



April 30, 2001

The Honorable Paul H. O'Neill  
Secretary of the Treasury  
Washington, D.C. 20220

Dear Mr. Secretary:

Enclosed is my Semiannual Report to the Congress. This report summarizes the activities of the Office of Inspector General for the 6-month period ending March 31, 2001, and highlights both the important accomplishments and some serious deficiencies in the Department's programs and operations.

We are looking forward to fiscal year 2002 and developing a work plan to address the financial management and information technology challenges facing the Department. We also plan to undertake work that will contribute to the Department's efforts to link resource allocations to results.

Welcome to the Department.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Rush, Jr.".

Jeffrey Rush, Jr.  
Inspector General

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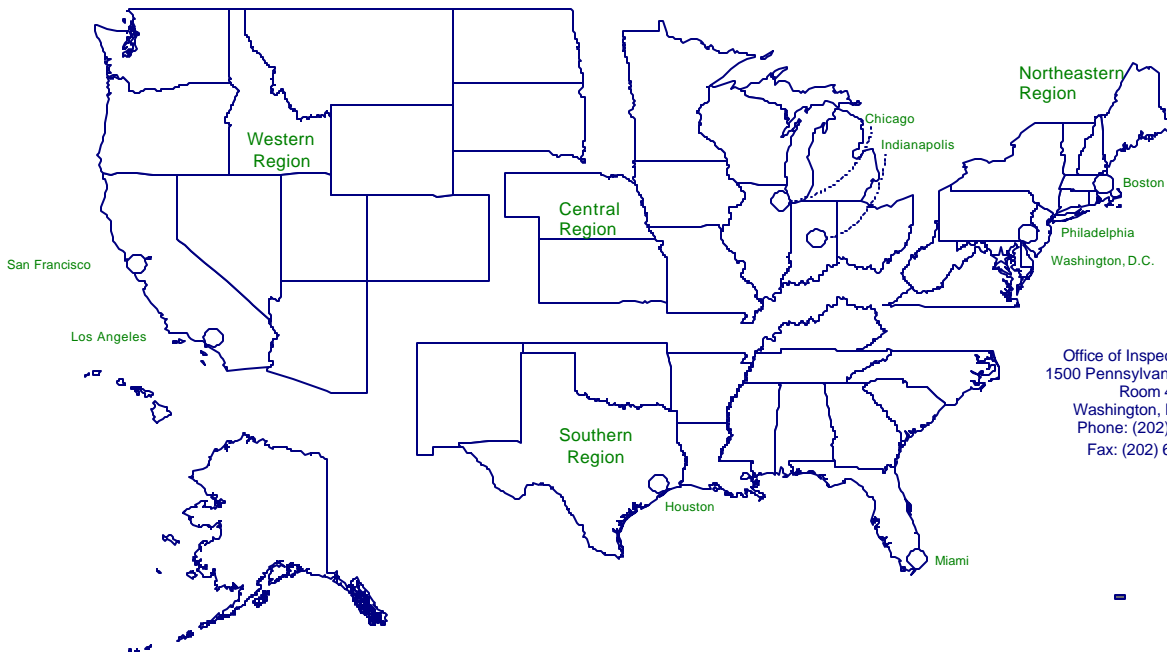
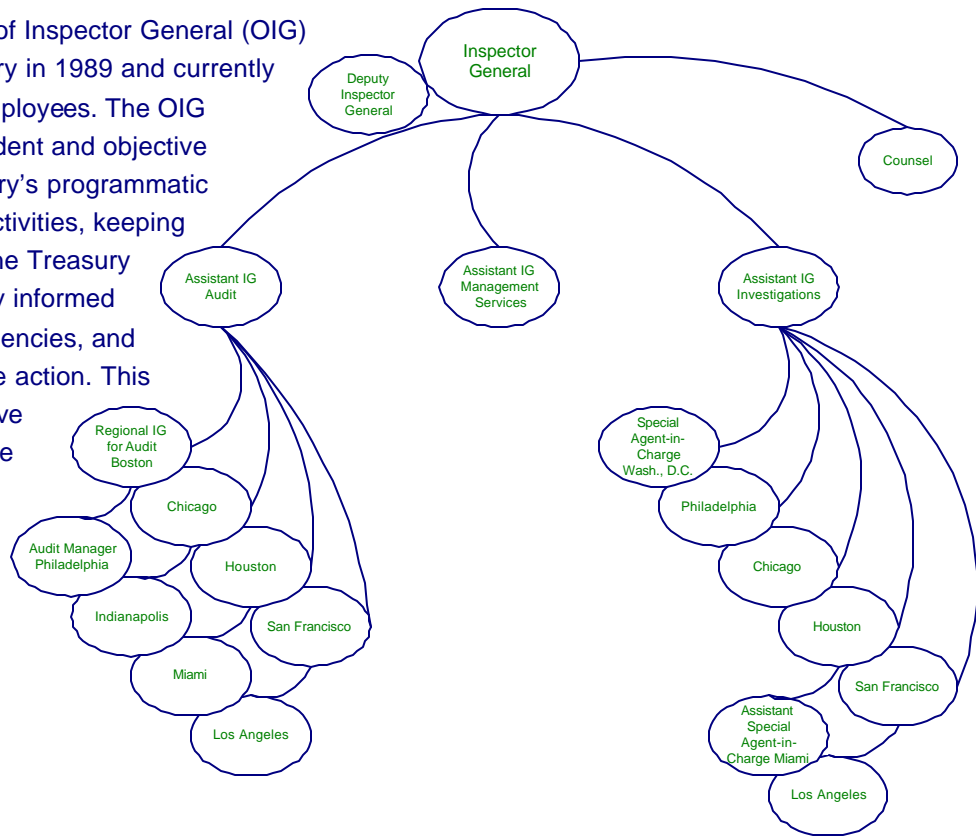
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# Our Office

Treasury's Office of Inspector General (OIG) was made statutory in 1989 and currently has about 250 employees. The OIG performs independent and objective reviews of Treasury's programmatic and operational activities, keeping the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and need for corrective action. This office does not have jurisdiction over the Internal Revenue Service (IRS).



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## Our Office

**Audit** conducts or oversees program, financial, and information technology audits of Treasury operations. Its evaluations team helps officials limit program risk, measure effectiveness, and improve efficiency.

**Investigations** conducts and supervises investigations of Treasury employees and programs. It oversees internal investigations done by the Offices of Inspection at ATF and Secret Service and the Office of Internal Affairs at Customs.

**Management Services** provides OIG budget, planning, human resources, information technology, communications, procurement, and travel administration support.

**Counsel** provides legal advice, represents the OIG in administrative proceedings, reviews requests for information, and coordinates ethics, disclosure, and privacy programs.

### Summary of Activities – Over the Past 12 Months

Activity	6 Months Ending September 30, 2000	6 Months Ending March 31, 2001
	Number or Amount	Number or Amount
Reports Issued (Audits and Evaluations)	49	62
Cases Opened (Investigations)	80	67
Oversight Reviews (ATF, Customs and Secret Service)	3	3
Regulation and Legislation Reviews	10	22
Disputed Audit Recommendations	0	0
Significant Revised Management Decisions	0	0
Instances where Information was Refused	0	0
<b>Recommended Monetary Benefits</b>		
Questioned Costs	\$486,000	\$1,266,000
Savings	\$50,653,000	\$0
Revenue Enhancements	\$7,961,000	\$168,663,000
<b>Total Recommended Monetary Benefits</b>	<b>\$59,100,000</b>	<b>\$169,929,000</b>

### Number of Hotline Telephone Calls that Resulted in Formal Allegations October 1, 2000 – March 31, 2001

Activity	Disposition		
	OIG	Customs	Total
Calls referred for audit or investigative inquiry	3	274	277
Calls referred to Treasury program managers	0	399	399
Calls referred to other agencies	25	3	28
<b>Total number of calls referred</b>	<b>28</b>	<b>676</b>	<b>704</b>

ATF and Secret Service do not have established hotlines. Numbers do not include allegations received through other sources, inquiries on taxes and other matters referred informally to program managers or other officials, or pending allegations for which dispositions have not been determined.

