

# Semiannual Report to Congress

October 1, 2015 – March 31, 2016

OIG-CA-16-016

Office of Inspector General  
Department of the Treasury



## Highlights

During this semiannual reporting period, the Office of Audit issued 45 products. Work by the Office of Investigations resulted in 3 arrests and 25 convictions. Some of our more significant results for the period are described below:

- Independent public accounting firms, working under contracts with and supervised by of our office, issued unmodified opinions on the Department of the Treasury's (Treasury) consolidated financial statements and the Gulf Coast Ecosystem Restoration Council's financial statements for the fiscal year 2015. Material weaknesses were reported at both entities.
- In 2014, the operation and support of the USASpending.gov website transferred to Treasury's Bureau of the Fiscal Service (Fiscal Service) from the General Services Administration. Fiscal Service developed and executed a USASpending.gov Enhancement Project, and the refreshed website went live on March 31, 2015, as planned. However, the Enhancement Project, as executed, did not address identified concerns with the quality of the data presented on USASpending.gov. In addition, we noted a lack of documentation surrounding the Enhancement Project's user acceptance criteria and user acceptance testing. Fiscal Service management agreed with our recommendations for improving future enhancements to USASpending.gov.
- Our study of the Office of Foreign Assets Control (OFAC) 2011 Libyan sanction program highlighted that within 3 days after the program was established, at least \$30 billion in Libyan assets were blocked (in total, approximately \$38 billion in assets were blocked). By December 2011, most of the sanctions against Libya had been lifted with approximately \$3 billion in assets remaining blocked at that time. We did note that OFAC continued to operate without written standard operating procedures for the day-to-day administration of its sanctions programs; management agreed to address this matter.
- Our joint investigation with the Department of Agriculture Office of Inspector General (OIG), the Social Security Administration OIG, Homeland Security Investigations, the U.S. Secret Service, the Drug Enforcement Administration, the Internal Revenue Service, and with State and local law enforcement agencies, determined that store owners and scheme organizers orchestrated the fraudulent exchange and redirection of over \$6.3 million in Treasury funded, State-managed welfare and benefit cards. The first 9 subjects were arrested in October 2015, for Conspiracy and Attempt and Wire Fraud, and 2 of the subjects were indicted for drug-related charges. Indictment and arrest of up to 85 more subjects and judicial action for the 9 arrested is pending.
- Our investigation determined that a subject fraudulently obtained over \$9 million in excess American Recovery and Reinvestment Act of 2009 (Recovery Act) funds. The subject pled guilty to Wire Fraud. Sentencing is pending.





## Message from the Inspector General

I am pleased to present the Department of the Treasury (Treasury) Office of Inspector General's (OIG) Semiannual Report to Congress for the 6-month period ended March 31, 2016.

I'd like to highlight that we recently established two investigative domicile offices, one, in Greensboro, North Carolina, and another in Jacksonville, Florida. In October 2015, based on a long-standing relationship with our office, the U.S. Attorney's Office for the Middle District of North Carolina asked us to lead a financial crimes task force in North Carolina focusing on improper payment fraud and other criminal activity affecting Treasury programs. We agreed, and set up shop in Greensboro. Participating in this task force are the Guilford County Sheriff's Office; the Durham Police Department; the North Carolina Department of Motor Vehicles, License and Theft Bureau; and the North Carolina Department of Insurance. The Internal Revenue Service and the U.S. Secret Service have also assigned agents to work with the task force. Over the last 6 months, task force members have arrested 9 subjects and initiated 2 civil seizure actions against bank accounts where illicit proceeds of a crime were identified. We look forward to continued successes while leading this task force.

From our Jacksonville office, we are participating in two task forces, a financial crimes task force led by the U.S. Secret Service and an economic crimes task force led by the Federal Bureau of Investigation. We also work closely with the U.S. Attorney's Office for the Middle District of Florida, and other Federal and State agencies. The office has participated in executing several warrants and arrests, including the arrest of 9 suspects in a case involving the fraudulent exchange and redirection of \$6.3 million in Treasury funded, State-managed welfare benefits at local stores. Our presence has led to significant case work and excellent relationships with Federal, State, and local law enforcement and prosecutorial agencies.

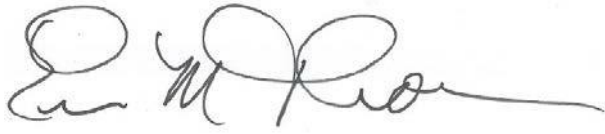
In addition to our investigative work, we continue to lead efforts to position the Inspector General Community to meet its responsibilities under the Digital Accountability and Transparency Act of 2014 (DATA Act) by chairing a working group and giving frequent presentations on the Act's oversight mandates. Among other things, during the period the working group issued guidance for Offices of Inspector General conducting DATA Act readiness reviews of their respective agencies.

In closing, the efforts of our office highlighted above are important, both to Treasury and the Government at large, but these efforts are just part of the work that we do. I

## Message From the Inspector General

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would like to acknowledge all Treasury OIG staff for making possible the significant audit and investigative results that are summarized in this Semiannual Report.

A handwritten signature in black ink, appearing to read "Eric M. Thorson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eric M. Thorson  
Inspector General

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## Office of Inspector General Overview

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

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

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

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

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

is primarily responsible for financial sector audits to include audits of banking supervision, manufacturing of currency and coins, and alcohol and tobacco excise tax revenue collection activities; one deputy is primarily responsible for financial management and transparency audits to include financial audits of Treasury performed by OIG staff and contractors, audits of Government-wide collection, payment, and debt programs and operations, and audits of anti-money laundering/terrorist financing, foreign sanctions, and intelligence programs and operations; and one deputy is primarily responsible for cybersecurity and financial assistance audits to include audits of SBLF, State Small Business Credit Initiative (SSBCI), and RESTORE Act programs and operations.

The Office of Investigations, under the leadership of the Assistant Inspector General for Investigations, performs investigations and conducts initiatives to detect and prevent fraud, waste, and abuse in Treasury and RESTORE Act programs and operations under our jurisdiction. The Office of Investigations also manages the Treasury OIG Hotline to facilitate reporting of allegations involving Treasury programs and activities. The Assistant Inspector General for Investigations is supported by a deputy in leading both the day-to-day operations in Washington, D.C. and task force initiatives in Greensboro, North Carolina, and Jacksonville, Florida.

The Office of Counsel, under the leadership of the Counsel to the Inspector General, provides legal advice to the Inspector General and all OIG components. The office represents the OIG in administrative legal proceedings and provides a variety of legal services, including (1) processing Freedom of Information Act and *Giglio*<sup>1</sup> requests; (2) conducting ethics training; (3) ensuring compliance with financial disclosure requirements; (4) reviewing proposed legislation and regulations; (5) reviewing administrative subpoena requests; and (6) preparing for the Inspector General's signature, cease and desist letters to be sent to persons and entities misusing the Treasury seal and name. Counsel also serves as the Whistleblower Ombudsman for Treasury, pursuant to the Whistleblower Protection Enhancement Act of 2012.

The Office of Management, under the leadership of the Assistant Inspector General for Management, provides services to maintain the OIG administrative infrastructure.

OIG's fiscal year 2016 appropriation is \$35.4 million; the OIG's oversight of SBLF and SSBCI programs and operations is funded on a reimbursable basis. As of March 31, 2016, OIG had 167 full-time staff.

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



## Management and Performance Challenges

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

### Treasury's Management and Performance Challenges

In a memorandum to Secretary Lew dated October 30, 2015, Inspector General Thorson reported five challenges, all of which were previously reported, and other matters of concern. It should be noted that in drafting this year's memorandum, the Inspector General included the debt limit impasse as a new challenge because of the immediacy of the need to raise the debt ceiling to avoid potentially catastrophic consequences to the U.S. and world economies from a debt default. The Inspector General removed that challenge from his final memorandum as Congress passed legislation for a temporary extension of the debt limit until March 15, 2017. That said, a more long-term solution to the recurring debt ceiling impasse still requires continued Treasury effort. The five challenges and other matters of concern that were reported follow.

