



Audit Report



OIG-25-025

ANTI-MONEY LAUNDERING/TERRORIST FINANCING

OIA Does Not Have Artificial Intelligence Capabilities and Faces Barriers to its Accelerated Adoption

April 2, 2025

Office of Inspector General
Department of the Treasury

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Abbreviations

AI	artificial intelligence
CAIO	Chief Artificial Intelligence Officer
CIO	Chief Information Officer
DAS	Deputy Assistant Secretary
DNI	Director of National Intelligence
EO	Executive Order

FY	fiscal year
GAO	Government Accountability Office
Green Book	<i>Standards for Internal Control in the Federal Government</i>
IC	Intelligence Community
IC IG	Intelligence Community Inspector General
IT	information technology
JAMES	Joint Audit Management Enterprise System
NDAA	National Defense Authorization Act
OGC	Office of the General Counsel
OIA	Office of Intelligence and Analysis
OIG	Office of Inspector General
OPE	Office of the Procurement Executive
OTA	Other Transaction Authority
SOP	Standard Operating Procedure
Treasury	Department of the Treasury

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Audit Report

April 2, 2025

Michael Neufeld
Acting Assistant Secretary
Office of Intelligence and Analysis

This report presents the results of our audit of the Department of the Treasury (Treasury) Office of Intelligence and Analysis's (OIA) compliance with Title 67 of the James M. Inhofe National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2023.¹ As required by the NDAA for FY 2023, the objectives of our audit were to evaluate: (1) the efforts by OIA to develop, acquire, adopt, and maintain artificial intelligence (AI) capabilities for the purpose of improving intelligence collection and analysis in a timely manner and the extent to which such efforts are consistent with the policies and principles described in section 6702(a)(2) of the NDAA for FY 2023; (2) the degree to which OIA has implemented each of the provisions of Title 67 of the NDAA for FY 2023; and (3) any administrative or technical barriers to the accelerated adoption of AI by OIA.

To accomplish these objectives, we reviewed applicable laws, regulations, and guidance; obtained testimonial evidence from appropriate OIA officials and personnel, Treasury Office of the Procurement Executive (OPE) personnel, a Treasury Office of the Assistant Secretary for Management official, and Intelligence Community Inspector General auditors; reviewed OIA's AI-related report to Congress; and reviewed documentary evidence to corroborate testimonial evidence for provisions OIA personnel told us OIA had implemented or on which the Director of National

¹ P.L. 117-263 (December 23, 2022). The objectives of this audit were based on the requirements of section 6721(b)(1).

Intelligence (DNI) had consulted with OIA.² The scope of our audit included OIA's AI-related efforts and provisions implemented relating to Title 67 of the NDAA for FY 2023 from June 2023 through April 2024. Fieldwork was conducted from July 2024 through September 2024. Appendix 1 provides a more detailed description of our objectives, scope, and methodology.

Results in Brief

OIA did not develop, acquire, or adopt any AI capabilities; therefore, OIA has no AI capabilities to maintain. However, OIA appointed a Chief Artificial Intelligence Officer (CAIO) to serve as the designated lead responsible for overseeing, coordinating, and implementing AI and the applicable provisions within Title 67 of the NDAA for FY 2023.

We identified 23 provisions applicable to OIA in Title 67 of the NDAA for FY 2023, as summarized in appendix 2. OIA had primary responsibility to implement 7 of the 23 provisions, and the remaining 16 required the DNI to coordinate or consult with heads of Intelligence Community (IC) elements, including OIA. Of the seven provisions that OIA had a responsibility to implement, OIA implemented three, but two provisions were not implemented timely, resulting in two audit findings. OIA did not implement the four remaining provisions. Three of these provisions were not implemented because the DNI had not established necessary guidelines, and the fourth provision was not implemented due to an oversight, which is discussed in the other matter section of this report. The DNI consulted with OIA on 2 of the 16 provisions which required either coordination or consultation with the heads

² We identified 16 provisions in Title 67 of the NDAA for FY 2023 that required the DNI to either coordinate or consult with the heads of Intelligence Community (IC) elements. See appendix 2 for more details. While the DNI is responsible for these 16 provisions, the coordination or consultation regarding the provisions is typically carried out by the Office of the Director of National Intelligence's Chief Artificial Intelligence Officer Council or a staff level below the DNI. The Chief Artificial Intelligence Officer Council is a governance body comprised of IC element Chief Artificial Intelligence Officers designed to enable AI-related coordination between the Office of the Director of National Intelligence and the IC elements. Throughout this report, as it relates to coordination and consultation on the 16 provisions, the DNI is named regardless of whether the action was taken by the Director, the Council, or a lower-level staff member within the Office of the Director of National Intelligence.

of IC elements, but did not coordinate or consult with OIA on the other 14 provisions.

OIA officials and personnel told us they consider a lack of funding to be the primary barrier to the accelerated adoption of AI. They also identified three additional barriers to the accelerated adoption of AI: (1) a lack of guidance from the DNI and internal OIA policies and procedures; (2) a lack of personnel with AI training and expertise; and (3) OIA's information technology (IT) infrastructure's lack of capacity to support the adoption and implementation of AI. We believe acquisition authorities are also a barrier to OIA's accelerated adoption of AI as internal Treasury Other Transaction Authority (OTA)³ regulations have not been drafted, and the process and structure for utilizing OTA has not been finalized.

