasury OIG's [website](#). The Department of Education OIG is performing a peer review of our office for the period of April 1, 2015 through March 31, 2018. The review was in progress as of the end of the reporting period. OIG did not perform any peer reviews of other Federal audit organizations during this 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. OIG did not perform any peer reviews of other Federal investigative law enforcement organizations during this 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).

### **Inquiry on Use of Government Aircraft by Treasury Secretary Mnuchin**

In light of public, congressional, and media inquiries, and the Department of the Treasury (Treasury) Inspector General's (OIG) oversight responsibilities, Treasury OIG's Counsel to the Inspector General (Counsel) conducted an inquiry into the circumstances of Treasury Secretary Mnuchin's requests and uses of Government aircraft.

Based on the material obtained, discussions with Departmental officials, Counsel's research, and analysis of Treasury Office of General Counsel's (OGC) legal presentation, Counsel identified no violation of law in Secretary Mnuchin's requests and uses of Government aircraft. Specifically, Counsel determined that from the time Secretary Mnuchin took office until October 4, 2017, the Secretary had taken seven official trips using Government aircraft. These trips were approved by appropriate White House officials to designate the trips as "White House Support Missions."<sup>13</sup> This approval placed the trips out of the purview of the Office of Management and Budget (OMB) Circular A-126, "Improving the Management and Use of Government Aircraft" (Revised May 22, 1992), and otherwise applicable limitations in the Federal Travel Regulation (FTR).<sup>14</sup> The Secretary had plans in place for an eighth such trip later in October 2017, pending approval by the White House. And the clarified basis for a ninth request associated with Secretary Mnuchin's August 2017 personal travel was consistent with the demonstrated requirement that the Secretary

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<sup>13</sup> "White House Support Missions," are missions led by Cabinet-level officials or Presidential emissaries in support of the President or Vice President.

<sup>14</sup> The FTR does not apply to use of Government aircraft on "White House Support Missions," 41 Code of Federal Regulations (CFR) § 301-70.808 ("Circular A-126 does not apply to aircraft while in use by or in support of the President or Vice President. Since the principal purpose of the rules in this part is to implement Circular A-126, the rules in this part also do not apply to such travel.")

have access to secure communications even during personal travel.<sup>15</sup> Ultimately, travel on Government aircraft was deemed unnecessary after Treasury identified an alternative secure communications solution that would address the Secretary's needs, and Treasury withdrew the request on the same day it was submitted. However, Counsel noted a disconnect between the standard of proof called for in the controlling White House policy (known as "the Daley memorandum"),<sup>16</sup> and the actual amount of proof provided by Treasury and accepted by the White House in justifying the trip requests. In almost all cases a single boilerplate statement constituted the whole analysis and justification for designation and use of Government aircraft, despite the fact that the memorandum clearly calls for a more rigorous and complete provision of facts and arguments. In the few cases where there was some discussion within Treasury, it was sparse, and did not appear to have been actually transmitted to the decision makers in the White House.

To address this disconnect, Counsel recommended that OIG advise Treasury that future requests be ready to justify Government air in greater detail, especially regarding cost comparisons and needs for security and other special factors. Counsel further recommended that Treasury require review of all such requests by OGC, to assure that all requests are complete, fully compliant with all applicable law, regulation, and policy, and present as strong and convincing a case as possible to justify this increasingly visible use of a Government asset. In addition, OMB Memorandum M-17-32, "Travel on Government-Owned, Rented, Leased, or Chartered Aircraft," issued on September 29, 2017, strongly suggests that more rigor will be required in future requests.

### **Inquiry on Use of Privately-Owned Aircraft by Treasury Chief of Staff Eli Miller**

In October 2017, in response to media reports that Chief of Staff Eli Miller had accepted a flight on a privately-owned aircraft, Treasury Inspector General

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<sup>15</sup> Under the FTR, the agency senior legal official does not authorize travel by the agency head if the President determines that the travel meets the "required use travel" standard. 41 CFR § 301-10.262(a)(1). "Required use travel" may include personal travel and may be authorized because of a bona fide communications need (e.g., the need to maintain continuous secure communications capability), security reasons, or exceptional scheduling requirements. 41 CFR § 301-10.261(b).