## About Treasury

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Treasury's mission is to (1) promote prosperous and stable American and world economies, (2) manage the Government's finances, (3) safeguard our financial systems, (4) protect our Nation's leaders and secure a safe and drug-free America, and (5) continue to build a strong institution. Organized into offices and bureaus, the Department of the Treasury encompasses a wide range of programmatic and operational activities. More than 160,000 people make up the Department of the Treasury.



**Bureau of Alcohol, Tobacco and Firearms (ATF)** oversees and enforces firearms, explosives, alcohol, and tobacco laws.

**Bureau of Engraving and Printing (BEP)** manufactures paper currency and postage stamps.

**Bureau of the Public Debt (BPD)** manages U.S. Government borrowing and debt and processes bonds, notes, and T-Bill transactions.

**Community Development Financial Institutions Fund (CDFI Fund)** expands the availability of credit, investment capital, and financial services in distressed communities.

**U.S. Customs Service (Customs)** protects the Nation's borders and facilitates international trade.

**Departmental Offices (DO)** formulates policy and manages Treasury.

**Financial Crimes Enforcement Network (FinCEN)** supports law enforcement investigative efforts against domestic and international financial crimes.

**Federal Law Enforcement Training Center (FLETC)** provides government-wide law enforcement training.

**Financial Management Service (FMS)** manages Federal Government financial accounts.

**Internal Revenue Service (IRS)** collects income taxes and certain other forms of Federal revenue.

**U.S. Mint (Mint)** produces coins, medals, and coin-based consumer products.

**Office of the Comptroller of the Currency (OCC)** oversees and regulates all National banks and supervises the U.S. branches and agencies of foreign banks.

**Office of Inspector General (OIG)** provides independent and objective reviews of Treasury operations.

**Office of Thrift Supervision (OTS)** oversees and regulates all Federal and many state-chartered thrift institutions.

**U.S. Secret Service (Secret Service)** protects National leaders and foreign dignitaries and enforces counterfeiting and financial crime laws.

**Treasury Inspector General for Tax Administration (TIGTA)** provides independent and objective reviews of IRS activities.



# Improving Treasury's Internal Operations

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## Law Enforcement Reviews

As part of our oversight responsibilities for the Offices of Inspection of ATF and Secret Service



and the Office of Internal Affairs of Customs, we conducted three administrative reviews. We examined management structures, staff qualifications, caseloads, and levels of independence and quality control.

ATF – We found that allegations were thoroughly investigated and properly reported, administrative controls were sound, and discipline was administered fairly and consistently. Our review revealed that although penalty guidelines for government credit card misconduct were established, ATF lacked a table of penalties for other instances of misconduct. (QA-2001-3-2)

Customs – We found that investigated cases were thorough, complete, and properly reported. However, the majority of case files failed to comply with Customs' Internal Affairs reporting requirements. Additionally, we discovered that inquiries into allegations of misconduct were not always consistently and effectively addressed and discipline was not always properly administered. We also found inaccurate and incomplete data in the Discipline Adverse Action Tracking System. (QA-2000-5-1)

Secret Service – We determined overall management to be efficient with all case files fully investigated and appropriately reported. Sound administrative controls were administered; however, we discovered several cases that were not reported in a

timely manner. We also noted the lack of a centralized reporting system for allegations of employee misconduct, the lack of timely and consistent discipline, and inconsistencies in following official grievance procedures. (QA-2000-8-2)

## Performance Reporting

A review of Customs' performance rating system found that officials had made considerable progress implementing the Government Performance and Results Act (Results Act), but additional improvements were needed.



The Results Act reports did not contain all of the information that Treasury, Office of Management and Budget (OMB), and the Congress need to evaluate Customs and make informed budget decisions. We found inconsistencies in reporting for Customs' three commercial processes -- trade, passenger, and outbound -- inconsistencies caused by varied capabilities, resources, and systems.

We made 10 recommendations on evaluating performance, creating new and consistent measures and definitions, ensuring accuracy in reporting, and disclosing multi-agency crosscutting programs. (OIG-01-023)

## Computer Security Plans

We reviewed Treasury's efforts to develop computer security plans promoting the protection of computer systems' information



# Improving Treasury's Internal Operations

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against loss, misuse, or unauthorized access and modification. We found that Treasury has taken initial steps to update Treasury-wide system security guidance and to identify vulnerabilities in systems; however, additional action is needed to ensure the protection of all systems. We found outdated security planning guidance and the need for improvements in oversight of system security planning.

We recommended the updating of Treasury-wide policies and guidance for the development of computer security plans, adherence to all regulations, the development of security plans for all Treasury systems, and the implementation of a process for tracking systems' inventory. (OIG-01-014)

## Critical Infrastructure Protection Program

We found that Treasury has made progress toward fulfilling the cyber-related requirements of the



Presidential Decision Directive (PDD) 63 and the National Plan for Information Systems Protection (National Plan). However, significant work remains. We found inadequate funding and resources and the need to identify critical infrastructure assets.

We recommended that PDD 63 funding be incorporated into budget submissions and Treasury officials provide necessary funding and resources for assessing vulnerabilities and developing remediation plans for critical infrastructures. We recommended critical infrastructure assets be identified and prioritized and necessary information obtained to manage information technology.

Recommendations for overseeing PDD 63 implementation were also provided. (OIG-01-025)

## Internet Privacy Standards

In our review of Treasury's compliance with the Consolidated Appropriations Act of 2001 (P.L. 106-554), we found



that Treasury offices and bureaus substantially complied with the privacy standards set by the Office of Management and Budget (OMB). Treasury maintains at least 30 web sites that include over 22,000 web pages. We noted that none of Treasury's Chief Information Officers (CIO) overseeing these sites had entered into agreements with third parties to share personally identifiable data. However, we did find 11 sites that lacked privacy statements and of the 130 web pages we examined, six set persistent cookies. Persistent cookies are text files that remain stored on a user's computer until a predetermined time and can be used to track the user's browsing behavior by identifying their Internet address whenever they return to a site. Two bureaus with sites setting persistent cookies were unaware they were doing so.

Our recommendations ensure compliance with OMB standards and will help Treasury CIO more effectively monitor web activities. (OIG-01-044)

## Communications System

Our review of the Treasury Communications System (TCS) found



that although changes were initiated to



## Improving Treasury's Internal Operations

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improve customer satisfaction and enhance overall management of the system, the areas of financial activities and program administration need further attention. As the framework for Treasury's information infrastructure, TCS enables a wide selection of applications, such as simplified tax and wage reporting, law enforcement communication, and an international trade database. TCS serves Treasury and the Department of Justice.

To improve TCS operations, we recommended that officials address suggestions made by an external consulting firm, determine what costs customers should pay, maintain sound financial management and inventory processes, design and distribute policies and procedures to stakeholders, and hold the TCS contractor financially accountable when unable to respond to service requests. (OIG-01-020)

### Procurement and Contract Irregularities

Several Customs officials allegedly engaged in an illegal/unauthorized purchase. About \$4,000 was spent on flight jackets for members of Congress as honorary awards for those attending a ceremony at Ronald Reagan Washington National Airport. The U.S. Attorney's Office declined prosecution in lieu of administrative action by Customs. Administrative action is pending.



### Credit Card Fraud

A student intern at Treasury's Office of Human Resources was suspected of stealing information from personnel files to fraudulently apply for credit cards. The investigation found that the intern also worked at a local college computer lab where he was applying for the credit cards online. The suspect admitted to the identity theft and credit card scheme. Federal prosecution was declined and the employee resigned.



### Wire Fraud (Update)

As previously reported, an OCC employee entered false data into the time and travel reporting system. This resulted in fraudulent deposits into his personal bank account totaling more than \$14,000. The employee confessed to 11 counts of wire fraud. He was sentenced to four years probation, ordered to make full restitution to OCC, and directed to pay a special assessment to the court.

# Improving Treasury's Internal Operations

## Financial Statement Audits

The Chief Financial Officers (CFO) Act, as amended by the Government Management Reform Act (GMRA), requires annual audits of Treasury and OMB designated

components. OMB has designated ATF, Customs, and IRS for annual financial statements audits. The table below shows audit results.