OIA did not timely deliver its AI-related report⁴ to appropriate congressional committees or timely designate an official responsible for implementing AI policies and procedures related to authorizations to operate on IC systems.⁵ Both provisions were not timely implemented because OIA lacked a Standard Operating Procedure (SOP) that clearly defines roles and responsibilities. Not having SOPs increases the risk that legislative requirements will not be met. Lastly, OIA did not delegate decision-making authority for OTA to an OIA official.⁶ However, this matter did not rise to the

³ Agreements under OTA are legally binding, utilizing statutory authorities that permit federal agencies to enter into transactions other than procurement contracts, grants, or cooperative agreements. These agreements are not subject to the Federal Acquisition Regulation and give the Government the flexibility to adopt and access state-of-the-art technology solutions from traditional and non-traditional contractors.

⁴ Section 6721(a) of the NDAA for FY 2023 required OIA to submit a report on the efforts of OIA to develop, acquire, adopt, and maintain AI to certain congressional committees by June 21, 2023.

⁵ Section 6714(e)(3) of the NDAA for FY 2023 required that the head of OIA designate an OIA official responsible for implementing the protocol developed under section 6714(b), relating to authorizations to operate for Department of Defense or IC systems held by industry providers, by February 21, 2023. Authorization to operate means the official management decision given by a senior Federal official or officials to authorize operation of an information system and to explicitly accept the risk to agency operations (including mission, functions, image, or reputation); agency assets; individuals; other organizations; and the United States based on the implementation of an agreed-upon set of security and privacy controls.

⁶ Section 6711(b)(5)(B)(ii) of the NDAA for FY 2023 required that the head of OIA delegate OTA, to the maximum extent practicable, to the official within OIA responsible for decisions with respect to basic, applied, or advanced research activities or the adoption of such activities.

level of an audit finding because it did not appear that a lack of delegation hampered OIA's initial planning for how to utilize OTA, and the provision did not have an explicit deadline tied to the delegation requirement.

Accordingly, we recommend that the Assistant Secretary for OIA ensure that OIA personnel implement an SOP that defines roles and responsibilities for legislative requirements.

In a written response, included in its entirety as appendix 3, OIA management concurred with our recommendation and provided their planned corrective action. In response to our recommendation, management stated that OIA and the Office of the General Counsel (OGC) have been actively engaged in developing an SOP that defines roles and responsibilities for legislative requirements. Management anticipates finalizing and implementing their planned corrective action by the end of March 2025. OIA management's planned corrective action meets the intent of our recommendation. Management should include its stated corrective action and expected completion date in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking application.

Background

OIA falls under Treasury's Office of Terrorism and Financial Intelligence and is an element of the U.S. IC.⁷ OIA is headed by an Assistant Secretary and is responsible for the receipt, analysis, collation, and dissemination of intelligence and counterintelligence information related to the operation and responsibilities of Treasury, including its components and bureaus. The office advances national security and protects financial integrity by informing Treasury actions and decisions with timely, relevant, and accurate intelligence and analysis.

Under Title 67 of the NDAA for FY 2023, *Matters Relating to Emerging Technologies*, IC elements are required to identify AI capabilities and quickly adopt technology useful to the IC. AI is a

⁷ Executive Order 12333, "United States Intelligence Activities" (as amended, July 2008)

machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments. AI systems use machine and human-based inputs to perceive real and virtual environments, abstract such perceptions into models through analysis in an automated manner, and use model inference to formulate options for information or action.⁸ Title 67 also directs the DNI to issue guidelines to the IC relating to the acquisition, adoption, development, use, coordination, and maintenance of AI capabilities and requires that the DNI coordinate and consult with the IC elements in drafting various guidelines and reports relating to emerging technologies, such as AI.

Audit Results

OIA's Efforts To Develop, Acquire, and Adopt AI

OIA has not developed, acquired, or adopted any AI capabilities and therefore has no AI capabilities to maintain. However, OIA has appointed its Chief Data Officer as CAIO to serve as the designated lead responsible for overseeing and coordinating OIA's AI efforts and implementing the applicable provisions within Title 67 of the NDAA for FY 2023. Furthermore, the DNI has not issued any AI-related guidance pursuant to section 6702(a) of the NDAA for FY 2023. With no history of AI efforts and no guidance, OIA cannot ensure its future AI-related efforts will be consistent with the policies and principles described in section 6702(a)(2) until the DNI issues AI-related guidance.

OIA has unique placement within the IC, given its access to financial data and relationships with the components of Treasury. OIA uses this unique placement within Treasury to produce high-level, strategic intelligence for policymakers. However, OIA is a relatively small IC element and lacks funding for AI adoption. As such, OIA will most likely not be one of the first adopters of AI within the IC and may rely on AI-related efforts of the broader IC and its larger elements.

⁸ 15 U.S.C. § 9401(3)

OIA's Implementation of Applicable Title 67 Provisions

We identified 23 provisions applicable to OIA in Title 67 of the NDAA for FY 2023, which are summarized in appendix 2. OIA had primary responsibility to implement 7 of those 23 provisions. Of the seven provisions OIA was primarily responsible for, three were implemented. OIA met the provision of section 6702(b) to designate an AI lead by appointing its Chief Data Officer as CAIO. OIA also implemented the provisions of sections 6714(e)(3) and 6721(a), but not timely, as discussed in more detail in findings 1 and 2. OIA did not implement the provision of section 6711(b)(5)(B)(ii) related to delegation of OTA to an OIA official, which is discussed in more detail in the other matter section of this report. Finally, OIA did not implement the provisions of sections 6713(b)(2)(A), 6718(a), or 6732(c)(2) as the DNI had not established necessary guidelines. The DNI had a responsibility to implement 16 of the 23 identified provisions, in coordination or consultation with the heads of IC elements. OIA personnel told us the DNI had consulted with OIA on 2 provisions that required the DNI to consult with the heads of IC elements, and that the DNI had not coordinated or consulted with OIA on any of the remaining 14 provisions.