<sup>16</sup> The Daley memorandum incorporates a template to be used for officials to request White House Mission Support designation and authority to use Government aircraft.

Thorson directed Treasury OIG Counsel to conduct an inquiry into the matter. Based on interview statements made by Mr. Miller and former Treasury Assistant General Counsel, General Law, Ethics, and Regulation, Rochelle Granat; other facts obtained; and an analysis of how the rules governing Government employees' acceptance of gifts applied to the facts; Counsel concluded that Mr. Miller's acceptance of the aircraft ride did not appear to have violated applicable law and regulation.<sup>17</sup> Nonetheless, in an environment of high attention to relationships affecting governmental actions, Counsel advised that consideration be given to another provision in the gift regulation, which observes, "Even though acceptance of a gift may be permitted by one of the exceptions contained in this section, it is never inappropriate and frequently prudent for an employee to decline a gift if acceptance would cause a reasonable person to question the employee's integrity or impartiality." Counsel also advised that consideration be given to making a written record of ethics advice given in situations that can trigger observations like the foregoing.

### **Inquiry on Treasury's Analysis of Tax Reform Bill**

During this reporting period, Treasury OIG's Counsel responded to inquiries regarding Treasury's involvement in the analysis of the tax reform legislation considered and ultimately passed by Congress in 2017. Specifically, (1) whether Treasury resources were used to conduct analyses of "Republican tax proposals," including House Report 1 and related legislation; (2) whether any such analyses were conducted using "standard Department protocol and precedent;" (3) whether there was "political interference" in any such analyses, such as exclusion of career officials and expert economists from any economic modeling and analysis efforts; and (4) "the reasons why these analyses were not publicly released or provided to Congress."

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<sup>17</sup> 5 CFR Part 2635 "Standards of ethical conduct for employees of the executive branch," Subpart B "Gifts From Outside Sources" prohibits Government employees from soliciting or accepting gifts from prohibited sources or gifts given because of their official position. The term "prohibited source" includes anyone seeking business with or official action by an employee's agency and anyone substantially affected by the performance of the employee's duties. The term "gift" is defined to include nearly anything of market value. There are several exceptions to the prohibitions against gifts from outside sources. For example, 2635.204(b) Gifts based on a personal relationship. An employee may accept a gift given by an individual under circumstances which make it clear that the gift is motivated by a family relationship or personal friendship rather than the position of the employee. Relevant factors in making such a determination include the history and nature of the relationship and whether the family member or friend personally pays for the gift.



In its response, Counsel advised that Treasury's Director of the Office of Tax Analysis (OTA) and Treasury Tax Legislative Counsel (1) insisted that career staff available to provide advice were fully engaged in providing analyses of legislative proposals and reviewing outside inputs such as assumptions about Gross Domestic Product (GDP) growth and other external influences. Treasury refuted assertions that its staff was not engaged, and that they had not provided analyses along the lines of Secretary Mnuchin's public statements about the process; (2) indicated, that "standard protocol" does not actually exist, and further indicated that their work in the current administration is largely similar to the work conducted in the last administration; (3) denied political interference in the analyses they did; stated that career officials have not been excluded, and in fact have performed the same roles and functions as they have in the past; and (4) indicated that OTA had worked back and forth with tax writing committee staff and others in Congress earlier in the year, and had gotten the impression as the legislative drafting process picked up in the second half of the year that the Congressional people were less interested in getting OTA's input. After reviewing the matter and obtaining the evidence of knowledgeable career Treasury officials, Counsel did not see a basis to conclude that the process employed by Treasury this past year was contrary to law, an abuse of authority, or otherwise improper.