Department of the Treasury Audited Financial Statements						
Entity	Fiscal Year (FY) 2000 Audit Results			FY 1999 Audit Results		
	Opinion	Material Weaknesses	Other Reportable Conditions	Opinion	Material Weaknesses	Other Reportable Conditions
<b>Statutory Requirements (GMRA/CFO Act)</b>						
Treasury Department	UQ	2	2	Q	2	3
ATF	UQ	0	1	UQ	0	3
Customs	UQ	2	6	UQ	2	7
IRS	UQ	6	2	(A)	7	2
<b>Statutory Requirements (Other)</b>						
BEP *	UQ	0	0	UQ	0	0
CDFI Fund	UQ	0	0	UQ	0	0
D.C. Pension Funds	(B)	(B)	(B)	UQ	0	0
Exchange Stabilization Fund (ESF)	UQ	0	2	UQ	0	0
Federal Financing Bank (FFB)	UQ	0	0	UQ	0	0
OCC	(B)	(B)	(B)	UQ	0	4
OTS	(B)	(B)	(B)	UQ	0	0
Treasury Forfeiture Fund (TFF)	UQ	1	2	UQ	3	3
Mint						
Financial Statements *	UQ	0	1	UQ	0	1
Custodial Gold and Silver Reserves	UQ	0	0	UQ	0	0
<b>Material to Treasury Department Financial Statements</b>						
BPD						
Schedule of Federal Debt	UQ	0	0	UQ	0	0
Government Trust Funds	UQ	0	0	UQ	0	0
Schedule of Loans Receivable	UQ	0	0	UQ	0	1
FMS						
Financial Statements	UQ	0	0	Q	3	0
Operating Cash of Federal Government	(C)	1	0	(C)	1	1

UQ = Unqualified opinion rendered. Q = Qualified opinion rendered.

\* Financial statement audit is complete but the final report was not issued by March 31, 2001.

(A) IRS' FY 1999 Financial Statements audit resulted in (1) an unqualified opinion on the Statement of Custodial Activity, (2) a qualified opinion on the Balance Sheet, and (3) disclaimers of opinion on the Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing.

(B) Audits in progress as of March 31, 2001.

(C) Audit performed to verify reliability of cash balances managed by FMS. No separate audit opinion rendered.

Auditors from OIG, GAO, and Independent Public Accountants (IPAs) conducted the audits. OIG audited Treasury's consolidated financial statements, Customs, ESF, D.C. Pension Funds, and the Mint Gold and Silver Reserves. GAO audited IRS' financial statements, BPD's Schedule of Federal Debt and the operating cash of the Federal Government managed by FMS. Additionally, OIG provided contract oversight and performed quality control reviews for audits undertaken by IPAs. IPAs audited ATF, BEP, CDFI Fund, FMS, FFB, Government Trust Funds, Mint, OCC, OTS, TFF and the Schedule of Loans Receivable serviced by BPD.

## Improving Treasury's Internal Operations

### Consolidated Financial Statements

Treasury received its first unqualified opinion for FY 2000 Financial Statements. Although significant progress has been made, in certain cases (most notably Customs and IRS) unqualified opinions were achieved only through extensive efforts well after the end of the fiscal year. Material weaknesses that had to be corrected related to financial management and reporting at the IRS, and electronic data processing general controls at Customs, FMS, and IRS. Other reportable conditions address financial management improvements needed at Customs and other entities.

As previously reported, Treasury's financial management systems were not in compliance with the requirements of the Federal Financial Management

Improvement Act of 1996 (FFMIA). Critical to meeting Treasury's overall financial management and program objectives will be implementing remediation plans addressing weaknesses in internal control and instances of non-compliance with FFMIA. Customs' and IRS' FFMIA remediation plans will not bring their financial management systems into compliance within the three-year time frame as required by the Act. Treasury has requested, but not received, a waiver from OMB. We will evaluate Treasury's oversight and coordination with OMB regarding the plans, and on a semiannual basis will report instances and reasons when entities other than IRS have not met intermediate target dates. TIGTA is responsible for reporting this information with respect to IRS' plan. (OIG-01-050)

Instances of Unresolved FFMIA Non-Compliance as of September 30, 2000

Entity	Condition	Type of Non-Compliance	First Reported for FFMIA Purposes (FY)
Customs	Core financial systems do not provide complete and accurate information for financial reporting and for preparation of audited financial statements.	Federal Financial Management Systems Requirements: Standard General Ledger	1997
Customs	Weaknesses exist in EDP controls over timely restoration of its mission-critical systems; access to data files, application programs and computer-related facilities and equipment; and application software development and program modifications.	Federal Financial Management Systems Requirements	1997
FMS	Information in FMS' systems is at significant risk because of serious general control weaknesses.	Federal Financial Management Systems Requirements	1997
IRS	Lacks general ledger that conforms to the U.S. Government Standard General Ledger.	Standard General Ledger	1997
IRS	Lacks a reliable subsidiary ledger for its property and equipment.	Federal Financial Management Systems Requirements	1997
IRS	Lacks an effective audit trail from its general ledger back to subsidiary detailed records and transaction source documents.	Federal Financial Management Systems Requirements	1997
IRS	Material weaknesses including controls over refunds, property and equipment, budget and computer security that are also conditions indicating that IRS' systems do not comply with Federal Financial Management Systems Requirements.	Federal Financial Management Systems Requirements: Federal Accounting Standards	1997
IRS	Cannot rely on information from its general ledger to prepare financial statements.	Federal Financial Management Systems Requirements	1997
IRS	Lacks a subsidiary ledger for its unpaid assessments.	Federal Financial Management Systems Requirements	1997

# Overseeing the Management of the Nation's Revenue and Public Debt

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## Tax-Free Tobacco Exports

An audit of ATF files for 1,118 tobacco shipments classified as tax-free exports revealed that nearly 500 of these "closed" shipments lacked adequate evidence of exportation. In addition, we discovered that over 25,000 "open" notifications exceeded the 90 days allowed to provide export documentation with over one-half of these notifications open for more than one year. We noted that ATF has been slow to react to these notices, in part due to the consolidation of five technical service offices, resource constraints, and the low priority placed on this area of responsibility. We found a lack of third party verifications to confirm the export of tobacco shipments.



Our recommendations included addressing the adequacy of export evidence that support claimed exports with a potential tax liability of \$145.9 million and initiating collection of taxes due, as appropriate. In addition to providing training, performing supervisory reviews, and conducting third party verifications, bureau officials plan to review 25 percent of the "closed" exportations that lacked adequate documentation by March 31, 2001, expanding the sampling if necessary. Officials plan to resolve the "open" tobacco shipments by August 2001. (OIG-01-019)

## Special Occupational Tax Program

Our follow-up audit of ATF's Special Occupational Tax (SOT) program found that ATF did not take sufficient corrective actions

in response to our earlier report. ATF was unable to identify specific actions or substantiate the retailer compliance rate. ATF also did not contact states about adding necessary information to their databases to facilitate a state-matching program and did not follow through with an initiative to determine whether this program could effectively be automated. In July 1998, ATF stopped one method that ensured SOT compliance, resulting in an annual loss in SOT revenue of about \$800,000. ATF officials agreed with our findings and outlined a number of planned actions to implement recommendations to reinstate and automate, where practical, the state-matching program. (OIG-01-052)

## Oversight of General Order Merchandise

We reviewed Customs' efforts to ensure that General Order (GO) merchandise was processed and disposed of in a timely and efficient manner. Imported goods become GO merchandise when an importer does not file entry with Customs or pay applicable duties. We found that more than 50 percent of GO lots were not placed in a GO warehouse within the 25-day regulatory limit and some merchandise was not expeditiously moved from GO warehouses to auction. In addition, Customs did not effectively identify and penalize carriers that failed to provide prompt notification of unclaimed merchandise.