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

Cybersecurity represents one of the most serious challenges facing the Nation today. A reliable critical infrastructure, including information systems and networks, is vital to our national security and economic stability. Cyber threats are a persistent concern as Treasury's information systems are critical to the core functions of Government and the Nation's financial infrastructure. As cyber threats continue to evolve and become more sophisticated and subtle, they pose an ongoing challenge for Treasury to fortify and safeguard its internal systems and operations and the financial sector it oversees.

#### **Management of Treasury's Authorities Intended to Support and Improve the Economy (Repeat Challenge)**

This challenge focuses on the administration of broad authorities given to Treasury by Congress to address the financial crisis under the Housing and Economic Recovery Act of 2008, the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small

Business Jobs Act of 2010. Another focus of the challenge is on the responsibilities of Treasury and the Secretary under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), enacted in 2010.

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

The Digital Accountability and Transparency Act of 2014 (DATA Act), signed into law in May 2014, furthers the effort to ensure that the Federal Government provides consistent, reliable, and useful online data about how it spends taxpayer dollars. To fulfill its intent, the DATA Act imposes certain requirements on the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), the Inspectors General of each Federal agency, and the Comptroller General of the United States. Given the broad Government-wide implications and critical roles assigned to Treasury by the DATA Act, we consider this a high risk implementation project and management challenge.

In light of the continuing problem with improper payments (estimated at \$125 billion, or 4.5 percent of all program outlays, for fiscal year 2014), the Federal Government intensified efforts to reduce improper payments in major Federal programs. The Do Not Pay Initiative, and Treasury's Do Not Pay Business Center, are chief components of efforts designed to prevent and detect improper payments to individuals and entities. With its potential to reduce improper payments, the Do Not Pay Program is a major and important undertaking.

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

This challenge focuses on the difficulties Treasury faces to ensure criminals and terrorists do not use our financial networks to sustain their operations and/or launch attacks against the U.S.

### **Gulf Coast Restoration Trust Fund Administration (Repeat Challenge)**

This challenge focuses on Treasury's administration of the Gulf Coast Restoration Trust Fund, established by the RESTORE Act in response to the 2010 Deepwater Horizon oil spill.

### Other Matters of Concern

Our memorandum also highlighted two matters of concern—challenges with currency and coin production and lapses by Treasury in maintaining a complete and concurrent record of key activities and decisions.

## Gulf Coast Ecosystem Restoration Council Management and Performance Challenge

In an October 30, 2015, letter to Secretary Pritzker, Department of Commerce, in her role as the Chairperson of the Gulf Coast Ecosystem Restoration Council, Inspector General Thorson reported one challenge, which was repeated from last year.

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

The Gulf Coast Ecosystem Restoration Council is charged with administering two critical RESTORE Act components: the Comprehensive Plan Component and the Spill Impact Component. Together, these components will receive more than half the monies deposited into the Gulf Coast Restoration Trust Fund. The Council faces challenges on many levels as it must operate in an environment where its actions are subject to RESTORE Act mandates, including high levels of scientific review, environmental regulatory oversight, and public transparency. The Council made significant progress to fill critical staff positions, but has not yet achieved its planned permanent staffing structure. Sufficient and able staff are essential to completing the overall organizational infrastructure that is comprised of strong internal controls and a reliable and secure information technology environment to support financial management and grant activities.

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# Office of Audit – Significant Audits and Other Products

## Financial Management

### Treasury’s Consolidated Financial Statements

KPMG LLP (KPMG), an independent public accounting firm working under a contract with and supervised by our office, issued an unmodified opinion on Treasury’s fiscal years 2015 and 2014 consolidated financial statements. The auditor reported a material weakness related to financial reporting at IRS and a significant deficiency related to information systems at the Bureau of the Fiscal Service (Fiscal Service). KPMG also reported that Treasury’s financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 related to Federal financial management system requirements and applicable Federal accounting standards. **(OIG-16-012)**

In connection with its audit of Treasury’s consolidated financial statements, KPMG also issued a management report providing details of the significant deficiency in internal control over information systems at Fiscal Service. Due to the sensitive nature of these systems, the report was designated Sensitive But Unclassified. **(OIG-16-015)** Additionally, KPMG issued a management letter recommending improvements to strengthen internal control over financial reporting with respect to obligation evidence, reconciliation of general ledgers to the financial reporting system, Treasury’s internal control assessment process, shared privileged accounts, vulnerability scan evidence, and password configurations. **(OIG-16-035)**

### Other Treasury Financial Audits

The Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, requires annual financial statement audits of Treasury and any component entities designated by OMB. In this regard, OMB designated IRS for annual financial statement audits. The financial statements of certain other Treasury component entities are audited either pursuant to other requirements, their materiality to Treasury’s consolidated financial statements, or as a management initiative. The table on the next page shows the audit results for fiscal years 2015 and 2014.



## Office of Audit – Significant Audits and Other Products

Treasury-audited financial statements and related audits						
	Fiscal year 2015 audit results			Fiscal year 2014 audit results		
Entity	Opinion	Material weaknesses	Significant deficiencies	Opinion	Material weaknesses	Significant deficiencies
<b>Government Management Reform Act/Chief Financial Officers Act requirements</b>						
Department of the Treasury	U	1	1	U	1	1
Internal Revenue Service (A)	U	1	1	U	1	1
<b>Other required audits</b>						
Department of the Treasury's Closing Package Financial Statements	U	0	0	U	0	0
Office of Financial Stability (TARP) (A)	U	0	0	U	0	0
Bureau of Engraving and Printing	U	0	0	U	0	1
Community Development Financial Institutions Fund	U	0	0	U	0	0
Office of D.C. Pensions	D	1	0	D	1	0
Federal Financing Bank	U	0	0	U	0	0
Treasury Forfeiture Fund	U	0	0	U	0	0
U.S. Mint						
Financial Statements	U	0	0	U	0	0
Custodial Gold and Silver Reserves	U	0	0	U	0	0
<b>Other audited accounts/financial statements that are material to Treasury's financial statements</b>						
Bureau of the Fiscal Service						
Schedule of Federal Debt (A)	U	0	0	U	0	0
Government Trust Funds	U	0	0	U	0	0
Exchange Stabilization Fund	U	0	0	U	0	1
<b>Management-initiated audit</b>						
Office of the Comptroller of the Currency	U	0	0	U	0	0
Alcohol and Tobacco Tax and Trade Bureau	U	0	0	U	0	0
U.S. Gold Reserves Held by Federal Reserve Banks	U	0	0	U	0	0
U Unmodified opinion. (A) Audited by the Government Accountability Office. D The auditors issued a disclaimer of opinion on the Office of D.C. Pensions' fiscal year 2015 financial statements and the fiscal year 2014 balance sheet because they were not able to obtain sufficient, appropriate audit evidence.						

In connection with the fiscal year 2015 financial statement audits, the auditors issued management letters on other matters involving internal control at the Bureau of Engraving and Printing (**OIG-16-028**), the Community Development Financial Institutions Fund (**OIG-16-016**), the Office of the Comptroller of the Currency (OCC)

**(OIG-16-032)**, the Treasury Forfeiture Fund **(OIG-16-034)**, and the United States Mint **(OIG-16-021)**.

The following instances of noncompliance with the Federal Financial Management Improvement Act of 1996, were reported in connection with the audit of Treasury’s fiscal year 2015 consolidated financial statements (they all relate to IRS).

Condition	Type of noncompliance
Internal control deficiencies in financial management systems for unpaid tax assessments continue to exist. As a result of these deficiencies, IRS was unable to (1) use its general ledger system and underlying subsidiary records to classify and report Federal taxes receivable and other unpaid tax assessments, in accordance with Federal accounting standards without a labor-intensive manual compensating estimation process; (2) use its subsidiary ledger for unpaid tax assessments to prepare reliable, useful, and timely information to manage and report externally because IRS’ financial systems and errors in taxpayer accounts render the systems unable to readily distinguish between taxes receivable, unpaid tax assessments, and write-offs in order to properly classify these components for financial reporting purposes; and (3) effectively prevent or timely detect and correct errors in recording taxpayer information. (first reported in fiscal year 1997)	Federal financial management systems requirements
Financial management systems were unable to support the taxes receivable amount on the consolidated balance sheet, and the compliance assessments and write-offs in the required supplementary information disclosures, in accordance with Statement of Federal Financial Accounting Standards No. 7, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i> . (first reported in fiscal year 1997)	Federal accounting standards

The status of these instances of noncompliance, including progress in implementing remediation plans, will be evaluated as part of the audit of Treasury’s fiscal year 2016 consolidated financial statements.