OIA's Barriers to AI Adoption

OIA officials and personnel told us they consider a lack of funding to be the primary barrier to the accelerated adoption of AI. OIA's CAIO told us a lack of funding hinders OIA's ability to address other barriers and obscures other challenges, as funding is a fundamental prerequisite for the creation and staffing of an AI program. OIA internally sought funding in its FY 2025 budget to explore AI, but that funding was not included in Treasury's FY 2025 budget request.

OIA officials and personnel also noted three additional barriers to OIA's accelerated adoption of AI. First, OIA did not have any internal policies or procedures relating to the development, acquisition, adoption, and maintenance of AI capabilities. OIA's CAIO told us they are waiting on guidance from the DNI before developing OIA's internal AI policy, but the DNI did not issue the guidance required by section 6702(a) of the NDAA for FY 2023.

Second, OIA needs personnel with AI training and expertise to be able to perform tasks, such as evaluating AI code and writing and administering AI-related agreements using OTA. Finally, OIA's IT infrastructure lacks the capacity to support AI capabilities. OIA personnel told us that before implementing AI, OIA must first finalize migrating its IT infrastructure to a secure cloud service and reconfigure its current applications to support the adoption and implementation of AI. OIA officials told us it expects to complete its secure cloud service migration, a critical milestone for enabling AI, in the second quarter of FY 2025.

In July 2023, OIA reported that it required acquisition authorities to accelerate OIA's adoption of AI capabilities in its report to Congress pursuant to section 6721(a) of the NDAA for FY 2023 (the section 6721(a) report).⁹ On February 28, 2024, the DNI issued an OTA memorandum to the heads of IC elements that allows OIA to enter into transactions and agreements related to AI for research activities and prototype projects in support of intelligence activities. OIA officials see acquisition authorities as a barrier which has been resolved since the DNI delegated OTA. However, we believe acquisition authorities remain a barrier. OIA and OPE are working together to establish a process and structure that would allow for OTA utilization and address risks associated with OTA and AI, but internal Treasury OTA regulations have not been drafted, and that process and structure for utilizing OTA has not been finalized. Furthermore, the Assistant Secretary for OIA has not delegated OTA to an official within OIA responsible for decisions with respect to research activities, as discussed in more detail in the other matter section of this report.

Finding 1 OIA Did Not Timely Deliver the Section 6721(a) Report to Congress

OIA did not timely deliver its section 6721(a) report to the appropriate congressional committees. Section 6721(a) of the NDAA for FY 2023 required that OIA deliver a report on their

⁹ OIA, *Department of the Treasury Office of Intelligence and Analysis Report on Integration of Artificial Intelligence Pursuant to Section 6721 of the National Defense Authorization Act for Fiscal Year 2023* (July 24, 2023)

efforts to develop, acquire, adopt, and maintain AI to improve intelligence collection and analysis and optimize workflows no later than June 21, 2023. OIA did not deliver the report until July 24, 2023—33 days after the prescribed deadline. As a result, OIA did not timely comply with section 6721(a) of the NDAA for FY 2023.

OIA officials and personnel told us there is an understanding within OIA that when a congressional reporting requirement arises, it falls on the relevant Deputy Assistant Secretary (DAS) to draft the report. OIA officials and personnel told us that in this case, the responsibility fell on the DAS for Support and Technology. Emails showed that OIA’s then-acting Chief Information Officer (CIO) became aware of the reporting requirement in late April 2023. At that time, an OIA Senior Advisor, on behalf of the DAS for Support and Technology, asked the acting CIO to “address the report.” However, the acting CIO told us he only thought he was to draft a portion of the report, and that the DAS for Support and Technology would draft the report using technical information he provided. The acting CIO said he was not told by the DAS for Support and Technology that he was responsible for completing the entire report until June 21, 2023, the day the report was due. Furthermore, the acting CIO told us that the DAS for Support and Technology had never asked for updates on report progress ahead of the due date and never provided a deadline for completion.

OIA did not timely deliver the section 6721(a) report because the DAS for Support and Technology did not timely act and clearly delegate responsibility for the report. However, we believe the confusion over responsibility for the section 6721(a) report resulted from OIA’s lack of an SOP to document roles and responsibilities for legislative requirements. The Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government* (Green Book)¹⁰ Principle 3.01, *Establish Structure, Responsibility, and Authority*, states that management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives. The Green Book further explains that management should develop

¹⁰ GAO-14-704G (Sept. 2014)

and maintain documentation of its internal control system, and that effective documentation assists in management’s design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel.¹¹ Without documentation in an SOP that clearly defines roles and responsibilities of OIA personnel, there is an increased risk that additional legislative requirements, including other reports to Congress, will be overlooked in the future.

Recommendation

We recommend that the Assistant Secretary for OIA ensure that OIA personnel:

1. Implement an SOP that defines roles and responsibilities for legislative requirements.

Management Response

OIA management concurred with our recommendation. Management stated that OIA and OGC have been actively engaged in developing an SOP and that management anticipates finalizing and implementing it no later than the end of March 2025.

OIG Comment

OIA management’s planned corrective action meets the intent of our recommendation. Management should include its stated corrective action and the expected completion date in JAMES.