We recommended that ports monitor compliance as part of their self-inspection

# Overseeing the Management of the Nation's Revenue and Public Debt

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program, consider implementing a service-wide GO software tracking system, issue guidelines on assessing penalties, and better educate carriers about GO requirements. (OIG-01-042)

## Computer Control Procedures

In a review of the adequacy and effectiveness of FMS' system of control, we found inadequacies and inefficiencies. Specifically, a change control process did not exist for mainframe hardware changes, system software changes lacked security approval, user and system documentation was not updated, and test plans and results were not retained. FMS officials did not perform independent quality assurance testing of all software changes. Furthermore, we found that system accreditations, or authorizations to operate based on current risk assessment and security plans, did not exist for the mainframe system, the Check Payment and Reconciliation System, or the Central Accounting System. Additionally, personnel did not maintain control of tapes used by systems programmers.



We made recommendations designed to improve controls over hardware changes, security review and approval, testing and user documentation. Additional recommendations were made to improve tape management and ensure the accreditation of major information systems. (OIG-01-039)

## Financial Statements

FMS - FY 2000 financial statements for Salaries and Expenses and Treasury Managed



Accounts received an unqualified opinion. There were no material weaknesses or other reportable conditions associated with internal control over financial reporting. FMS complied with laws and regulations exclusive of the FFMA requirements. However, under FFMA, in one instance FMS' financial management systems did not comply with Federal requirements. The auditors noted certain computer control weaknesses including ineffective security planning, lack of strong access controls, and incomplete security reviews. (OIG-01-049) A material weakness was identified in connection with a separate audit of the operating cash of the Federal Government managed by FMS. This material weakness related to electronic data processing (EDP) general controls over those cash operations.

IRS - The U.S. General Accounting Office (GAO) rendered an unqualified opinion on the IRS' FY 2000 financial statements. GAO also reported that IRS' internal controls were ineffective. The audit identified six material weaknesses related to IRS' controls over the financial reporting process, management of unpaid tax assessments, refunds, property and equipment, budgetary activities, and computer security. GAO reported these issues last year. GAO's audit also found two other reportable conditions related to deficiencies in controls over hardcopy tax receipts and taxpayer data, and deficiencies

## Overseeing the Management of the Nation's Revenue and Public Debt

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and limitations in revenue reporting and excise tax distributions.

Two repeat instances of reportable non-compliance were discussed. IRS did not release Federal tax liens within 30 days after the date the related tax liability was satisfied or unenforceable. Also, installment agreements did not fully satisfy outstanding tax liabilities prior to the expiration of the statutory collection period. Additionally, IRS' financial management systems did not comply with the requirements of the FFMIA.

Treasury Forfeiture Fund (TFF) - Received an unqualified opinion on its FY 2000 and FY 1999 Financial Statements. The TFF consolidates all Treasury law enforcement organizations under a single forfeiture fund program administered by Treasury. The TFF participants include ATF, Customs, FLETC, FinCEN, IRS, Secret Service, and the U.S. Coast Guard.

The auditors found one recurring material weakness -- the general ledger did not include all TFF balances and transactions. A reportable condition identified in prior years remains open. TFF property management functions require improvement to ensure proper recording of and accounting for transactions to allow for the preparation of reliable financial statements and accountability for assets. The audit also disclosed one reportable condition related to unsubstantiated seized property values. Specifically, a considerable number of seizures that included real property, vehicles, and jewelry had \$0 appraisal value on the inventory reports. Also, the auditors found instances where financial values assigned to property were significantly

higher than on the supporting appraisal worksheet.

One repeat instance of noncompliance with applicable laws and regulations exclusive of the FFMIA was cited. As previously noted, the TFF's internal control structure has a material weakness that results in noncompliance with the Budget and Accounting Procedures Act of 1950, as amended. Correcting this weakness will require significant improvements in automated systems. (OIG-01-051)



## Assessing Law Enforcement Programs

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### Workspace Policy Study

We assisted the Office of Enforcement with a study on Treasury's law enforcement infrastructure. We



observed that unique space standards were thoroughly outlined in published handbooks and successfully implemented at pilot locations across the country.

We were told that if properly funded the four Treasury law enforcement bureaus (ATF, IRS-Criminal Investigations, Customs, Secret Service), FinCEN, and FLETC could implement these standards nationwide. Anecdotal evidence led us to believe increased efficiency and effectiveness would accompany workspace improvements.

We were told that without significant investments in space, Treasury risks compromising its law enforcement missions, the loss through attrition of its highly trained law enforcement workforce, and possible tragedy. (OIG-CA-01-001)

### Air Automated Manifest System

Federal law requires Customs to inspect all merchandise arriving in the U.S.



If arriving by air, carriers provide certain documents describing the merchandise on board, known as air manifests and waybills. In 1984, Customs automated its manifest system allowing carriers to provide their information electronically. Because licensed warehouses did not participate in the Air Automated Manifest System (Air AMS) to the extent expected, opportunities arose to

circumvent inspection, duties, tariffs, and import restrictions.

Although the true cost is unknown, we estimated Customs could have assessed as much as \$6.5 million in fines and penalties for these violations. Additionally, we found that the system lacked adequate controls to detect or prevent system misuse or maintain data integrity. We estimated as much as \$184 million in fines and penalties could have been assessed on the incorrect waybills for FY 1998.

We recommended that Customs collect the fines and penalties assessed during the audit and improve the controls over the Air AMS by providing training to users, monitoring the trade's use of the system, and enforcing consistent use. (OIG-01-024)

### Compliance Inspections

In accordance with the Gun Control Act of 1968 (GCA), ATF is responsible for enforcing the



licensing provisions of the GCA, which requires Federal Firearms Licensees to maintain detailed records. In 2000, approximately 104,000 Federal firearms licensees existed. Our audit found that ATF targeted the worst violators of gun laws and sources of guns involved in crimes, and took appropriate administrative actions based on violations disclosed during firearms compliance inspections.

We did, however, make recommendations calling for improved guidance on inspection priorities, consistent use of reports from ATF's N-Spect system, and the development of specific performance measures. (OIG-01-038)

## Assessing Law Enforcement Programs

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### Computer Security Plans

We found that ATF systems and information contained in the systems were vulnerable to loss, misuse, and unauthorized disclosure or modification. We found that ATF had not developed security plans for 43 of its mission critical systems and plans for four other systems needed improvement. Furthermore, ATF's Director had not accredited any of the systems nor did ATF's security plan guidance fully comply with Federal regulations. We recommended that all systems have security plans that include details on systems' distinct security controls or proposed security measures, and a description of the systems' data integrity and validation controls. (OIG-01-029)



### Special Agent Indicted for Bribery

A Federal grand jury indicted a Customs special agent and his spouse, a contract employee for the U.S. Marshal's Service, for providing confidential information to drug traffickers in exchange for money. The Customs employee received \$3,500 for information about a Federal defendant relating to his possible sentencing on a charge of conspiracy to distribute 86 kilos of marijuana. Both pled guilty to the bribery charges and were sentenced to three years probation. The indictments resulted from a joint investigation by Treasury, Justice, and the Texas Rangers.



### Employees Exonerated

ATF - Two employees were cleared of wrongdoing following an investigation in

which a supervisor allegedly ordered the cover-up of a grand jury disclosure and perjured himself during a Florida court case in which he testified as a victim. A second allegation claimed that an inspector, also working on the case, used grand jury material in a class he taught. We found no instances of perjury by the supervisor and that the inspector did not use material received pursuant to the subpoena, but rather material gathered from an independent source.

FLETC - At the request of the FLETC Director, we investigated allegations of misconduct by FLETC officials. Allegations included (1) use of the FLETC Peer Support Program to develop investigative leads for the Special Investigative Unit (SIU), (2) pre-selection for promotion, and (3) initiation of retaliatory investigations following an Equal Employment Opportunity (EEO) complaint. We found no evidence of compromise within the program, no indication of pre-selection, and revealed that SIU investigations were initiated prior to the employee's EEO complaint and were not retaliatory.