### **Gulf Coast Ecosystem Restoration Council’s Financial Statements**

The audit of the Gulf Coast Ecosystem Restoration Council’s financial statements is also required by the Chief Financial Officer Act of 1990, as amended by the Accountability of Tax Dollars Act of 2002. RMA Associates, LLC (RMA), an independent public accounting firm working under a contract with and supervised by our office, issued an unmodified opinion on the Council’s fiscal years 2015 and 2014 financial statements. The auditor reported a significant deficiency related to lack of documented and implemented internal controls. RMA did not identify any instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested. **(OIG-16-013)**

### Attestation Engagement

KPMG, working under a contract with, and supervised by our office, issued an unmodified opinion on the Fiscal Service Funds Management Branch's assertions pertaining to the schedule of assets and equity and related schedule of activity of selected trust funds, as of and for the year ended September 30, 2015. The following trust funds were audited:

- Federal Supplementary Medical Insurance Trust Fund
- Federal Hospital Insurance Trust Fund
- Highway Trust Fund
- Airport and Airway Trust Fund
- Hazardous Substance Superfund Trust Fund
- Leaking Underground Storage Tank Trust Fund
- Oil Spill Liability Trust Fund
- Harbor Maintenance Trust Fund
- Inland Waterways Trust Fund
- South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund

In its examination, KPMG found that Fiscal Service Funds Management Branch's assertions related to the applicable accounts of each trust fund reported on the schedule of assets and equity and related schedule of activity of selected trust funds for the year ended September 30, 2015, were fairly stated, in all material respects. **(OIG-16-004)**

### Cybersecurity Audits and Evaluations

#### Debit Gateway's Disaster Recovery Exercise Experienced Delays

We observed the Disaster Recovery Exercise (DRE) of Debit Gateway, including the DRE's recovery phase on February 21, 2015, and reconstitution phase on March 7, 2015, conducted by Fiscal Service at the Federal Reserve Bank of Dallas, Texas. We determined that Fiscal Service provided sufficient contingency planning controls in accordance with National Institute of Standards and Technology (NIST), and demonstrated successful recovery and reconstitution of Debit Gateway for operations in the event of a disaster. However, due to database synchronization failures and memory allocation misconfiguration, neither recovery nor reconstitution met the recovery time objective (RTO) established in the business impact analysis contained in

Fiscal Service's contingency plan. The root cause for the delays was not identified at the time of the exercise, and therefore, Fiscal Service was not able to document the technical issues in the Plan of Action and Milestones (POA&M). In addition, Fiscal Service established the RTO for specific hours during weekdays only and not for all hours of the day including weekend days or other weekday hours. Furthermore, Fiscal Service did not establish the maximum tolerable downtime (MTD) necessary for establishing the appropriate RTO as required by NIST.

We recommended that Fiscal Service (1) identify the root cause of the automatic database synchronization failures and memory allocation misconfiguration and document in the POA&M for remediation, and (2) define an MTD so that an appropriate RTO can be established for all hours of the day. We consider the actions taken and planned by Fiscal Service to be responsive to our recommendations. **(OIG-16-003)**

### **Fiscal Year 2015 Audit of Treasury's Federal Information Security Modernization Act – Unclassified Systems**

The Federal Information Security Modernization Act of 2014 (FISMA) requires inspectors general perform an annual, independent evaluation of their agency's information security program and practices. Under a contract with and supervision by our office, KPMG performed an audit of Treasury's non-IRS unclassified systems. TIGTA performed the annual FISMA evaluation of IRS' unclassified systems. For fiscal year 2015, KPMG determined that Treasury's information security program and practices for its unclassified systems were established and maintained for the 10 FISMA program areas. However, the program was not fully effective in all areas. Specifically, KPMG reported the following at one or more Treasury component entities, excluding IRS.

- Logical account management activities were not compliant with policies (4 component entities).
- System security plans did not follow all NIST Special Publication (SP) 800-53, Rev. 4 security controls (3 component entities).
- Security program policy and procedures were not consistent with the NIST SP 800-53, Rev. 4 security controls (1 component entity).
- Plan of Action and Milestones were not tracked in accordance with NIST and Treasury requirements (2 component entities).

- Federal Risk and Authorization Management Program (FedRAMP) requirements were not addressed in a third-party cloud service provider contract (1 component entity).

In all, KPMG made 24 recommendations to address these control deficiencies. Treasury management provided corrective action plans that met the intent of KPMG's recommendations. **(OIG-16-010)**

### **Fiscal Year 2015 Evaluation of Treasury's Federal Information Security Modernization Act – Collateral National Security Systems**

KPMG also performed an evaluation, under a contract with, and supervised by our office, of Treasury's collateral national security systems. For fiscal year 2015, KPMG did not identify any substantial control deficiencies that impacted the design and operating effectiveness of Treasury's collateral national security systems. **(OIG-CA-16-007)**

## **Performance Audits**

### **USASpending.gov Refreshed, But Data Quality Issues Remain**

We audited Fiscal Service's efforts to establish a Government-wide financial management transparency office and improve the USASpending.gov website. In February 2014, OMB designated Fiscal Service as the agency responsible for operating and supporting USASpending.gov. OMB launched the website in December 2007 in conformance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA). Prior to Fiscal Service, the site was operated by the General Services Administration.

We found that Fiscal Service established the Data Transparency Office (DTO) within the Office of Financial Innovation and Transformation and developed a tactical plan to document the overall strategy for improving the transparency and accountability of Federal financial transactions. This plan defined DTO's mission, vision, and business goals along with a description of the risks and challenges faced. To meet its new programmatic responsibilities for USASpending.gov, DTO developed the USASpending.gov Enhancement Project (Enhancement Project) Charter, which described the scope of the work required to accomplish the following: (1) transition responsibility for USASpending.gov from the General Services Administration to Fiscal Service; (2) make meaningful improvements to the usability of USASpending.gov,



within 1 year, using Recovery.gov as a model; and (3) develop a long-term data quality improvement plan.

DTO executed the Enhancement Project, and the refreshed USASpending.gov went live on March 31, 2015, as planned. However, we noted several concerns with the project. The Enhancement Project, as executed, did not address identified concerns with the quality of the data presented on USASpending.gov. In addition, we noted a lack of documentation surrounding the Enhancement Project's user acceptance criteria and user acceptance testing. DTO expects that Treasury and OMB's Government-wide DATA Act implementation effort will resolve data quality issues. We agree that leveraging the DATA Act implementation to achieve necessary data quality improvements is an efficient and effective course of action to address data quality issues. However, since reporting under the DATA Act is not required until May 2017, we believe that Fiscal Service should manage external user expectations regarding the quality of the information presented on USASpending.gov until that time.