### **Customs Revenue Function Report—Section 112 and Section 115**

Section 112 of the Trade Facilitation and Trade Enforcement Act of 2015, Public Law 114-125, (Trade Act) requires that we report to Congress on the effectiveness of measures taken by the Department of Homeland Security (DHS) U.S. Customs and Border Protection (CBP) concerning protection of revenue for seven areas of concern.<sup>18</sup> We were required to produce the first report no later than June 30, 2016, and to produce reports biennially starting in March 2018. Section 115 of the Trade Act required that we report to Congress specifics

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<sup>18</sup> Section 112 of the Trade Act includes seven areas of concern, (1) antidumping and countervailing duties; (2) the assessment, collection, and mitigation of commercial fines and penalties; (3) the use of bonds to secure that revenue; (4) the adequacy of policies with respect to the monitoring and tracking of merchandise transported in bond; (5) the effectiveness of actions taken by CBP to measure accountability and performance with respect to protection of revenue; (6) the number and outcome of investigations instituted by CBP with respect to underpayment of duties; and (7) the effectiveness of CBP personnel training with respect to the collection of duties.

relating to the establishment of the Importer Risk Assessment Program.<sup>19</sup> We were required to produce the report no later than February 24, 2018.

In our first report, transmitted on June 30, 2016, to the **Chairs and Ranking Members of the Committee on Finance** in the U.S. Senate and **Committee on Ways and Means** in the House of Representatives, we reported that Treasury's current role in the Customs revenue function may not be aligned with statutory requirements, as operational Customs revenue functions were delegated and not transferred to DHS. As a result of this limitation, our report did not provide a sufficient basis for formulating conclusions about the seven areas of concern enumerated in Section 112.<sup>20</sup>

In our most recent review, our ability to address Sections 112 and 115 of the Trade Act, was again limited due to operational functions being delegated, rather than transferred to DHS. In light of Treasury's limited role, our review focused on Treasury's Customs revenue policy oversight. We reviewed documentation maintained by Treasury to support its Customs revenue policy reviews and approvals. We found that Treasury's review and approval processes prior to publication in the Federal Register were effective. In contrast, we found that Treasury had no procedures for, or personnel dedicated to, oversight of Customs revenue operations that are housed entirely within DHS.<sup>21</sup>

In our report, transmitted on March 5, 2018, to the **Chairs and Ranking Members of the Committee on Finance** in the U.S. Senate and **Committee on Ways and Means** in the House of Representatives, we advised Treasury to reevaluate its Customs revenue oversight responsibilities, and at a minimum, to document its rationale for not devoting resources to the operational oversight of

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<sup>19</sup> Section 115 of the Trade Act requires CBP "...establish a program that directs CBP to adjust bond amounts for importers ... based on risk assessments of such importers conducted by CBP, in order to protect the revenue of the Federal Government." The report must detail: (1) the risk assessment guidelines developed under subsection (b)(1); (2) the procedures developed under subsection (b)(2) to ensure increased oversight of imported products of new importers, including new nonresident importers, relating to the enforcement of priority trade issues described in section 117; (3) the procedures developed under subsection (b)(3) to ensure increased oversight of imported products of new importers, including new nonresident importers, by Centers of Excellence and Expertise established under section 110; and (4) the number of bonds adjusted based on the risk assessment guidelines developed under subsection (b)(1).

<sup>20</sup> Treasury OIG, *Customs Revenue Function Report—Section 112*, OIG-CA-16-028 (June 30, 2016)

<sup>21</sup> In the Homeland Security Act of 2002, Treasury was authorized to appoint up to 20 new personnel, but only one had been appointed. Treasury employees occasionally provided additional assistance and support to enable this employee to carry out Treasury's Customs revenue policy oversight role.

Customs revenue functions. This documentation would include detailing its decision not to hire the authorized personnel and, to a greater degree, its decision not to fulfill its Customs revenue mandate. Our ability to review Customs revenue operations is contingent on Treasury's delegee, CBP, providing Treasury with information regarding the collection of Customs revenue; however, a structure was not in place for Treasury to perform necessary Customs revenue oversight functions. Therefore, our report did not provide a sufficient basis for formulating conclusions about Sections 112 and 115's areas of concern. **(OIG-CA-18-015)**

### Reviews of Bank Failures with Nonmaterial Losses

We conduct reviews of failed bank supervised by the Office of the Comptroller of the Currency (OCC) with losses to the Federal Deposit Insurance Corporation's Deposit Insurance Fund (DIF) that do not meet the definition of a material loss in the Federal Deposit Insurance Act. 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, the Federal Deposit Insurance Act requires that each 6-month period, 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 Federal Deposit Insurance Corporation 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 failed banks supervised by the OCC with nonmaterial losses to the DIF. There was however, one bank that failed during the period with a material loss to the DIF. Washington Federal Bank for Savings, Chicago, Illinois, was closed on December 15, 2017, with an estimated loss to the DIF of \$60.5 million. Our material loss review was ongoing as of the end of the reporting period.