### Official Prosecuted for Perjury (Update)

A Federal grand jury indicted a Customs Internal Affairs (IA) official in June 2000 after he allegedly obstructed an investigation and lied about his continued supervision of a case against a female Customs agent with whom he had a personal relationship. The official allegedly made false statements to Customs officials and to the Merit Systems Protection Board in a deposition about his relationship with the target of the IA case. On March 9, 2001, the Customs official was found not guilty of two counts of false statements. He remains suspended without pay pending further administrative action.



## Assessing Law Enforcement Programs

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### Computer Control Procedures

Customs - Established change management controls included a process for managing and controlling



mainframe hardware, operating system software and mainframe application changes, but deficiencies were noted in the change control process. Specifically, changes were not properly approved, programs were not adequately tested, and programmers had uncontrolled access to application source code data.

Customs' lack of control over access to application source code data was previously reported in July 1994. We recommended that management: (1) revise and expand change management guidance, (2) establish test plans for hardware, operating system software, and application changes, and (3) implement change control software that restricts access to application source code data. (OIG-01-035)

Secret Service - Deficiencies were found that could impair efforts to ensure that only authorized, adequately tested and approved mainframe hardware, mainframe application changes, and operating system software are moved into production. We recommended implementation of automated controls, restricted access to program source code and data sets, and development of revisions to existing procedures to provide a formalized change management process for mainframe hardware and applications and operating system software. Elements of this finding were also cited in previous OIG reports on Secret Service's FY 1996 and FY 1997 financial statements. (OIG-01-032)

### FY 2000 Financial Statements

ATF - Received an unqualified opinion. ATF adequately addressed two of three reportable conditions from last year's audit report. However, the area of information protection remains a reportable condition. Weaknesses continue to exist in ATF's client server environment. No instances of reportable noncompliance with laws and regulations were found. (OIG-01-046)

Customs - Received an unqualified opinion, but two repeat material weaknesses remained. These weaknesses involved deficiencies in Customs' core financial systems and its ability to provide for timely restoration of mission-critical systems. Although progress was made toward correcting these weaknesses, deficiencies still exist and continue to place Customs at risk. Six repeat reportable conditions exist, including the need to strengthen controls over (1) drawback, (2) in-bond shipments, (3) software development, (4) access to data files and computer related facilities and equipment, and (5) application programs. Also, Customs needs to (6) implement compliance measurement programs to identify the revenue gap and assess trade law compliance.

Three repeat reportable instances of non-compliance involved provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), and the requirements of FFMIA. Without a major systems overhaul, Customs may not be able to effectively handle the higher level of trade projected in the future. (OIG-01-045)

## Supporting “World-Class” Currency Production

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### Management of Commemorative Coin Programs

Public Law 104-208 made organizations benefiting from commemorative coin programs full partners in bearing costs, risks, and marketplace realities. This law was enacted to ensure the Mint's costs of operating these programs are fully recovered.



Our review of nine commemorative coin programs found that the Mint properly obtained and analyzed matching fund information provided by the recipient organizations and properly prepared and issued quarterly financial reports to the Congress. We recommended ways to help develop a method for reconciling trial balance and profit and loss accounts and to reexamine allocations for general and administrative costs. (OIG-01-026)

### Stolen Coins

A Mint employee was arrested after attempting to remove 35 newly minted Susan B.



Anthony coins from the facility in Philadelphia. Subsequent investigation revealed the employee had previously stolen another 24 coins and passed them at a local grocery store. The employee pled guilty to theft of public money and property and was sentenced to six months unsupervised probation. Her employment was terminated.

### Trafficking Stolen Error Coins (Update)



A maintenance employee at the Philadelphia Mint was found guilty of distributing and selling coin error pieces to coin dealers in six states. The defendant was sentenced to six months incarceration; two years supervised release, and assessed \$80,000 in fines.

### Computer Security Plans

Our review of the Mint's security plans revealed that no plans existed and of the 35 computer



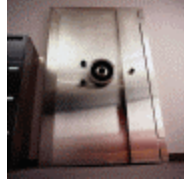
systems, only one mission critical system draft plan had been developed. The draft plan needs significant improvements before it is issued. We reviewed the Mint's system security policies and guidance for preparing computer security plans and found both to be inadequate. In addition, we found that none of the systems had been accredited.

We recommended that the Mint's CFO ensure that all computer systems have security plans with detailed information pertaining to all the systems' distinct security controls and information pertaining to proposed security measures. We also recommended that guidance be expanded for the preparation of the plans. (OIG-01-034)

## Working to Maintain Confidence in the Nation's Banking System

### **Post-Employment Conflicts of Interest**

Our follow-up audit to our 1997 report found that OCC controls over employee post-employment activities were overall adequate and working as intended. However, we noted that some re-employed annuitants had not filed the required financial disclosure reports with OCC, and several may have provided bank consulting services while employed by OCC.



Our recommendations included implementing periodic reviews of pre-exit clearance activities and an automated clearance process as well as pre-employment disclosure of prior banking experience. (OIG-01-031)

### **Procurement Practices**

Community Development Financial Institutions Fund (CDFI Fund) - Following a 1998 House Subcommittee report about improprieties committed by the CDFI Fund, we audited the institution's procurement procedures. Our findings validated most of the issues raised in the Subcommittee's report and although we found that the CDFI Fund's procurement practices had significantly improved, officials needed to adhere to these new procedures to remedy the deficiencies noted in our report. (OIG-01-012)

OTS - In a follow-up review of OTS' procurement practices, we found that the structure of OTS' \$20.4 million facilities management prime contract and associated sub-contracts provided for compensation to the prime contractor on a cost-plus-a-percentage-of-cost basis. Because Federal

procurement law prohibits this practice, OTS agreed to modify the prime contract. OTS also outlined a number of operational and functional improvements in its procurement operations. (OIG-01-013)

## Our Work – The Numbers

Investigative Caseload October 1, 2000 - March 31, 2001					
	Offices of Internal Affairs and Inspection				
	OIG	ATF	Customs	Secret Service	Total
Cases open at beginning of reporting period	138	63	1,469	34	1,704
Cases opened during the reporting period	67	50	495	20	632
Cases remaining open at the end of the reporting period	156	34	1,537	38	1,765

Number and Nature of Allegations for Opened Investigative Cases October 1, 2000 - March 31, 2001					
	Offices of Internal Affairs and Inspection				
	OIG	ATF	Customs	Secret Service	Total
Bribes, graft, kickbacks	1	0	24	0	25
Procurement and contract irregularities	6	0	0	0	6
Assaults/threats	3	1	72	2	78
False statements and claims	13	4	23	2	42
Theft/misuse of funds or property	16	11	43	1	71
Drug abuse or control	0	4	5	0	9
Impersonating a government official	0	0	0	0	0
Criminal (other)	3	4	94	6	107
Sexual harassment	0	1	12	0	13
Improper conduct or disclosure	20	13	209	2	244
Non-criminal (other)	5	12	13	7	37
<b>Total cases opened during reporting period *</b>	<b>67</b>	<b>50</b>	<b>495</b>	<b>20</b>	<b>632</b>

\* The number of allegations and the number of cases opened are equal because only the most significant allegation per case is counted.

Administrative Sanctions October 1, 2000 - March 31, 2001					
	Offices of Internal Affairs and Inspection				
	OIG	ATF	Customs	Secret Service	Total
Personnel actions	6	26	215	20	267
Suspensions and/or debarments of contractors	0	0	N/A	0	0

Prosecutive Actions October 1, 2000 - March 31, 2001					
	Offices of Internal Affairs and Inspection				
	OIG	ATF	Customs	Secret Service	Total
Cases pending prosecutive decision at start of period	0	2	22	6	30
Cases referred to prosecutive authorities	14	5	19	5	43
Cases accepted for prosecution	6	0	9	4	19
Cases declined	8	7	11	3	29
Cases pending prosecutive decision at end of period	0	0	21	0	21
Successful prosecutions *	3	0	18	5	26

\* Includes those found guilty by a Federal or state court, accepted for pretrial diversion agreements by the Department of Justice, or granted plea bargaining agreements.