We recommended that Fiscal Service (1) develop a strategy to manage USASpending.gov user expectations regarding the completeness and accuracy of existing data presented on the site to include posting a statement on the site about current and legacy data quality concerns and plans for data quality improvement, (2) continue to evaluate and address user concerns regarding the functionality of USASpending.gov, and (3) include requirements to develop and document internal and external user acceptance criteria and document user acceptance testing for all future DTO website development projects. Fiscal Service management outlined corrective actions and commitments that are responsive to our recommendations. **(OIG-16-023)**

### Libyan Sanctions Case Study

On February 25, 2011, the President issued Executive Order (EO) 13566 blocking the property and interests in property of Colonel Muammar Qadhafi, his close associates, and the government of Libya. The EO was issued based on authority granted to the President under the National Emergencies Act and the International Emergency Economic Powers Act. The U.S. imposed sanctions because the continued violence in Libya posed an unusual and extraordinary threat to U.S. national security and foreign policy interests. Three (3) days after EO 13566 was issued and the Office of Foreign Assets Control's (OFAC) sanction program was established, Treasury announced that at least \$30 billion in Libyan assets within U.S. jurisdiction were blocked as a result of the EO. In total, approximately \$38 billion in assets were blocked under this program. By December 2011, most of the sanctions against Libya had been lifted with

approximately \$3 billion in assets remaining blocked at that time. The President extended EO 13566 for 1 year in 2012, 2013, 2014, and again in 2015. In extending the EO, the President cited conditions in Libya that continued to pose unusual and extraordinary threats. According to OFAC, in December 2014 approximately \$3 billion in assets remained blocked under the Libyan program.

OFAC implemented and administered the Libyan sanctions program, as it has with other sanctions programs by requiring U.S. persons, including financial institutions, to identify, and block the assets of targeted parties that come within their possession or control. Financial institutions were required to report these actions to OFAC within 10 business days.

Our review of OFAC's Libyan sanctions program identified several internal control weaknesses in OFAC's administration of sanctions programs, which were similar to those that we had previously reported. OFAC continued to operate without written standard operating procedures for the day-to-day administration of OFAC sanctions programs. OFAC did not actively assess financial institutions' compliance with the 10-day reporting requirement for reports of blocked and rejected transactions while OFAC's systems and supporting documentation did not always contain sufficient information to assess the timeliness of filings and, in some cases, contained erroneous information. We reported that OFAC can only estimate the total amount of assets that remained blocked under its sanctions programs due to limitations in how records of blocked assets are linked to licenses issued by OFAC to release the funds. Also, OFAC had not been successful in implementing an electronic system for filing blocked and rejected transaction reports, and had not implemented a lessons-learned process to communicate knowledge gained from past sanctions programs for the benefit of future sanctions programs.

OFAC committed to develop written standard operating. In addition, OFAC agreed to make systemic improvements to allow for better tracking of blocked and rejected transaction reports and linking of these reports to licensing information authorizing their release. OFAC also plans to continue to pursue an electronic filing solution for all filers. With respect to the recommendation that a lessons-learned process be developed, OFAC agreed this could further assist its mission but disagreed that the creation and implementation of such processes were the best use of its limited assets at this time. We continue to believe a formalized lessons-learned process would benefit OFAC and are disappointed that it does not plan to implement a formalized process at this time. That said, we consider the recommendation to have a management decision

and encourage OFAC to adopt a formalized lessons-learned process in the future. **(OIG-16-001)**

### **FinCEN Continues to Face Challenges with Money Services Businesses**

The Financial Crimes Enforcement Network (FinCEN) continued to take actions to improve money services businesses (MSB) compliance with the Bank Secrecy Act of 1970 (BSA) including efforts to identify unregistered MSBs and better understand the MSB universe but challenges remain. Issues in the MSB registration program involving the completeness and reliability of MSB registration data and FinCEN's maintenance of the MSB registration list required FinCEN's continued attention. FinCEN's MSB registration data contained duplicate entries, expired registrations, and other anomalies.

FinCEN took steps to improve the processing of IRS referrals of MSB violations and the issuing of enforcement actions. However, at the time of our review a backlog of IRS referrals remained. In 2013, FinCEN enhanced its collaboration with IRS and developed procedures for the referral process. Since its June 2013 reorganization, FinCEN has made IRS referrals a priority.

We recommended that FinCEN (1) continue its efforts to learn more about MSBs and outreach to promote compliance with registration and other BSA requirements, (2) take steps to ensure the downloadable MSB registration data online is updated in a timely manner to remove expired registrations, and consider what other measures could be taken to make the MSB registration data more useful for its stakeholders; and (3) continue to refine the standard operating procedures used to process incoming enforcement referrals. FinCEN concurred with our recommendations and its actions, both taken and planned, meet the intent of the recommendations. **(OIG-16-006)**

### **OCC Should Reconsider the Waiver of \$4.9 Million in Under-assessed Fees**

We initiated an audit after OCC had informed our office of internal control weaknesses that led to the under-assessment of fees to certain banks, and subsequently waived (not collected). The independent public accountant (IPA) who audited OCC's fiscal years 2013 and 2012 financial statements noted a matter of concern in internal control over the financial institution assessment process in a management letter dated November 20, 2013. The IPA reported that from March 2009 through March 2013, five financial institutions were under-assessed by a total of approximately \$4.9 million.

In September 2013, six financial institutions (including the five institutions above) were under-assessed an additional \$860,000. The IPA noted that the financial institutions were assessed as commercial banks instead of independent trust banks; independent trust banks are assessed a surcharge above the commercial bank assessment. Furthermore, the IPA reported that the under-assessment of financial institutions occurred because OCC did not have policies and procedures for periodically reevaluating banks to determine whether their current categorization and thus the assessment, was appropriate.

We concluded OCC had the requisite authority to waive the collection of fees. However, the waiver of the fees effectively resulted in the inconsistent treatment of banks subject to the fees and a windfall for a few banks. We noted that OCC did not have a documented process to address the handling of this type of event. We also concluded that OCC did take appropriate action to strengthen its internal control over the assessment process for trust banks.

We recommended that OCC (1) reevaluate the decision to waive the \$4.9 million in under-assessments from the March 2009 through March 2013 period and as appropriate, take action to collect the under-assessments; and (2) implement policies and processes to govern the waiver of under-assessed fees. With respect to the first recommendation, OCC stated that it convened a panel of senior managers and staff to reconsider its initial decision to waive the under-assessments. OCC continues to believe collecting assessments for prior periods based on inadequate OCC procedures would be unnecessarily disruptive and an unfair burden to the limited number of affected community and midsize banks. With respect to the second recommendation, OCC implemented policies and processes to govern the waiver of under-assessed fees. We acknowledge OCC's corrective actions and consider our recommendations closed. However, we are disappointed with OCC's decision regarding the waived fees, as the waiver effectively resulted in the inconsistent treatment of banks subject to the fees and a windfall for a few banks. **(OIG-16-029)**

### **American Recovery and Reinvestment Act of 2009 (Recovery Act) Audits**

As part of our ongoing oversight of Treasury's 1602 Program—Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009, we conducted audits of awards made to select State housing credit agencies to assess whether the agencies awarded 1602 Program funds complied with the program's requirements. During this semiannual period, we completed audits of 1602 Program

compliance at the Mississippi Home Corporation (MHC) and the North Dakota Housing Finance Agency (NDHFA).

### **Mississippi Home Corporation’s Payment Under 1602 Program**

We found that MHC complied with Treasury’s 1602 Program terms and conditions for receiving \$29.7 million of 1602 Program funds as well as requirements for subawarding those funds to low-income housing projects. Also required by the 1602 Program, MHC established a process for monitoring the long-term viability of projects and their compliance with program requirements, and met all of Treasury’s reporting requirements. We emphasized the need for continued diligence on the part of MHC to ensure compliance with the terms and conditions over the remaining 15-year compliance period. We did not make any recommendations to Treasury. **(OIG-16-007)**

### **North Dakota Housing Finance Agency’s Payment Under 1602 Program**

We found that NDHFA complied with Treasury’s 1602 Program terms and conditions for receiving \$7.4 million of 1602 Program funds as well as requirements for subawarding those funds to low-income housing projects. Also required by the 1602 Program, NDHFA established a process for monitoring the long-term viability of projects and their compliance with program requirements, and met all of Treasury’s reporting requirements. We emphasized the need for continued diligence on the part of NDHFA to ensure compliance with the terms and conditions over the remaining 15-year compliance period. We did not make any recommendations to Treasury. **(OIG-16-026)**

## **RESTORE Act Audits**

### **Centers of Excellence Research Grant Programs**

As part of our ongoing oversight of RESTORE Act programs, we assessed the Gulf Coast States progress to establish Centers of Excellence Research Grant Programs (Center of Excellence) for the purpose of conducting research in the Gulf Coast



Region. During this semiannual period, we issued reports on the status of Louisiana and Texas.