Finding 2

The Assistant Secretary Did Not Timely Designate an Official Responsible for Section 6714

The Assistant Secretary did not timely designate an official responsible for implementing section 6714 of the NDAA for FY 2023 until March 29, 2024—402 days after the prescribed deadline. An OIA official told us this was due to an oversight, which we believe occurred because OIA did not have an effective process

¹¹ GAO, Green Book, pp. 27 and 29

for identifying legislative requirements. As a result, OIA was not in compliance with section 6714(e)(3) of the NDAA for FY 2023.

Section 6714(e)(3) of the NDAA for FY 2023 required the Assistant Secretary to designate an official responsible for implementing the policies and procedures developed under section 6714, relating to authorizations to operate Department of Defense and IC systems, no later than February 21, 2023. An official was not designated until March 29, 2024, when the Principal DAS for OIA issued Treasury Directive 15-03,¹² which designated OIA's CIO for Intelligence Information Systems as the responsible official.

It is incumbent on OIA management to be aware of the text of laws that may affect OIA or require it to take action to avoid the risk of non-compliance with legislative requirements. OIA personnel told us OIA is implementing a new process for identifying legislative requirements; however, this new process was not documented in an SOP. Green Book Principle 3.01, *Establish Structure, Responsibility, and Authority*, states that management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives. The Green Book further explains that management should develop and maintain documentation of its internal controls. In addition, Principle 10.01, *Design Control Activities*, requires management to design control activities to achieve objectives and respond to risks.¹³ Without an SOP that clearly defines roles and responsibilities, there is an increased risk that legislative requirements will not be met.

Recommendation

See recommendation under finding 1.

Management Response

OIA management concurred with our recommendation. Management stated that OIA and OGC have been actively engaged in developing an SOP and that management anticipates

¹² Treasury, Directive 15-03, "Delegation of Authority for Intelligence Information System Security Policy" (March 29, 2024)

¹³ GAO, Green Book, pp. 27, 29, and 45

finalizing and implementing it no later than the end of March 2025.

OIG Comment

OIA management's planned corrective action meets the intent of our recommendation. Management should include its stated corrective action and the expected completion date in JAMES.

Other Matter

On February 28, 2024, the DNI issued a memorandum delegating OTA to the heads of IC elements.¹⁴ The memorandum authorizes the use of OTA for the purposes of the advancement of basic, applied, or advanced research activities and prototype projects or the adoption of such activities, with certain conditions and limitations. While neither the provision of section 6711(b)(5)(B)(ii) of the NDAA for FY 2023 nor the OTA memorandum have an explicit deadline for the Assistant Secretary for OIA to delegate authority within OIA for decisions over OTA, the section required that the Assistant Secretary for OIA delegate the authority "to the maximum extent practicable." However, the Assistant Secretary did not delegate OTA to an official within OIA.

This matter did not rise to the level of an audit finding for two primary reasons. First, coordination between OIA and OPE began nearly immediately after the DNI issued the OTA memorandum. Therefore, it did not appear that a lack of delegation hampered OIA's initial planning for how to utilize OTA. Second, while we believe two months between the OTA memorandum's issuance and the end of our audit scope period is enough time to have formally delegated OTA within OIA, there was no explicit deadline tied to the delegation requirement. However, as of December 2024, the Assistant Secretary for OIA still had not formally delegated responsibility for OTA to an OIA official. We believe it would be prudent for the Assistant Secretary to formally delegate decision-making authority for OTA to comply with section 6711 as

¹⁴ The DNI delegated OTA pursuant to 50 U.S.C. § 3024(n)(6), which codified section 6711(b) of the NDAA for FY 2023. Although the OTA memorandum references 50 U.S.C. § 3024(n)(5), the correct citation is 50 U.S.C. § 3024(n)(6) as section 7901(a)(1) of the NDAA for FY 2024 (P.L. 118-31, December 22, 2023) amended that provision.

soon as practicable and avoid future confusion over responsibility or delays in making critical decisions regarding OTA.

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss the report, you may contact me at (202) 607-7851 or Justin Walker, Audit Manager, at (202) 422-1777. Major contributors to this report are listed in appendix 4.

Gregory J. Sullivan /s/
Audit Director

Appendix 1: Objectives, Scope, and Methodology

The objectives of our audit were to evaluate: (1) the efforts by the Department of the Treasury (Treasury) Office of Intelligence and Analysis (OIA) to develop, acquire, adopt, and maintain artificial intelligence (AI) capabilities for the purpose of improving intelligence collection and analysis in a timely manner and the extent to which such efforts are consistent with the policies and principles described in section 6702(a)(2) of the James M. Inhofe National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2023; (2) the degree to which OIA has implemented each of the provisions of Title 67 of the NDAA for FY 2023; and (3) any administrative or technical barriers to the accelerated adoption of AI by OIA. The scope of our audit included OIA's AI-related efforts and provisions implemented relating to Title 67 of the NDAA for FY 2023 from June 2023 through April 2024. We conducted audit fieldwork from July 2024 through September 2024.