## Our Work – The Numbers

Audit Reports with Questioned Costs for the Period October 1, 2000 - March 31, 2001			
Category	Number of Reports	Questioned Costs *	Unsupported Costs
For which no management decision had been made by beginning of reporting period	16	\$4,032,000	\$0
Which were issued during the reporting period	3	1,266,000	0
<b>Subtotals</b>	<b>19</b>	<b>\$5,298,000</b>	<b>0</b>
For which a management decision was made during the reporting period	2(a)	468,000	0
dollar value of disallowed costs	1(a)	227,000	0
dollar value of costs not disallowed	2(a)	241,000	0
For which no management decision has been made by the end of the reporting period	17	\$4,830,000	\$0
For which no management decision was made within six months of issuance	14	\$3,563,000	\$0

\* Questioned costs include unsupported costs. (a) One report was partially agreed to. "Questioned costs" denotes that one or more of the following three situations exist: (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement or document governing the expenditure of funds, (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation, or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Audit Reports with Recommendations that Funds be Put to Better Use for the Period October 1, 2000 - March 31, 2001				
Category	Number of Reports	Total	Savings	Revenue Enhancements
For which no management decision has been made by the beginning of the reporting period	9	\$17,122,000	\$9,161,000	\$7,961,000
Which were issued during the reporting period	3	168,663,000	0	168,663,000
<b>Subtotals</b>	<b>12</b>	<b>\$185,785,000</b>	<b>9,161,000</b>	<b>\$176,624,000</b>
For which a management decision was made during the reporting period	12	\$185,785,000	9,161,000	\$176,624,000
dollar value of recommendations agreed to by management	10(a)	181,443,000	4,819,000	176,624,000
based on proposed management action	10(a)	181,443,000	4,819,000	176,624,000
based on proposed legislative action	0	0	0	0
dollar value of recommendations not agreed to by management	5(a)	4,342,000	4,342,000	0
For which no management decision has been made by the end of the reporting period	0	\$0	\$0	\$0
For which no management decision was made within six months of issuance	0	\$0	\$0	\$0

Audits were performed by DCAA. (a) Three reports were partially agreed to. 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 recommending improvements related to operations, (4) avoidance of unnecessary expenditures noted in pre-award review of contract agreements, (5) any other savings which are specifically identified, or (6) enhancements to revenues.

Contract Audits Completed October 1, 2000 - March 31, 2001						
Entity	Pre-Award Proposal Audits		Overhead Audits		Other Contract Audits	
	Number Completed	Funds to be Put to Better Use	Number Completed	Questioned Costs	Number Completed	Questioned Costs
ATF	0	\$0	1	\$0	0	\$0
BEP	2	0	2	0	0	0
Customs	0	0	2	412,890	1	0
Departmental Offices	0	0	5	269,817	4	583,638
FMS	0	0	1	0	0	0
<b>Totals</b>	<b>2</b>	<b>\$0</b>	<b>11</b>	<b>\$682,707</b>	<b>5</b>	<b>\$583,638</b>

Audits performed by DCAA. All Treasury bureau requests for pre-award, cost incurred, and other contract audits are referred to the OIG. The OIG has the option to perform the audits, refer the audits to DCAA and other cognizant Government audit agencies, or contract with an Independent Public Accountant (IPA). DCAA performed 18 contract audits, which questioned \$1.3 million in Treasury contractor costs. Contracting officers agreed to savings and disallowed costs of approximately \$4.6 million including amounts that were questioned prior to September 30, 2000. An additional \$4.8 million in potential monetary benefits, including amounts that were questioned prior to September 30, 2000, are awaiting completion of negotiations with the contractors.

## Our Work – The Numbers

Reports with Pending Management Decisions * Undecided for Over Six Months as of March 31, 2001		
Title and Date Issued	Report Number	Amount **
Evaluation of Procurement Overhead Rates Under Contract TC-89-047, Review of Contractor's Accounts Payable Processing System, Compliance with Cost Accounting Standard 412, 12/15/94	OIG-95-029	\$10,234
Evaluation of Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Calendar Year Ended 12/31/92, 1/11/95	OIG-95-033	69,284
Costs Incurred Under Contract TOS-91-31 for Calendar Year 1991, 3/12/96	OIG-96-042	5,404
Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Calendar Year Ended December 31, 1993, 10/10/96	OIG-97-002	135,662
Final Procurement Determined Indirect Cost Rates Claimed Under Contract TC-89-047 for Contractor FY-Ended December 31, 1992, 7/23/97	OIG-97-113	33,774
Final Procurement Determined Indirect Cost Rates Claimed Under Contract TC-89-047 for Contractor FY Ended December 31, 1993, 7/23/97	OIG-97-114	112,884
Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for FY Ended December 31, 1994, 9/15/97	OIG-97-132	37,716
Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for FY Ended December 31, 1995, 12/10/97	OIG-98-025	39,071
Contractor's FY Ended December 31, 1992 through 1994, Applicable to Contracts TOS-91-31 and TOS-94-25, 2/25/98	OIG-98-045	562,205
Revised Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for FY Ended December 31, 1994, 1/7/99	OIG-99-028	27,366
Post-award Audit of Cost or Pricing Data Under Contract TEP-95-55 (TN), 7/23/99	OIG-99-100	1,742,837
Incurred Costs for Contractor's FY Ended December 31, 1997	OIG-99-108	196,527
Incurred Costs for Contracts TC-96-014 and TC-97-015 for FY 1997, 1/7/00	OIG-00-029	6,063
Incurred Cost for Contract TOS-92-20 for FY 1997, 1/7/00	OIG-00-030	584,192
<b>Totals</b>	<b>14 reports</b>	<b>\$3,563,219</b>

\* Management decision refers to the evaluation by management of the findings and recommendations included in a report and the issuance of a final decision. \*\* Amount indicates questioned costs and/or revenue enhancements.

Contract negotiations have not yet been held or completed.

### Management Decisions with which the Inspector General is in Disagreement

There were no such decisions this period.

However, in our previous Semiannual Report, we discussed two audit reports for which bureau management did not agree with certain report recommendations. With respect to the first report, *Final Report on the United States Customs Service's Automated Information Systems' Computer Security Safeguards Need to be Strengthened* (OIG-00-085), Customs had not taken steps to (1) prohibit the downloading of ActiveX code from the Internet as required by Treasury Directive and (2) ensure the security of ccMail. We referred this matter to the Treasury Deputy Secretary for a final management decision in accordance with Treasury's audit resolution policy.

With respect to the second report, *Office of the Comptroller of the Currency's (OCC) Supervision of Banks Selling Insurance* (OIG-00-098), OCC initially did not agree with four recommendations in the report. OCC subsequently planned corrective actions that, once implemented, will satisfy the intent of the recommendations.

### Unqualified Opinions, No Reportable Conditions or Instances of Non-Compliance

Entity or Activity	Report Number
Controls Placed in Operation and Tests of Operating Effectiveness for BPD's Federal Investment Branch (SAS 70 Reviews)	OIG-01-027 OIG-01-053
Schedule of Loans Receivable and Related Interest Receivable Serviced by BPD	OIG-01-041
BPD Trust Fund Management Branch Schedules and Notes for Selected Trust Funds *	OIG-01-040
CDFI Fund	OIG-01-047
FFB	OIG-01-048
Mint's Schedule of Custodial Gold and Silver Reserves	OIG-01-060

\* One instance of non-compliance was corrected during the year.