### **Louisiana Made Progress in Establishing a Center of Excellence**

We found that the Coastal Protection and Restoration Authority made progress in establishing Louisiana’s Center of Excellence for conducting research in the Gulf Coast region in accordance the requirements set forth in Section 1605 of the RESTORE Act, Louisiana procurement laws, and Treasury’s regulations and grant application guidelines. Specifically, the Authority (1) competitively selected The Water Institute of the Gulf in February 2014 to serve as the Center of Excellence, (2) published draft policies for administering Center of Excellence grants in March 2015, and (3) planned for completing the remaining steps necessary to make application to Treasury for Federal financial assistance. **(OIG-16-009)**

### **Texas Made Progress in Establishing Centers of Excellence**

The Texas Commission on Environmental Quality made progress in establishing Texas’ Centers of Excellence for conducting research in the Gulf Coast region in accordance with the requirements set forth in Section 1605 of the RESTORE Act, Texas state laws, and Treasury’s regulations and grant application guidelines. Specifically, the Commission (1) competitively selected two consortia, the Texas OneGulf Consortium and the Subsea Systems Institute, in January 2015, to serve as Centers of Excellence; (2) submitted a grant application to Treasury to fund the centers in April 2015; and (3) was subsequently awarded \$4,036,238 in June 2015. **(OIG-16-019)**

## **Small Business Jobs Act Audits**

### **Treasury Effectively Monitored SBLF Participants’ Compliance with Program Requirements**

We performed a corrective action verification of management’s implementation of recommendations in our December 2014 report on Treasury’s compliance monitoring of institutions’ annual certification and dividend payment requirements for the SBLF.<sup>2</sup> In that report, we concluded that overall Treasury was reasonable and fair in denying

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<sup>2</sup> *Small Business Lending Fund: Treasury Effectively Monitored Small Business Lending Fund Participants’ Compliance with Program Requirements* (OIG-SBLF-15-002; issued Dec. 23, 2014)

dividend rate adjustments when banks did not comply with their annual certification requirements and was effectively monitoring participants' SBLF dividend, interest and incentive fee payments. However, based on other matters identified in our audit, we recommended that management (1) name an observer or observers to the board of directors of banks that have missed five or more dividend payments; (2) develop a plan to prepare and assist institutions that plan to redeem prior to the dividend and interest rate increase at the participant's 4.5-year anniversary, and evaluate the remaining portfolio after the rate increase takes effect.

We found that management addressed the recommendations. In October 2014, Treasury named an observer to the board of directors of the bank that missed five dividend payments in 2013 and 2014. To prepare for redemptions prior to participants' 4.5-year anniversary, Treasury reminded all remaining institutions of the rate increases that will take place and provided other information about the increases and redemption procedures. Also, Treasury developed a credit model to monitor the health of its investment portfolio, before and after the rate increases take effect late 2015/early 2016. **(OIG-16-017)**

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

### **Subject Pleads Guilty in Federal Court to Theft of Recovery Act Funds**

Our investigation determined that a subject submitted false documentation, including falsified engineering reports and fake utility company interconnection agreements, while requesting over \$26 million under Section 1603 of the Recovery Act for installation of solar panel systems. The subject pled guilty to Wire Fraud for fraudulently obtaining over \$9 million in excess Recovery Act funds. Sentencing is pending.

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

Our joint investigation with the Department of Agriculture OIG, the Social Security Administration (SSA) OIG, Homeland Security Investigations, the U.S. Secret Service (Secret Service), the Drug Enforcement Administration, IRS, and with State and local law enforcement agencies, determined that complicit store owners and scheme organizers orchestrated the fraudulent exchange and redirection of over \$6.3 million in Treasury funded, State-managed welfare and benefit cards. The first 9 subjects were arrested in October 2015 for Conspiracy and Attempt and Wire Fraud, and 2 of the 9 subjects were indicted for drug-related charges. Judicial action for the 9 subjects arrested is pending and the indictments of additional subjects are expected.

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

Our joint investigation with IRS, SSA OIG, and the Department of Health and Human Services OIG, determined that a subject operated a scheme where false tax returns were filed and over \$800,000 in tax refunds were directed to a business account under the control of the subject. The subject was also receiving improper Social Security and Medicare benefits. The subject pled guilty to Theft of Public Money and Tax Fraud and sentencing is pending. Prosecution is expected against a second subject who assisted in submitting the false tax returns to IRS.

### **Subject Pleads Guilty to Bank Fraud**

Our investigation determined several bank employees were involved in a scheme to defraud customers by adding authorized users to bank accounts with high balances, and then having other subjects withdraw money from those accounts at other bank branches. The losses in this scheme exceeded \$150,000. One subject in this case

was arrested and pled guilty to Bank Fraud in the U.S. District Court for the Middle District of North Carolina. The investigation is ongoing and additional criminal charges are expected for other subjects involved.

### **Subject Sentenced for Identity Theft involving Theft of Treasury Bonds**

Our investigation determined that a subject stole and negotiated approximately \$40,000 in Treasury Bonds and made unauthorized withdrawals of \$75,000 from the bank account of his estranged uncle. The subject obtained a fraudulent Massachusetts ID in the name of his estranged uncle to perpetrate this fraud. During the investigation, the subject informed a confidential informant that he planned to kill the Treasury case agent and the estranged uncle. Our office obtained an arrest warrant and the subject was arrested without further incident. The subject pled guilty to 1 count of Identity Theft and 1 count of Social Security Fraud in U.S. District Court for the District of Massachusetts. The subject was sentenced to 71 days in prison, followed by 6 months in a treatment facility for substance abuse.

### **Subject Sentenced for Theft of Government Funds**

Our joint investigation with SSA OIG determined that a subject converted for their own use, SSA funds that the subject was not entitled to receive following the death of the subject's mother. The subject pled guilty to 1 count of Theft of Government Funds, and was sentenced in U.S. District Court for the Middle District of Florida to 60 months of probation, and was ordered to pay \$62,000 in restitution.

### **Bank Teller Arrested for Embezzlement**

Our investigation determined a former bank employee stole over \$17,000 from a North Carolina branch office. The employee had sole control of an Automated Teller Machine (ATM), removed \$17,000 from the ATM, and used it for personal gain. The subject was indicted in the Middle District of North Carolina on 1 count of Embezzlement by a Bank Employee and subsequently arrested.

### **Subject Pleads Guilty to Fraudulent Negotiation of Treasury Checks**

Our joint investigation with SSA OIG determined that a subject in southern Florida obtained, altered, and negotiated 6 Treasury checks totaling \$6,900. The subject pled guilty in U.S. District Court for the Southern District of Florida to 6 counts of Theft of Public Money and is awaiting sentencing.

### **Subject Arrested for Fraudulent Negotiation of Treasury Checks**

Our joint investigation with the U.S. Postal Inspection Service (USPIS) and local law enforcement agencies determined that several Florida subjects fraudulently obtained 23 Treasury checks, opened a bank account using a stolen identity, and negotiated the checks through the fraudulent account. The primary organizer was identified and arrested in October 2015 for Bank Fraud and Aggravated Identity Theft. Arrests of other co-conspirators are anticipated.

### **Threatening Caller to Fiscal Service Facility has Probation Revoked**

Our joint investigation with the Jackson County, Mississippi, Sheriff's Department determined that an individual contacted the Fiscal Service Call Center in Austin, Texas and made threatening remarks twice on the same day. The caller claimed Treasury was taking money from him and his family that he did not owe. The subject was arrested and subsequently pled guilty to Making Telephonic Threats. The subject was sentenced to serve 8 years in a state correctional facility for violating probation from an earlier, unrelated criminal conviction. The subject was also ordered to participate in anger management classes and to be evaluated for any mental or emotional illness, condition, or issue related to his anger.