### **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 Treasury's 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-18-001, OIG-CA-18-011)**

### **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 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" (M-13-21). Our office has not issued any charge card related audit findings and recommendations to Treasury or the Council and did not have anything to report for fiscal year 2017. **(OIG-CA-18-012, OIG-CA-18-013)**

### **Inspector General Thorson's Statement for the House Subcommittee on Oversight and Investigation's Hearing on Examining the Office of Financial Research**

Treasury Inspector General Thorson provided a written statement to the House Financial Services Committee's Subcommittee on Oversight and Investigations, for its December 7, 2017, hearing on "Examining the Office of Financial Research". In his written statement, Inspector General Thorson provided a summary of investigative and audit work performed to date of the Office of Financial Research. Inspector General Thorson's written statement also advised the subcommittee that, Treasury OIG cannot say that there is clear evidence of whistleblower retaliation and other instances of prohibited personnel practices. And information about further, and more widespread, management deficiencies must await the completion of ongoing audit work, and receipt of further allegations that are substantiated upon further investigation.

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## References to the Inspector General Act

| Section               | Requirement  | Page  |
|-----------------------|--|-------|
| Section 4(a)(2)       | Review of legislation and regulations  | 55    |
| Section 5(a)(1)       | Significant problems, abuses, and deficiencies   | 11–49 |
| Section 5(a)(2)       | Recommendations with respect to significant problems, abuses, and deficiencies   | 11–49 |
| Section 5(a)(3)       | Significant unimplemented recommendations described in previous semiannual reports   | 56–62 |
| Section 5(a)(4)       | Matters referred to prosecutive authorities  | 55    |
| Section 5(a)(5)       | Summary of instances where information was refused   | 64    |
| Section 5(a)(6)       | List of audit reports  | 65–70 |
| Section 5(a)(7)       | Summary of significant reports   | 11–49 |
| Section 5(a)(8)       | Audit reports with questioned costs  | 71    |
| Section 5(a)(9)       | Recommendations that funds be put to better use  | 72    |
| 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   | 73    |
| Section 5(a)(10)(B)   | Summary of each audit, inspection, and evaluation report issued for which no management comment was returned within 60 days  | 73    |
| 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   | 56–62 |
| Section 5(a)(11)      | Significant revised management decisions made during the reporting period  | 73    |
| Section 5(a)(12)      | Management decisions with which the Inspector General is in disagreement   | 73    |
| Section 5(a)(13)      | Instances of unresolved Federal Financial Management Improvement Act noncompliance   | 13    |
| Section 5(a)(14)      | Results of peer reviews conducted of Treasury OIG by another OIG   | 74    |
| Section 5(a)(15)      | List of outstanding recommendations from peer reviews  | 74    |
| Section 5(a)(16)      | List of peer reviews conducted by Treasury OIG, including a list of outstanding recommendations from those peer reviews  | 74    |
| 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 | 55    |
| Section 5(a)(18)      | Description of metrics used to develop investigative statistics in Section 5(a)(17)  | 55    |
| Section 5a(19)        | Summary of each investigation involving a senior Government employee where allegation of misconduct was substantiated  | 63–64 |
| Section 5a(20)        | Instances of whistleblower retaliation   | 64    |
| Section 5a(21)        | Summary of attempts to interfere with OIG independence   | 64    |
| Section 5a(22)(A)     | Description of each inspection, evaluation, and audit that was closed and not publicly disclosed   | 65–70 |
| Section 5a(22)(B)     | Description of each investigation closed, involving a senior Government employee, that was not publicly disclosed  | 63–64 |
| 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   | 64    |