## Our Work – The Numbers

Significant Unimplemented Recommendations as of March 31, 2001		
Report Number	Issue Date	Report Title/Potential Monetary Benefits and Recommendation Summary
OIG-94-048 (99-200S) *	1/94	<i>Department of the Treasury Forfeiture Fund Annual Financial Statements for the Year Ended September 30, 1993</i> Ensure that accounting records are maintained on an accrual basis of accounting as required and an integrated financial system is implemented that will capture all transactions related to activities in the general ledger. (Two recommendations)
OIG-95-130	9/95	<i>Audit of U.S. Customs Service's FY 1994 Financial Statements</i> Improve and integrate core financial systems by including a "customer-based" accounts receivable subsidiary ledger, identifying the modifications necessary to the general ledger systems to capture all financial transactions as they occur, and implementing supervisory controls over critical Automated Commercial System warning messages and other edit checks that can be overridden.
OIG-96-098	9/96	<i>Audit of U.S. Customs Service's FY 1995 Consolidated Financial Statements</i> Analyze options to ensure capacity to fully recover high priority applications, expeditiously implement an approach, and fully test the disaster recovery plan.
OIG-97-133	9/97	<i>Audit of the U.S. Secret Service FY 1996 Statement of Financial Position</i> Ensure that the seized property system captures all seized property data necessary to generate a complete analysis of changes in seized and forfeited property.
OIG-98-066S	9/98	<i>Supplement to Report on the Department of the Treasury's FY 1997 Custodial Schedules and Administrative Statements</i> Ensure that IRS develops and implements an appropriate corrective action plan that will fully address the material weaknesses and reportable conditions identified in the audits of its financial statements. Provide effective oversight to ensure that the specific recommendations related to EDP general control weaknesses detailed in the component entity reports (particularly IRS, Customs and FMS), and the related plans for corrective actions are implemented completely and timely by the various bureaus. (Two recommendations)
OIG-99-018	12/98	<i>Allegations Concerning the Bureau of Alcohol, Tobacco and Firearms Administration of the National Firearms Registration and Transfer Record</i> Ensure that report to monitor pending workloads and identify registration activity is fully developed. (Three recommendations)
OIG-99-039	2/99	<i>Treasury Communications System (TCS) Automated Information Security Program</i> Departmental Offices should prepare and test continuity of operations plans that meet the requirements of TCS user agencies. (Six recommendations)
OIG-99-123	9/99	<i>Bureau of Alcohol, Tobacco and Firearms Controls Over Tax Free Spirit Exports</i> ATF should amend 27 CFR to include specific timeframes for Distilled Spirits Plants to submit documents that support claimed exports and additional guidance defining export evidence.
OIG-00-036	2/00	<i>Customs' Performance Data for Commercial Activity</i> Customs should direct the correction of the use of inappropriate confidence levels in the Results Act information provided in the FY 2000 budget justification. (Three recommendations)
OIG-00-047	2/00	<i>Opportunities for the Bureau of Engraving and Printing to Improve the Processing of Mutilated Currency</i> BEP should install an automated system to track mutilated currency cases, analyze data and assess the efficiency and effectiveness of the program.
OIG-00-066	3/00	<i>U.S. Customs Service Automated Commercial System Cargo Selectivity</i> The Assistant Commissioner, Office of Field Operations, should instruct Port Directors to establish procedures ensuring that reasons for overriding intensive cargo examinations are properly documented.
OIG-00-072	3/00	<i>Department of the Treasury Efforts to Prevent Illicit Transfers of U.S. Military Technologies</i> The Chairperson of the Committee on Foreign Investments in the United States should coordinate efforts with other Committee members to identify and evaluate all sources of available data to assist in identifying Exon-Florio non-filers.
OIG-00-077	3/00	<i>Information Technology Management Reform Act (ITMRA) Audit</i> Treasury should issue formal directives to further progress in implementing ITMRA.

This list of unimplemented recommendations in OIG audit reports is based on information in Treasury's automated tracking system, which is maintained by Treasury management officials.

\* Treasury Forfeiture Fund findings and recommendations were subsequently consolidated in the Treasury tracking system with an assigned number of 99-200S. This assigned number is not an OIG report number.



## Recent Reports

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The following OIG reports were issued during the period of October 1, 2000 through March 31, 2001. Each entry in the list contains the name of the report, report number (prefixed by "OIG" for audit reports, "OIG-CA" for evaluation reports, and "QA" for investigative oversight reports), issue date, and if applicable, the amount of revenue enhancements (R), savings (S) and questioned costs (Q).

### **Improving Treasury's Internal Operations**

**ATF**, Financial Management: The Bureau of Alcohol, Tobacco and Firearms' Fiscal Year 2000 Financial Statements, OIG-01-046, 2/23/01

**ATF**, Integrity Oversight Review, QA-2001-3-2, March 2001

**Customs**, U.S. Customs Service's Performance Measures for Commercial Activity, OIG-01-023, 12/5/00

**Customs**, Integrity Oversight Review, QA-2000-5-1, November 2000

**Departmental Offices**, Treasury Computer Security Plans, OIG-01-014, 11/2/00

**Departmental Offices**, Review of Assertions Included in the Financial Crimes Enforcement Network's Fiscal Year 1999 Annual Report of Drug Control Funds, OIG-01-015, 11/15/00

**Departmental Offices**, Treasury Communications System, OIG-O1-020, 11/24/00

**Departmental Offices**, Treasury's Critical Infrastructure Protection Program, OIG-01-025, 12/14/00

**Departmental Offices**, Information Technology: Treasury Web Sites Substantially Comply with OMB Privacy Policies and Data Collection Standards, OIG-01-044, 2/17/01

**Departmental Offices**, Audited Financial Statements of the Community Development Financial Institutions Fund for Fiscal Years 2000 and 1999, OIG-01-047, 2/20/01

**Departmental Offices**, The Department of the Treasury's Fiscal Year 2000 Financial Statements, OIG-01-050, 2/28/01

**Departmental Offices**, Financial Management: The Treasury Forfeiture Fund's Fiscal Years 2000 and 1999 Financial Statements, OIG-01-051, 3/1/01

**Departmental Offices**, Financial Management: Review of Assertions Included in the Financial Crimes Enforcement Network's Fiscal Year 2000 Annual Report of Drug Control Funds, OIG-01-055, 3/23/01

**Departmental Offices**, Financial Management: Review of Assertions Included in the Executive Office for Asset Forfeiture's Fiscal Years 2000 and 1999 Annual Reports of Drug Control Funds, OIG-01-056, 3/23/01

**Departmental Offices**, Financial Management: The Exchange Stabilization Fund's Fiscal Years 2000 and 1999 Financial Statements, OIG-01-061, 3/30/01

**FMS**, Fiscal Year 1996 Fringe Benefit, Overhead, and General and Administrative Expense Rates Applicable to Contract FMS-T9-EBT-TF-SBT, OIG-01-005, 10/13/00

**FMS**, Information Technology: Financial Management Service's Change Control Process Needs Improvement, OIG-01-039, 2/9/01

**FMS**, Audited Financial Statements of the Department of the Treasury Financial Management Service for Fiscal Year 2000, OIG-01-049, 2/27/01

**Secret Service**, Integrity Oversight Review, QA-2000-8-2, February 2001

Number of OIG Reports Issued (By Entity) October 1, 2000 - March 31, 2001	
Entity	Quantity
ATF	9
Customs	10
Departmental Offices	22
BEP	4
BPD	5
FLETC	2
FMS	3
Mint	3
OCC	1
OTS	1
Secret Service	4
Other (Independent)	1
<b>Total</b>	<b>65</b>



## Recent Reports

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### **Overseeing the Management of the Nation's Revenue and the Public Debt**

**ATF**, The Bureau of Alcohol, Tobacco and Firearms Needs to Improve Its Controls Over Tax-Free Tobacco Exports, OIG-01-019, 11/13/00, \$145,869,560 R

**ATF**, Follow-up Audit of the Bureau of Alcohol, Tobacco and Firearms' Special Occupation Tax Program, OIG-01-052, 3/2/01, \$2,400,000 R

**BPD**, Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Federal Investment Branch for the Period October 1, 1999 to September 30, 2000, OIG-01-027, 12/20/00

**BPD**, Controls Placed In Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Trust Fund Management Branch for the Period October 1, 1999 to September 30, 2000, OIG-01-033, 1/26/01

**BPD**, The Treasury Bureau of the Public Debt Trust Fund Management Branch Schedules and Notes for Selected Trust Funds for the Period October 1, 1999 to September 30, 2000, OIG-01-040, 2/14/01

**BPD**, The Schedule of Loans Receivable from Federal Entities and Related Interest Receivable Serviced by the Treasury Bureau of the Public Debt at September 30, 2000, OIG-01-041, 2/14/01

**BPD**, Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Federal Investment Branch for the Period October 1, 2000 to December 31, 2000, OIG-01-053, 3/15/01