### **Former Bank Manager Pleads Guilty to Bank Fraud**

Our joint investigation with Secret Service determined that a bank manager used personally identifiable information (PII) from customers at the subject's previous employer to open fraudulent business accounts so that the subject could "kite checks and wires" through the accounts and then use that money to maintain a lavish lifestyle. A search of the subject's office revealed numerous documents with PII of over 300 former customers, which was used to open credit cards to meet performance related bonuses. The subject pled guilty to 1 count of Bank Fraud and 1 count of Aggravated Identity Theft in U.S. District Court in South Carolina and is awaiting sentencing.

### **Four Individuals Sentenced for Grand Larceny, Petit Larceny, and Attempted Grand Larceny**

Our joint investigation with the New York District Attorney's Office, Queens County, and the Port Authority of New York and New Jersey Police determined that an organized group of subjects conducted an identity theft and tax refund fraud scheme. The group used forged documents and stolen identities to submit fraudulent tax

returns, and then obtained and cashed the fraudulently obtained tax refund checks. The first subject pled guilty in Queens County to Grand Larceny and was sentenced to 36 months of probation, the second subject pled guilty to Petit Larceny and was sentenced to 24 months of probation, the third subject pled guilty to Grand Larceny and was sentenced to 364 days in prison, and the fourth subject pled guilty to Attempted Grand Larceny and was sentenced to 12 months in prison. Additional subjects are pending sentencing.

### **Bank Examiner Resigns after Local Police Arrest**

Our investigation determined that an OCC bank examiner was arrested by police in Dallas, Texas, and charged with Indecent Exposure to a Minor. This criminal violation is being prosecuted in the State court in Texas. The OCC employee has since resigned from Treasury.

### **Former OCC Bank Examiner Sentenced in State Court for Mortgage Fraud**

Our investigation determined that an OCC employee knowingly made a false statement on a credit application while employed as an OCC bank examiner. The subject retired from OCC prior to adjudication of the Michigan state charge. The subject pled guilty to Attempted Mortgage Fraud and was sentenced to 12 months of probation.

### **Suspect Sentenced for Theft of OCC Computer**

A laptop computer issued to an OCC bank examiner was stolen from the examiner's vehicle and later sold at a local pawn shop in Little Rock, Arkansas. Our joint investigation with the Little Rock Police Department identified a suspect and recovered the stolen laptop from the pawn shop. The subject was arrested and subsequently pled guilty to state charges of Theft by Receiving in the Pulaski County Circuit Court. The subject was sentenced to 36 months of probation and ordered to pay \$770 in restitution.

### **Treasury Employee Investigated for Submitting Fraudulent Travel Voucher**

Our investigation determined that a former Fiscal Service Information Technology Specialist submitted a fraudulent local travel voucher for reimbursement totaling \$3,200. The employee retired from the Federal Government during the course of the investigation. The matter was declined for criminal prosecution by the U.S. Attorney's Office, District of Maryland.



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

### **Multiple Subjects Plead Guilty to Charges in Massive Identity Theft and Tax Fraud Scheme**

As reported in previous semiannual periods, our joint investigation with IRS and USPIS revealed that multiple subjects conspired to defraud the Federal Government by producing at least 12,000 fraudulent Federal income tax returns using stolen identities, and negotiating the resulting tax refund payments, totaling at least \$40 million for personal gain.

**Update:** During this reporting period, eight subjects pled guilty to charges in the identify theft and tax fraud scheme. The first subject was sentenced to 46 months in prison, and ordered to pay \$424,000 in restitution. The sentencing of a second subject is scheduled for June 2016. This subject faces a sentence of 18 to 24 months in prison, and restitution in the amount of \$349,000. The sentencing of a third subject is also scheduled for June 2016. The third subject faces a sentence of 18 to 24 months in prison and restitution in the amount of \$550,000. A fourth subject was sentenced to 18 months in prison, and ordered to pay \$315,000 in restitution. The sentencing of a fifth subject is scheduled for May 2016. The fifth subject faces a sentence of 48 to 84 months in prison and an order of restitution of up to \$4.4 million. The sentencing dates for the sixth, seventh, and eighth subjects are pending. The sixth subject faces a sentence of 6 to 12 months in prison and an order of restitution of up to \$300,000. The seventh subject faces a sentence of 18 to 24 months in prison and an order of restitution of up to \$550,000. The eighth faces a sentence of 48 to 60 months in prison and an order of restitution of up to \$1.5 million. To date, 20 search warrants and 11 arrest warrants have been executed and 26 subjects have pled guilty. The case is ongoing and more arrest warrants and prosecutions are anticipated, to include mail carriers, bank tellers, MSB employees, and at least 1 MSB owner. The case is being prosecuted by the U.S. Attorney's Offices in the District of Columbia, in the District of Maryland (Greenbelt Office), and by the Department of Justice's Tax Division.

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

As reported in the previous period, our joint investigation with IRS determined that a subject cashed over 200 Treasury checks at a MSB in South Carolina. Nearly all of the

checks cashed were addressed to locations outside of the State. Numerous documents and fraudulently obtained Treasury checks were located in the subject's residence during a consent search. The subject was indicted and pled guilty to Theft of Public Money.

**Update:** In the previous semiannual reporting period, we reported that the subject pled guilty to Theft of Government Property. We subsequently corrected the plea to Theft of Public Money, as the theft was related to tax return check fraud. During this reporting period, the subject was sentenced for Theft of Public Money to 18 months in prison, 36 months of probation, and ordered to pay \$1.6 million in restitution.

### Multiple Subjects Indicted for United States Mint Purchases Using Stolen Identifications

As reported in previous reporting periods, our joint investigation with Secret Service, DHS, and USPS determined that multiple subjects had conspired to commit identity fraud, theft, and access device fraud by obtaining the PII of U.S. citizens. These subjects used the stolen identities to make debit card purchases of United States Mint products and items from home goods stores, then quickly canceled the transactions to obtain refunds on the stolen debit cards.

**Update:** During this reporting period, 2 subjects were indicted for violations of Conspiracy to Commit Bank Fraud, Access Device Fraud, Aiding and Abetting, and Aggravated Identity Theft. To date, this case has resulted in 8 arrests, 3 Federal convictions, a total of 122 months in prison time, 192 months of probation, and ordered restitution in the amount of \$1.2 million.

### Subject Sentenced for Crimes Related to Fraudulent Tax Preparation

Our joint investigation with the Spotsylvania, Virginia, Sheriff's Office and the Virginia State Police determined that a subject used friends and family to obtain PII of prison inmates through court documentation. The subject used the PII to file state and Federal tax returns.

**Update:** During this reporting period, the subject pled guilty to Racketeering, Identity Theft, Money Laundering, Filing a False Tax Return, and Tax Preparer Filing a Fraudulent Return. The subject was sentenced to 31 years in prison, with 29 years suspended.

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

As reported in the previous semiannual period, our joint investigation with DHS, IRS, SSA OIG, and USPIIS determined that a citizen of the Ivory Coast living in Virginia used assumed identities to commit financial crimes. The subject claimed to be a tax preparer, filed false tax returns, and diverted tax refunds to bank accounts that he controlled. The subject pled guilty to Wire Fraud and Aggravated Identity Theft.

**Update:** During this reporting period, the subject was sentenced for Wire Fraud and Aggravated Identity Theft to 54 months in prison, \$672,000 in restitution, and forfeiture of \$652,000. Prosecution against a second subject, who provided information to be used in the scheme to the first subject, is anticipated.

### **Individuals Indicted on Criminal Violations under the Racketeer Influenced and Corrupt Organization and Street Gang and Terrorism Prevention Acts**

As reported in previous semiannual periods, our joint investigation with Secret Service, IRS, and the Bibb County, Georgia, Sheriff's Office determined that between April and June 2014, several individuals were involved in a large-scale identity-theft operation/criminal organization. The group was involved in the filing of false income tax returns, as well as with using stolen identities and fraudulently obtained credit cards, to send money to local jail inmates who were trying to make bond. Eighteen (18) individuals were indicted for violations of the Racketeer Influenced and Corrupt Organization Act and the Street Gang and Terrorism Prevention Act. In March 2015, one subject pled guilty and was sentenced to 180 months in prison.