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## Abbreviations

|                   |   |
|-------------------|---|
| ADA               | Antideficiency Act  |
| ARC               | Administrative Resource Center                                |
| BEP               | Bureau of Engraving and Printing                              |
| BSA               | Bank Secrecy Act  |
| BSAR              | Universal Suspicious Activity Report                          |
| CBP               | U.S. Customs and Border Protection                            |
| CIGIE             | Council of the Inspectors General on Integrity and Efficiency |
| COLA              | Certificate of Label Approval                                 |
| COOP              | continuity of operations                                      |
| Council           | Gulf Coast Ecosystem Restoration Council                      |
| Counsel           | Counsel to the Inspector General                              |
| DATA Act          | Digital Accountability and Transparency Act of 2014           |
| DHS               | Department of Homeland Security                               |
| DO                | Departmental Offices  |
| DIF               | Deposit Insurance Fund  |
| DOJ               | Department of Justice   |
| EBS               | Enterprise Business Solutions                                 |
| ERM               | Enterprise Risk Management                                    |
| FBI               | Federal Bureau of Investigation                               |
| FinCEN            | Financial Crimes Enforcement Network                          |
| Helpline          | FinCEN Resource Center Regulatory Helpline                    |
| Fiscal Service    | Bureau of the Fiscal Service                                  |
| FISMA             | Federal Information Security Modernization Act of 2014        |
| FTR               | Federal Travel Regulation                                     |
| GAO               | Government Accountability Office                              |
| GPC               | Government purchase cards                                     |
| Guaranty          | Guaranty Bank   |
| Hernando County   | Hernando County, Florida                                      |
| HSI               | Department of Homeland Security Investigations                |
| IRS               | Internal Revenue Service                                      |
| IRS-CI            | Internal Revenue Service Criminal Investigations              |
| ISIS              | Islamic State of Iraq and Syria                               |
| KPMG              | KPMG LLP  |
| McConnell & Jones | McConnell & Jones LLP   |
| MDEQ              | Mississippi Department of Environmental Quality               |
| MEF               | Mission Essential Functions                                   |
| Mint              | United States Mint  |
| MSB               | money services businesses                                     |
| MYIP              | Multiyear Implementation Plan                                 |



|                  |  |
|------------------|--|
| NC-TFCTF         | North Carolina Treasury Financial Crimes Task Force  |
| NIST             | National Institute of Standards and Technology   |
| NOAA             | National Oceanic and Atmospheric Administration  |
| OBT              | Office of Budget and Travel  |
| OCC              | Office of the Comptroller of the Currency  |
| OFAC             | Office of Foreign Assets Control   |
| OIG              | Office of Inspector General  |
| OFR              | Office of Financial Research   |
| OIA              | Office of Intelligence and Analysis  |
| OMB              | Office of Management and Budget  |
| OPE              | Office of the Procurement Executive  |
| OSP              | Office of Security Programs  |
| OTA              | Office of Tax Analysis   |
| PCA              | Prompt Corrective Action   |
| PII              | personally identifiable information  |
| PMO              | Program Management Office  |
| 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  |
| SOP              | standard operating procedure   |
| SSA              | Social Security Administration   |
| SSBCI            | State Small Business Credit Initiative   |
| SSP              | Office of Special Security Programs  |
| TARP             | Troubled Asset Relief Program  |
| TFFC             | Office of Terrorist Financing and Financial Crimes   |
| TIGTA            | Treasury Inspector General for Tax Administration  |
| Trade Act        | Trade Facilitation and Trade Enforcement Act of 2015   |
| Treasury         | Department of the Treasury   |
| TTB              | Alcohol and Tobacco Tax and Trade Bureau   |
| Uniform Guidance | Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200            |
| U.S.A.           | United States  |
| USPIS            | U.S. Postal Inspection Service   |
| USPS             | U.S. Postal Service  |

USSS

U.S. Secret Service

VA

Department of Veterans Affairs

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**Spring Flowers on the South Side of the  
Treasury Building in Washington, DC**

## **Treasury Office of Inspector General Locations**

1500 Pennsylvania Avenue, N.W., Room 4436  
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875 15th Street, N.W., Suite 200  
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