To accomplish our objectives, we reviewed applicable laws, regulations, and guidance, including:

- Title LXVII of P.L. 117-263, James M. Inhofe National Defense Authorization Act for FY 2023 (December 23, 2022)
- 15 U.S.C. 9401, *Definitions* (January 1, 2021)
- 50 U.S.C. 3024, *Responsibilities and Authorities of the Director of National Intelligence* (December 23, 2022)
- Executive Order (EO) 13859, "Maintaining American Leadership in Artificial Intelligence" (February 11, 2019)
- EO 13960, "Promoting the Use of Trustworthy Artificial Intelligence in the Federal Government" (December 3, 2020)
- EO 14110, "Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence" (October 30, 2023)
- Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014)
- Office of Management and Budget, M-21-06, *Guidance for Regulation of Artificial Intelligence Applications* (November 17, 2020)

Appendix 1: Objectives, Scope, and Methodology

- Office of Management and Budget, M-24-10, *Advancing Governance, Innovation, and Risk Management for Agency Use of Artificial Intelligence* (March 28, 2024)
- Director of National Intelligence (DNI), *Class Delegation for Intelligence Community Elements to Exercise DNI Other Transaction Authority* (February 28, 2024)
- Office of the Director of National Intelligence, *Artificial Intelligence Ethics Framework for the Intelligence Community* (July 23, 2020)
- Office of the Director of National Intelligence, *Principles of Artificial Ethics for the Intelligence Community* (July 23, 2020)
- Treasury, Directive 15-03, “Delegation of Authority for Intelligence Information System Security Policy” (March 29, 2024)

We interviewed and sent questionnaires to OIA officials and personnel from its Support and Technology Division. In addition, we interviewed personnel from Treasury’s Office of the Procurement Executive (OPE) and sent a questionnaire to an official from Treasury’s Office of the Assistant Secretary for Management. Lastly, we interviewed auditors from the Intelligence Community Inspector General (IC IG).

To assess OIA’s efforts to develop, acquire, adopt, and maintain AI capabilities for the purpose of improving intelligence collection and analysis in a timely manner, we determined how OIA defines AI with testimonial evidence from OIA personnel and reviewed statutory definitions of AI. We assessed OIA’s efforts to develop, acquire, adopt, and maintain AI capabilities by reviewing OIA’s section 6721(a) report to Congress and through testimonial evidence provided by OIA officials and personnel and OPE personnel. We determined whether the DNI issued additional policies, standards, and procedures relating to AI through testimonial evidence from OIA’s Chief Artificial Intelligence Officer (CAIO) and other OIA officials involved in the implementation of AI. We coordinated audit efforts with an IC IG working group comprised of the Offices of Inspectors General of other Intelligence Community (IC) elements by attending monthly meetings. We also received testimonial evidence from IC IG to corroborate OIA’s testimony.

Appendix 1: Objectives, Scope, and Methodology

To assess the degree to which OIA has implemented the applicable provisions of Title 67 of the NDAA for FY 2023, we reviewed this title to identify the provisions that are applicable to OIA. We identified 23 provisions within the NDAA for FY 2023 that are applicable to OIA, as summarized in appendix 2. We determined that OIA is responsible for implementing 7 of the 23 provisions, and the DNI is responsible for the remaining 16 provisions in either coordination or consultation with the heads of IC elements.

We obtained testimonial evidence from OIA officials and personnel involved in OIA's implementation of AI to determine whether OIA had implemented the seven identified provisions of the NDAA for FY 2023 for which OIA was responsible. We attended monthly working group meetings with and obtained testimony from IC IG auditors to corroborate OIA testimony related to provisions that OIA had not implemented and whether the DNI had issued necessary guidelines for applicable sections. We obtained and reviewed supporting documentation to corroborate testimony for provisions OIA officials and personnel told us had been implemented:

- We reviewed the CAIO designation letter to determine if it conformed with the provision in section 6702(b). We obtained and reviewed emails, CAIO Council meeting minutes, agendas, and calendar invitations to determine whether the CAIO's designation was made in coordination with the DNI and whether the CAIO had met with the CAIO Council.
- We reviewed Treasury Directive 15-03 to determine whether the delegation of authority to the Chief Information Officer satisfied the provision of section 6714(e)(3).
- We reviewed OIA's report to Congress on its efforts to integrate AI and determined whether the report adhered to the provision of section 6721(a). We obtained and reviewed emails to determine whether the section 6721(a) report had been sent to the (1) U.S. Senate Select Committee on Intelligence; (2) U.S. House of Representatives Permanent Select Committee on Intelligence; (3) Subcommittee on Defense, U.S. Senate Committee on Appropriations; and (4) Subcommittee on Defense, U.S. House of Representatives Committee on Appropriations.

Appendix 1: Objectives, Scope, and Methodology

To determine whether the DNI had coordinated or consulted with OIA on the 16 identified provisions, we obtained testimonial evidence from OIA personnel. We attended monthly working group meetings with and obtained testimonial evidence from IC IG auditors to corroborate OIA testimony related to provisions that required the DNI to coordinate or consult with OIA. We could not corroborate whether coordination or consultation had occurred through IC IG testimony. However, we were able to corroborate certain facts, such as whether the DNI had implemented applicable sections. Therefore, we relied on OIA testimony for the 14 provisions which OIA personnel told us no coordination or consultation with the DNI had occurred. We obtained supporting documentation for the two provisions where OIA told us consultation had occurred:

- We obtained and reviewed emails, CAIO Council meeting minutes, and agendas to determine whether discussions occurred that would satisfy the provision of section 6702(a).
- We obtained and reviewed emails and drafts of the Other Transaction Authority memorandum and IC Other Transaction Authority policy to determine whether consultation with OIA and OPE had occurred that would satisfy provision 6711(b)(5)(B)(ii).

To evaluate the administrative and technical barriers to the accelerated adoption of AI, we obtained testimonial evidence from OIA officials and personnel involved in implementing AI, OPE personnel, and personnel from the Office of the Assistant Secretary for Management. We also reviewed OIA's section 6721(a) report to Congress to determine what barriers had been identified in that report.