**Update:** In November 2015, a second subject pled guilty and was sentenced to serve 144 months in prison, followed by 96 months of probation.

### **Individual Pleads Guilty to Conspiracy to Commit Theft of Public Money**

As reported in the previous semiannual period, our joint investigation with IRS and the District of Columbia Office of Tax and Revenue determined that between August 2011 and January 2013, several individuals conspired to commit Theft of Public Money. The main conspirator was involved in the filing of false income tax returns to obtain tax refunds, which were then deposited into bank accounts under his control. Approximately 167 fraudulent Federal income tax refunds were received, totaling at least \$322,295. The main conspirator was indicted in the District of Maryland

(Greenbelt Office) and pled guilty to 1 count of Conspiracy to Commit Theft of Public Money, and has agreed to pay restitution in the amount of \$408,221.

**Update:** In October 2015, the main conspirator was sentenced for 1 count of Conspiracy to Commit Theft of Public Money to 24 months in prison, 35 months of probation, and ordered to pay over \$408,221 in restitution. Judicial action is ongoing in this case.

### Two Subjects Indicted for Submitting Fraudulent Recovery Act Applications

As reported in the previous period, our joint investigation with the Department of Energy OIG and the Federal Bureau of Investigation led to an indictment of a brother and sister in Arizona for conspiring to submit fraudulent applications and invoices to receive approximately \$338,000 in grant funds for solar projects under Section 1603 of the Recovery Act.

**Update:** During this reporting period, one subject pled guilty to Fraud – Official Certificates or Writings regarding the receipt of \$338,000 in Recovery Act funds. The second subject has been charged with Conspiracy and Wire Fraud. Sentencing for the first subject is pending and a trial date is pending for the second subject.

### Indictments Obtained for Two Subjects Involved in Internet Scam

As reported in previous semiannual periods, our office received a telephone call from a citizen who had been the victim of a “black money” internet scam, by which the victim is duped into believing that he or she is the beneficiary of a large sum of money. Over the course of multiple communications between victim and scammer, the victim is informed of a series of various “fees,” “taxes,” and other expenses that the victim must pay before the windfall funds can be released. In this case, the scammer actually met with the victim, claiming to be a Treasury official and producing a Treasury credential. The subject was arrested for Conspiracy to Commit Wire Fraud and on March 6, 2015, both the subject and an assistant were issued a 41-count superseding indictment for charges of Conspiracy to Commit Wire Fraud, Wire Fraud, Impersonation of an Officer or Employee of the U.S., and Aggravated Identity Theft. Our investigation has identified 15 victims and an estimated minimum loss of approximately \$386,000. In the previous reporting period, the main subject of this investigation pled guilty to 1 count each of Conspiracy to Commit Wire Fraud, Wire Fraud, and Impersonation of an Employee of the U.S.

**Update:** During this reporting period, an additional victim was identified. The main subject of this investigation was sentenced to serve 60 months in Federal prison, followed by 36 months of supervised release, and ordered to pay 16 victims restitution totaling \$317,000. An outstanding arrest warrant remains active for the subject's co-conspirator, who has fled the country.

### **Tobacco Importer Pleads Guilty to False Statements and Evasion of Excise Tax**

As reported in a previous period, our joint investigation with the Alcohol and Tobacco Tax and Trade Bureau (TTB) and IRS determined that a tobacco importer misrepresented tobacco products being imported from the Hashemite Kingdom of Jordan and attempted to bribe a TTB investigator. The subject pled guilty to 1 count of False Statements and to 1 count of Evasion of Excise Tax, and agreed to restitution in the amount of \$178,887.

**Update:** During this reporting period, the subject was sentenced to 60 months of probation, with the first 8 months served in home custody, and ordered to perform 300 hours of community service, and pay restitution to Treasury in the amount of \$178,887.

### **Former Treasury Employee Pleads Guilty to Theft and Conversion of Government Funds**

As reported in the previous semiannual period, our investigation determined that between October 2010 and January 2013, a Treasury employee, prior to the individual's retirement, charged approximately \$142,000 in 62 separate transactions using Treasury-issued purchase cards for the purported purchase of office supplies and equipment. In fact, no office supplies or equipment were purchased. The Treasury employee colluded with a vendor in which the vendor would charge the Government purchase card and then wire a large portion of the transaction amount into the employee's personal bank account. In the Federal District Court of Maryland, the former Treasury employee pled guilty to Theft and Conversion of Government Funds and agreed to pay restitution in the amount of \$142,000.

**Update:** In January 2016, the former Treasury employee was sentenced to 36 months of probation, 12 months of which is to be served on monitored home detention, and

ordered to pay \$142,000 in restitution. Prosecution of the owner of the company is anticipated.

### **Subject Indicted and Arrested for Negotiating Stolen U.S. Savings Bonds**

As reported in the previous period, our investigation determined that a subject fraudulently redeemed stolen U.S. Savings Bonds. In April 2009, 41 savings bonds were reported stolen from a church in Detroit, Michigan. Rather than replace the bonds, the church opted to receive a check from the Treasury for \$86,528. Between June 2013 and October 2014, 35 of the stolen bonds had been redeemed resulting in a loss to the Government of \$70,936. The subject was indicted in the Eastern District of Michigan and arrested on 9 counts of Theft of Public Money or Property.

**Update:** During this reporting period, the subject was sentenced to serve 16 months in Federal prison followed by 36 months of probation, and ordered to pay restitution of \$73,000 to Treasury.

### **Subject Pleads Guilty for Fraudulently Negotiating Treasury Checks**

As reported in a previous period, our joint investigation with SSA OIG determined that a subject and 2 co-conspirators in central Florida fraudulently altered and negotiated approximately \$35,000 in Treasury checks, as well as used stolen identification documents to negotiate fraudulent checks at numerous stores of a grocery chain in the Orlando, Florida, area. The loss to the grocery chain was in excess of \$150,000. The subject pled guilty to 1 count each of Theft of Government Funds, Aggravated Identity Theft, and Corporate Securities Fraud.

**Update:** During this reporting period, the main subject of this investigation was sentenced to 54 months in Federal prison, followed by 36 months of probation, and ordered to pay restitution totaling \$35,000. The investigation is ongoing and criminal charges are pending against the 2 co-conspirators.

### **Bank Examiner Pleads Guilty to Fraudulently Submitting Travel Vouchers**

As reported in a previous period, our investigation determined that an OCC bank examiner had knowingly submitted approximately 72 fraudulent travel vouchers over a 2-year period. The subject altered hotel receipts to show inflated costs, and outright fabricated other receipts for additional expenses, with a total estimated loss of approximately \$21,000. The subject pled guilty to 1 count of Theft of Public Money.

**Update:** The subject OCC employee was sentenced for Theft of Public Money to 24 months of probation and was removed from Federal service.



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## Other OIG Accomplishments and Activity

### OIG Audit Leadership Roles

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

**Marla Freedman**, Assistant Inspector General for Audit, chairs the Federal Audit Executive Council's DATA Act Working Group. The Working Group, consists of over 90 volunteers representing 29 OIGs. **Ms. Freedman** and **Bob Taylor**, Deputy Assistant Inspector General for Financial Management and Transparency Audits, provided an overview of the IG community's approach to DATA Act oversight at the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and the GAO Annual Coordination Meeting in Washington, D.C., on March 18, 2016. **Mr. Taylor**, also spoke as an OIG panel member on DATA Act oversight, at the 15th Annual Association of Government Accountants' Federal Financial Management Training held in Washington, D.C., on March 30, 2016.

**Bob Taylor** and **Jeff Dye**, Audit Director, regularly teach modules of the Introductory Auditor course sponsored by the CIGIE Training Institute.

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

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

**Kieu Rubb**, Audit Director, is serving on the AICPA's Government Performance and Accountability Committee. The committee is comprised of 13 members representing Federal, State, and local government, and education.