**Customs**, Revenue Protection: Customs Oversight of General Order Merchandise Needs Improvement, OIG-01-042, 2/15/01

**Independent Entity**, Audited Financial Statements of the Federal Financing Bank for Fiscal Years 2000 and 1999, OIG-01-048, 2/26/01

### **Assessing Law Enforcement Programs**

**ATF**, Review of Assertions Included in the Bureau of Alcohol, Tobacco and Firearms' Fiscal Year 1999 Annual Report of Drug Control Funds, OIG-01-017, 11/15/00

**ATF**, The Bureau of Alcohol, Tobacco and Firearms Computer Security Plans, OIG-01-029, 12/22/00

**ATF**, Protecting the Public: The Bureau of Alcohol, Tobacco and Firearms' Compliance Inspections Effectively Targeted Firearms Violators, OIG-01-038, 2/8/01

**ATF**, Financial Management: Review of Assertions Included in the Bureau of Alcohol, Tobacco and Firearms' Fiscal Year 2000 Annual Report of Drug Control Fund, OIG-01-054, 3/23/01

**Customs**, Audit of the U.S. Customs Service's Air Automated Manifest System, OIG-01-024, 12/6/00, \$20,393,900 R

**Customs**, Review of the U.S. Customs Service's Fiscal Year 1999 Annual Reporting of Drug Control Funds, OIG-01-028, 12/22/00

**Customs**, U.S. Customs Service Change Control Procedures, OIG-01-035, 1/31/01

**Customs**, Financial Management: Report on United States Customs Service's Fiscal Years 2000 and 1999 Financial Statements, OIG-01-045, 2/23/01

**Departmental Offices**, Study: Treasury Law Enforcement Workspace, OIG-CA-01-001, 3/30/01

**FLETC**, Review of Assertions Included in the Federal Law Enforcement Training Center's Fiscal Year 1999 Annual Report of Drug Control Funds, OIG-01-018, 11/15/00

**FLETC**, Financial Management: Review of Assertions Included in the Federal Law Enforcement Training Center's Fiscal Year 2000 Annual Report of Drug Control Funds, OIG-01-059, 3/28/01

**Secret Service**, Review of Assertions Included in the United States Secret Service's Fiscal Year 1999 Annual Report of Drug Control Funds, OIG-01-016, 11/15/00

**Secret Service**, U.S. Secret Service Change Control Procedures, OIG-01-032, 1/22/01

**Secret Service**, Financial Management: Review of Assertions Included in the United States Secret Service's Fiscal Year 2000 Annual Report of Drug Control Funds, OIG-01-057, 3/23/01

## Recent Reports

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### Supporting “World Class” Currency Production

**Mint**, Review of Surcharges from the Sale of Commemorative Coins, OIG-01-026, 12/15/00

**Mint**, The U.S. Mint Computer Security Plans, OIG-01-034, 1/31/01

**Mint**, Financial Management: The U.S. Mint’s Schedule of Custodial Gold and Silver Reserves as of September 30, 2000 and 1999, OIG-01-060, 3/29/01

### Working to Maintain Confidence in the Nation’s Banking System

**Departmental Offices**, Procurement Practices at the Community Development Financial Institutions Fund, OIG-01-012, 10/17/00

**OCC**, Follow-Up Audit of the Office of the Comptroller of the Currency's Controls Over Employee Post-Employment Conflicts of Interest, OIG-01-031, 1/9/01

**OTS**, Follow-up Audit of the Office of Thrift Supervision's Procurement Operations, OIG-01-013, 10/27/00

### Supervised Contract Audits

**ATF**, Contract Audit Closing Statement on Contract TATF-96-17, OIG-01-022, 11/27/00

**BEP**, Contractor's Price Proposal Submitted Under Contract TEP-00-22 for Advance Counterfeit Deterrent Flush, OIG-01-002, 10/13/00

**BEP**, Costs Incurred for Fiscal Year Ending September 30, 1999, OIG-01-006, 10/13/00

**BEP**, Contractor FY 1996 Fringe Benefit, Overhead, and General and Administrative Expense Rates, OIG-01-008, 10/17/00

**BEP**, Contractor's Price Proposal Submitted Under Contract TEP-01-21 for Offline Currency Inspection Systems, OIG-01-058, 3/26/01

**Customs**, Incurred Costs Under Contract TC-93-029 for Calendar Years 1996 and 1997, OIG-01-001, 10/13/00

**Customs**, Evaluation of Fiscal Year 2000 Labor Floor Checks, OIG-01-021, 11/24/00

**Customs**, Direct and Indirect Costs and Rates Incurred Under Contract TC-94-027 for Contractor's Fiscal Year 1998, OIG-01-037, 2/01/01, \$412,890 Q

**Departmental Offices**, Contractor's Provisional Billing Rates for Fiscal Year 2000 Applicable to Contract TOS-97-16, OIG-01-003, 10/13/00

**Departmental Offices**, Contractor Fiscal Year 1996 Fringe Benefit, Overhead and General and Administrative Expense Rates Applicable to Contract TOS-93-38, OIG-01-004, 10/13/00

**Departmental Offices**, Labor Floor Checks Applicable to Contract TOS-97-16, OIG-01-007, 10/17/00

**Departmental Offices**, Contractor's Billing System, OIG-01-009, 10/17/00

**Departmental Offices**, Costs Claimed Under Contract TSW-87-0228, OIG-01-010, 10/17/00, \$269,820 Q

**Departmental Offices**, Contract Audit Closing Statement on Flexibly Priced Physically Completed Contract TSW-90-0209, OIG-01-011, 10/17/00

**Departmental Offices**, Contract Audit Closing Statement for Contract TSW-93-11, OIG-01-030, 12/26/00

**Departmental Offices**, Contractor's Partial Termination Settlement Proposal Submitted Under Contract TOS-97-16, OIG-01-036, 2/1/01, \$583,630 Q

**Departmental Offices**, Direct Costs Incurred Under Contract TOS-97-15 to Satisfy the Requirements of the Community Development Financial Institutions Fund, OIG-01-043, 2/12/01

## References to the Inspector General Act and Acronyms

References to the Inspector General Act of 1978, as amended		
Reference	Requirement	Page
Section 4(a)(2)	Review of legislation and regulations	2
Section 5(a)(1)	Significant problems, abuses, and deficiencies	4-16
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	4-16
Section 5(a)(3)	Significant unimplemented recommendations described in previous semi-annual reports	20
Section 5(a)(4)	Matters referred to prosecutive authorities	17
Section 5(a)(5)	Summary of instances where information was refused	2
Section 5(a)(6)	List of audit reports	21-23
Section 5(a)(7)	Summary of significant reports	4-16
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### Acronyms

Air AMS	Air Automated Manifest System
ATF	Bureau of Alcohol, Tobacco and Firearms
BEP	Bureau of Engraving and Printing
BPD	Bureau of the Public Debt
CDFI Fund	Community Development Financial Institutions Fund
CFO	Chief Financial Officer
CIO	Chief Information Officer
COBRA	Consolidated Omnibus Budget Reconciliation Act of 1985
Customs	U.S. Customs Service
DCAA	Defense Contract Audit Agency
ESF	Exchange Stabilization Fund
EDP	Electronic Data Processing
EEO	Equal Employment Opportunity
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act of 1996
FinCEN	Financial Crimes Enforcement Network
FLETC	Federal Law Enforcement Training Center
FMS	Financial Management Service
FY	Fiscal Year
GAO	General Accounting Office
GCA	Gun Control Act of 1968
GMRA	Government Management Reform Act
Trust Funds	Government Trust Funds
GO	General Order (Merchandise)
IPA	Independent Public Accountant
IRS	Internal Revenue Service
National Plan	National Plan for Information Systems Protection
OCC	Office of the Comptroller of the Currency
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision
PDD 63	Presidential Decision Directive 63
Results Act	Government Performance and Results Act
SIU	Special Investigative Unit
TCS	Treasury Communications System
TFF	Treasury Forfeiture Fund
TFMB	Trust Fund Management Branch
TIGTA	Treasury Inspector General for Tax Administration