We assessed internal controls and compliance with laws and regulations necessary to conclude on our audit objectives. We reviewed the Government Accountability Office's *Standards for Internal Control in the Federal Government* to identify the components of internal control and principles that related to the context of the audit objectives. Specifically, we determined the control environment and control activities, including the following principles, were significant to the audit objectives:

Appendix 1: Objectives, Scope, and Methodology

- Principle 3 - Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
- Principle 10 - Management should design control activities to achieve objectives and respond to risks.

We assessed management's design and implementation of identified internal controls relating to OIA's integration of AI capabilities and implementation of applicable provisions of Title 67 of the NDAA for FY 2023 by reviewing the CAIO's appointment letter and OIA's process for identifying and meeting legislative requirements. Because our review was limited to this aspect of internal control, our audit may not disclose all internal control deficiencies that may have existed at the time of this audit.

We did not perform a data reliability assessment, as our audit relied primarily on testimonial evidence to address the audit objectives. We received documents from the original source and believe they are sufficiently reliable for the purposes of our audit. For the limited amount of computer-processed data that we did obtain, we determined, using our professional judgement and corroborating through testimonial evidence where practical, that it was reliable, sufficient, and appropriate to provide a reasonable basis for addressing the audit objectives and supporting our findings and conclusions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 2: Summary of Applicable NDAA Provisions

Under Title 67 of the James M. Inhofe National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2023, Intelligence Community (IC) elements must identify relevant artificial intelligence (AI) capabilities and quickly adopt technology useful to the IC to improve intelligence collection and analysis and to optimize internal workflows and harmonize AI development efforts across the IC. We identified 23 provisions in the NDAA for FY 2023 that are applicable to the Department of the Treasury (Treasury) Office of Intelligence and Analysis (OIA).¹⁵ OIA is responsible for implementing 7 of those 23 provisions. The Director of National Intelligence (DNI) is responsible for implementing 16 provisions in either coordination or consultation with the heads of IC elements.¹⁶

Table 1 summarizes the seven provisions OIA is responsible for implementing and the implementation status. Table 2 summarizes the 16 provisions DNI is responsible for implementing and the DNI's coordination or consultation with OIA. Our audit scope was from June 2023 through April 2024, so all status summaries are as of April 30, 2024.

Table 1: Provisions OIA Must Implement

<i>Summary of Provision</i>	<i>Implementation Status</i>
6702(b) – OIA, in coordination with the DNI, must identify a senior official to serve as the OIA lead responsible for overseeing and coordinating efforts relating to AI. The lead must meet regularly to consult and coordinate with the DNI regarding the implementation of Title 67 of the NDAA for FY 2023.	Implemented. OIA appointed a Chief Artificial Intelligence Officer (CAIO), in coordination with the DNI. The CAIO attended a DNI-led CAIO Council meeting.

¹⁵ The 23 provisions we identified as applicable to OIA were specifically addressed to heads of the IC elements. For the purposes of this appendix, we summarized the provisions in the context of OIA's responsibilities.

¹⁶ Provisions in sections 6712(b)(1), 6715(a)(1), 6732(a)(1), 6732 (c)(1), 6741(a), and 6742(a) require the DNI to coordinate or consult with heads of IC elements that the DNI determines appropriate. We did not review documentation and activities of the DNI to conclude whether the DNI determined OIA was an appropriate IC element for the purposes of those sections.

Appendix 2: Summary of Applicable NDAA Provisions

<i>Summary of Provision</i>	<i>Implementation Status</i>
<p>6711(b)(5)(B)(ii) – OIA must, to the maximum extent practicable, delegate Other Transaction Authority (OTA) to an OIA official responsible for decisions with respect to basic, applied, or advanced research activities.</p>	<p>Not implemented. The Assistant Secretary for OIA did not delegate decision-making authority for OTA. See the other matter section of this report for more details.</p>
<p>6713(b)(2)(A) – OIA must provide the DNI with a prioritized list of no more than 10 eligible products per year to be considered for designation by the DNI as “Emerging Technology Transition Projects” during the budget formulation process.</p>	<p>Not implemented. OIA did not provide a list to DNI. However, the DNI did not establish the guidelines regarding submitting eligible projects necessary for OIA to implement this provision.</p>
<p>6714(e)(3) – By February 21, 2023, OIA must designate an official responsible for implementing and overseeing the appropriate section 6714 requirements regarding authorizations to operate for Department of Defense and IC systems held by industry providers.</p>	<p>Implemented. The Chief Information Officer for Intelligence Information Systems was designated to make security authorization decisions for Treasury Intelligence Information Systems on behalf of the Assistant Secretary for OIA, which satisfies this provision. However, OIA did not timely designate the official. See finding 2 for more details.</p>
<p>6718(a) – Prior to entering into, renewing, or extending a contract for the acquisition of an information technology (IT) or software system, OIA must certify to the DNI that the system (1) is the most up-to-date version available or, if it is not, why a more out of date version was chosen; (2) is compatible with integrating new and emerging technologies, such as AI; and (3) was thoroughly reviewed and alternative products are not superior to meet OIA’s requirements.</p>	<p>Not implemented. OIA did not issue any certifications prior to entering into, renewing, or extending IT or software system contracts. However, the DNI did not issue the guidance regarding certification of IT and software systems necessary for OIA to implement this provision.</p>
<p>6721(a) – By June 21, 2023, OIA must submit to congressional committees a report on the efforts of that element to develop, acquire, adopt, and maintain</p>	<p>Implemented. OIA provided an AI-related report to the appropriate congressional committees. However,</p>

Appendix 2: Summary of Applicable NDAA Provisions

<i>Summary of Provision</i>	<i>Implementation Status</i>
AI to improve intelligence collection and analysis and optimize internal workflows.	OIA did not timely submit the report. See finding 1 for more details.
6732(c)(2) – Not later than two years after the DNI establishes the emerging technology training activities detailed in section 6732(1), OIA must certify to the DNI whether the appropriate OIA managers have successfully completed the education activities.	Not implemented. OIA did not make any certifications to the DNI. However, the DNI did not establish the training activities needed for OIA to implement this provision.

Table 2: Provisions DNI Must Implement with IC Elements

<i>Summary of Provision</i>	<i>Summary of Coordination or Consultation</i>
6702(a) – The DNI, in consultation with OIA, must (1) establish and review policies, standards, and procedures relating to the acquisition, adoption, development, use, coordination, and maintenance of AI capabilities to accelerate and increase the adoption of AI capabilities within the IC; (2) ensure the policies established are consistent with AI-related ethics principles developed by the DNI; and (3) provide IC elements guidance for developing the National Intelligence Program budget pertaining to IC elements to facilitate the acquisition, adoption, development, use, and maintenance of element-specific AI capabilities.	Consultation occurred. The DNI consulted with OIA, through the CAIO Council, on establishing AI policies, though the DNI has not issued these policies. However, OIA personnel told us the DNI did not consult with OIA regarding the National Intelligence Program budget.
6703(a)(2) – The Office of the Director of National Intelligence’s Director of Science and Technology may make recommendations, in coordination with OIA, to the DNI regarding OIA’s budget to accelerate and increase the adoption of emerging technologies by OIA.	OIA personnel told us the DNI did not coordinate with OIA.

Appendix 2: Summary of Applicable NDAA Provisions

<i>Summary of Provision</i>	<i>Summary of Coordination or Consultation</i>
6711(b)(5)(D) – The DNI, in consultation with OIA, must establish and implement an IC-wide policy prescribing the use and limitations of OTA by June 21, 2023.	Consultation occurred. The DNI delegated OTA to OIA and consulted with OIA and Treasury’s Office of the Procurement Executive on drafts of the OTA memorandum and IC-wide policy.
6712(a)(1) – By December 23, 2023, the DNI, in coordination with OIA, must submit to congressional committees (1) a plan for the establishment of a centralized office or offices within each appropriate IC element to be known as the “Office of Commercial Integration,” and (2) the findings of a study conducted by the DNI into the advisability of implementing such a plan.	OIA personnel told us the DNI did not coordinate with OIA.
6712(b)(1) –The DNI, in coordination with heads of IC elements that the DNI determines appropriate, must establish a public website that includes relevant information necessary for offerors or contractors to conduct business with each IC element by December 23, 2023.	OIA personnel told us the DNI did not coordinate with OIA. Coordination is only required with IC elements that the DNI determines appropriate. We did not review documentation and activities of the DNI to conclude whether the DNI had determined OIA was an appropriate IC element for this provision.
6714(b) – The DNI, in coordination with OIA, must develop and submit to congressional committees a single protocol setting forth policies and procedures relating to authorizations to operate for Department of Defense or IC systems held by industry providers by June 21, 2023.	OIA personnel told us the DNI did not coordinate with OIA.
6715(a)(1) – The DNI, in consultation with the Secretary of Defense and the heads of IC elements that the DNI determines appropriate, must develop a plan to expand access by contractors of small emerging technology companies to sensitive	OIA personnel told us the DNI did not consult with OIA. Consultation is only required with IC elements that the DNI determines appropriate. We did not review documentation and activities of the DNI to conclude whether the DNI had determined OIA was an

Appendix 2: Summary of Applicable NDAA Provisions

<i>Summary of Provision</i>	<i>Summary of Coordination or Consultation</i>
compartmented information facilities by June 21, 2023.	appropriate IC element for this provision.
6716(b)(1) – The DNI, in consultation with OIA, must submit to congressional committees a report on the policy developed under section 6716(a) regarding Federal Acquisition Regulation-based procurements by December 23, 2024, and annually thereafter through 2027.	OIA personnel told us the DNI did not consult with OIA. However, the deadline had not yet lapsed.
6721(c)(1) – The DNI, in consultation with OIA, must submit to congressional committees a report on the progress of the adoption of AI within the IC by December 23, 2023, and annually thereafter through 2026.	OIA personnel told us the DNI did not consult with OIA.
6723(a) – The DNI, in coordination with OIA, must (1) develop a plan for the recruitment and retention of personnel to positions the primary duties of which involve AI, (2) develop a plan for the review and evaluation of the expertise necessary to accelerate the adoption of AI and other emerging technology solutions, and (3) coordinate and share information and best practices relating to such recruitment and retention within each element and across the IC.	OIA personnel told us the DNI did not coordinate with OIA.
6723(b)(1) – The DNI, in coordination with OIA, must submit to congressional committees a single report on the workforce needs of each IC element relating to emerging technologies, with a specific focus on AI, by January 1, 2024.	OIA personnel told us the DNI did not coordinate with OIA.
6732(a)(1) – The DNI and the Secretary of Defense, in consultation with the President of the Defense Acquisition University and the heads of IC	OIA personnel told us the DNI did not consult with OIA. Consultation is only required with IC elements that the DNI determines appropriate. We did not

Appendix 2: Summary of Applicable NDAA Provisions

<i>Summary of Provision</i>	<i>Summary of Coordination or Consultation</i>
<p>elements that the DNI and Secretary of Defense determine appropriate, must establish a training curriculum for members of the acquisition workforce and the acquisition officials within the IC focused on improving the understanding and awareness of contracting authorities and procedures for the acquisition of emerging technologies by September 19, 2023.</p>	<p>review documentation and activities of the DNI to conclude whether the DNI had determined OIA was an appropriate IC element for this provision.</p>
<p>6732(c)(1) – The DNI, in coordination with heads of IC elements that the DNI determines appropriate, must establish and implement training activities designed for appropriate managers across the IC to train them on how to identify, acquire, implement, and manage emerging technologies by January 1, 2024.</p>	<p>OIA personnel told us the DNI did not coordinate with OIA. Coordination is only required with IC elements that the DNI determines appropriate. We did not review documentation and activities of the DNI to conclude whether the DNI had determined OIA was an appropriate IC element for this provision.</p>
<p>6741(a) – The DNI, in consultation with heads of IC elements and appropriate nongovernmental experts that the DNI determines relevant, must issue an IC-wide policy to ensure the procurement of commercial software products by the IC is carried out using standardized terminology and in accordance with best practices by December 23, 2023.</p>	<p>OIA personnel told us the DNI did not consult with OIA. Consultation is only required with IC elements that the DNI determines appropriate. We did not review documentation and activities of the DNI to conclude whether the DNI had determined OIA was an appropriate IC element for this provision.</p>
<p>6741(c) – In coordination with OIA, the DNI must submit to congressional committees a report on the policy issued under section 6741(a) regarding the procurement of commercial software products within the IC, by January 1, 2025, and annually thereafter through 2028.</p>	<p>OIA personnel told us the DNI did not coordinate with OIA. However, the deadline had not lapsed.</p>
<p>6742(a) – In consultation with heads of specified IC elements, and additional heads of IC elements that the DNI determines appropriate, the DNI must</p>	<p>OIA personnel told us the DNI did not consult with OIA. Consultation is only required with IC elements that the DNI determines appropriate. We did not</p>

Appendix 2: Summary of Applicable NDAA Provisions

<i>Summary of Provision</i>	<i>Summary of Coordination or Consultation</i>
draft a potential policy to promote the IC-wide use of code-free AI enablement tools by December 23, 2023.	review documentation and activities of the DNI to conclude whether the DNI had determined OIA was an appropriate IC element for this provision.

Appendix 3: Management Response

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL PAULETTA BATTLE

FROM: Michael Neufeld Digitally signed by Michael A. Neufeld
Date: 2025.03.12 14:28:51 -0400
Acting Assistant Secretary
Office of Intelligence and Analysis

SUBJECT: Management Response to the Audit of the Office of Intelligence and Analysis' (OIA) Compliance with Title 67 of the James M. Inhofe National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2023

Thank you for providing OIA with an opportunity to review the Office of the Inspector General's (OIG) formal draft audit report on OIA's compliance with Title 67 of the NDAA for FY 2023.

OIA appreciates the draft audit report's acknowledgement that a lack of funding is the primary barrier to OIA's ability to develop, acquire, adopt, and maintain AI capabilities. OIA's leadership and workforce believe strongly that AI can greatly enhance OIA's mission, by expanding the skills and capabilities of each employee and thereby enabling a more productive and efficient workforce. As such, OIA will continue to press for AI resources.

The draft audit report also made a thoughtful recommendation for improving OIA's ability to satisfy legislative requirements, such as certain of those contained in Title 67 of the NDAA for FY 2023. I concur with your recommendation that OIA implement a standard operating procedure (SOP) that defines roles and responsibilities for meeting such requirements. OIA and the Office of the General Counsel have been actively engaged in developing an SOP in response to this recommendation. OIA anticipates finalizing and implementing the SOP by no later than the end of March 2025.

We appreciate OIG's role in providing oversight of OIA's activities and look forward to continuing to work with your office in the future.

Recommendation 1:

The Assistant Secretary for OIA ensures that OIA personnel implement an SOP that defines roles and responsibilities for legislative requirements.

Management Response

OIA agrees with the recommendation to implement an SOP that defines roles and responsibilities for legislative requirements. OIA has begun drafting such an SOP, which OIA anticipates finalizing and implementing by no later than the end of March 2025.

Recommendation 2:

The Assistant Secretary for OIA ensures that OIA personnel implement an SOP that defines roles and responsibilities for legislative requirements.

Management Response

OIA agrees with the recommendation to implement an SOP that defines roles and responsibilities for legislative requirements. OIA has begun drafting such an SOP, which OIA anticipates finalizing and implementing by no later than the end of March 2025.

Appendix 4: Major Contributors to This Report

Gregory Sullivan, Audit Director
Justin Walker, Audit Manager
Andrew Clements, Audit Manager
Andrew Malcolm, Auditor-in-Charge
Crisman Jones, Auditor
Mitul Patel, Referencer

Appendix 5: Report Distribution

Department of the Treasury

Secretary
Deputy Secretary
Acting Under Secretary, Office of Terrorism and Financial
Intelligence
Office of Strategic Planning and Performance Improvement
Office of the Deputy Chief Financial Officer, Risk and Control
Group

Office of Intelligence and Analysis

Acting Assistant Secretary
Office of Inspector General Audit Liaison

Office of Management and Budget

Office of Inspector General Budget Examiner

U.S. Senate

Chairman and Ranking Member
Select Committee on Intelligence

Chairman and Ranking Member
Subcommittee on Defense
Committee on Appropriations

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