### OIG Receives Chairman Award for 2015 Combined Federal Campaign

On March 23, 2016, Treasury OIG received the Chairman's Award for exceeding its 2015 Combined Federal Campaign dollar and participation goals. The OIG's campaign this year was led by **Marla Freedman**. Also assisting in the campaign were:

from the Office of Audit, **Lisa DeAngelis**, **Kajuana Britt**, **Lawrence Gonzalez**, and **Brigit Larsen**; from the Office of Investigations, **Jon Han**; from the Office of Management, **Ava Maria Davis** and **Tania Gedeon**; **Rich Delmar**, Counsel to the Inspector General; and **Susan Marshall**, Special Assistant to the Inspector General.



*Pictured above are Treasury OIG Combined Federal Campaign keyworkers with Inspector General Thorson. Not pictured are Ava Maria Davis and John Han.*

# Statistical Summary

## Summary of OIG Activity

October 1, 2015, through March 31, 2016

OIG Activity	Number or Dollar Value
<b>Office of Counsel Activity</b>	
Regulation and legislation reviews	3
Instances where information was refused	0
<b>Office of Audit Activities</b>	
Reports issued and other products	45
Disputed audit recommendations	0
Significant revised management decisions	0
Management decision in which the Inspector General disagrees	0
<b>Office of Investigations Activities</b>	
<b>Criminal and judicial actions (including joint investigations)</b>	
Cases referred for prosecution and/or litigation	64
Cases accepted for prosecution and/or litigation	19
Arrests	3
Indictments/informations	37
Convictions (by trial and plea)	25

## Significant Unimplemented Recommendations

For reports issued prior to April 1, 2015

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

### Treasury Programs and Operations

Number	Date	Report Title and Recommendation Summary
OIG-13-034	3/13	<p><i>The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2012</i></p> <p>The Assistant Secretary for Management (ASM) should ensure that Treasury submits a comprehensive plan to Congress that includes a description of the corrective actions Treasury will take to remediate noncompliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) due to IRS’ Earned Income Tax Credit (EITC) improper payments reporting deficiencies. (1 recommendation)</p> <p><u>OIG Comment:</u> This recommendation was repeated during our audit of Treasury’s compliance with IPERA in fiscal years 2013 and 2014.<sup>3</sup></p>
OIG-14-011	12/13	<p><i>Audit of the Department of the Treasury’s Fiscal Years 2013 and 2012 Financial Statements</i></p> <p>The ASM and the Deputy Chief Financial Officer (DCFO) should ensure that IRS (1) takes corrective action to improve controls</p>

<sup>3</sup> *The Department of the Treasury Was Not in Compliance with the Improper Payments Elimination and Recovery Act for Fiscal Year 2013* (OIG-14-032; issued Apr. 15, 2014) and *Treasury’s Improper Payment Reporting Needs Improvement* (OIG-15-033; issued May 15, 2015).

over financial reporting and (2) implements its remediation plan outlining actions to be taken to resolve noncompliance with the Federal Financial Management Improvement Act requirements and the resources and responsible organizational units for such planned actions. (2 recommendations)

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OIG-14-025    2/14    *Management Letter for the Audit of the Office of Comptroller of the Currency's Fiscal Years 2013 and 2012 Financial Statements*

OCC management should continue with its existing corrective action to develop an executable recovery strategy for its network. Once a strategy is developed, it should be tested to ensure that it can be executed. (1 recommendation)

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OIG-14-033    4/14    *Safety and Soundness: Material Loss Review of First National Bank*

OCC should expand examiner guidance in the Loan Portfolio Management booklet to provide instructions regarding the proper accounting treatment for nonaccrual loans, including the accounting for payments received on these loans. (1 recommendation)

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OIG-CA-14-012 7/14    *Enforcement Actions and Professional Liability Claims Against Institution-Affiliated Parties and Individuals Associated with Failed Institutions* (Joint Review with the OIGs of the Federal Deposit Insurance Corporation (FDIC) and the Board of Governors of the Federal Reserve System (FRB) and Consumer Financial Protection Bureau)

The FRB and OCC should advise their regulated institutions about insurance policy exclusions. (1 recommendation)

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OIG-CA-15-004 11/14 *Information Technology: Department of the Treasury Federal Information Security Management Act Fiscal Year 2014 Evaluation*

Fiscal Services management, for the selected systems, should (1) implement a new process to ensure that all administrative accounts are approved and that evidence of access approval is retained and (2) ensure that the annual assessments reflect all of the new and updated controls in NIST SP 800-53 Rev. 4. (2 recommendations)

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OIG-15-012 11/14 *Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2014 and 2013*

The ASM and the DCFO should (1) provide effective oversight to ensure that IRS implements requisite corrective actions to resolve this material weakness, (2) the ASM and the DCFO should ensure that Fiscal Service implements requisite corrective actions to resolve control weakness over its information systems, (3) Treasury should periodically remind Department employees that they must obtain approval from the Office of Human Resources prior to accepting any unpaid services to ensure that authority exists to accept such services and that where services are performed by non-students, advance written agreement is obtained, and (4) the ASM and the DCFO should ensure that IRS implements its remediation plan outlining actions to be taken to resolve noncompliance with Federal Financial Management Improvement Act requirements and the resources and responsible organizational units for such planned actions. (4 recommendations)

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OIG-15-015 11/14 *Management Report for the Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2014 and 2013 (Sensitive But Unclassified)*

Due to the sensitive nature of the findings and recommendations, we designated the report sensitive but unclassified. (5 recommendations)

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OIG-15-021    12/14    *Audit of the Bureau of Engraving and Printing’s Fiscal Years 2014 and 2013 Financial Statements*  
 The Bureau should develop a look-back analysis that compares prior year accounts payable to subsequent disbursements for all vendors. (1 recommendation)

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OIG-15-025    01/15    *Management Letter for the Audit of the Office of the Comptroller of the Currency’s Fiscal Years 2014 and 2013 Financial Statements*  
 OCC management should continue with its existing corrective action to implement and test an executable recovery strategy for its Network Infrastructure General Support System. (1 recommendation)

## **Other Federal Agency Programs and Operations**

<b>Number</b>	<b>Date</b>	<b>Report Title and Recommendation Summary</b>
OIG-14-003	10/13	<p><i>Gulf Coast Ecosystem Restoration Council Faces Challenges in Completing Initial Comprehensive Plan</i></p> <p>The Chairperson of the Council should continue to work with Council members towards developing the Comprehensive Plan to include all elements required by the RESTORE Act. (1 recommendation)</p>
OIG-15-013	11/14	<p><i>Audit of the Gulf Coast Ecosystem Restoration Council’s Financial Statements for Fiscal Years 2014 and 2013</i></p> <p>The Council should acquire additional resources to assist in documenting and implementing its internal control policies and procedures. As the agency grows, these internal controls will set the foundation for achieving the objectives set forth by the Federal Managers' Financial Integrity Act of 1982. (1 recommendation)</p>

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## Summary of Instances Where Information or Assistance Request Was Refused

October 1, 2015, through March 31, 2016

There were no instances where an information or assistance request was refused for this reporting period.

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## Listing of Audit Products Issued

October 1, 2015, through March 31, 2016

### Office of Audit

*Annual Plan, Fiscal Year 2016, Office of Inspector General, Department of the Treasury* (OIG-CA-16-001, 10/15/2015)

*Libyan Sanctions Case Study* (OIG-16-001, 10/26/2015), and accompanying correspondence related to the resolution of audit recommendation 1 consisting of memoranda by John E. Smith, Acting Director, Office of Foreign Assets Control, dated 11/6/2015, and Marla A. Freedman, Assistant Inspector General for Audit, Treasury OIG, dated 11/10/2015

*Financial Management: Audit of the United States Mint's Schedules of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2015 and 2014* (OIG-16-002, 10/29/2015)

*Information Memorandum for Secretary Lew, Department of the Treasury: Management and Performance Challenges Facing the Department of the Treasury* (OIG-CA-16-002, 10/30/2015)

*Letter to the Honorable Penny Pritzker, Secretary, U.S. Department of Commerce and Chairperson, Gulf Coast Ecosystem Restoration Council: 2015 Management and Performance Challenges* (OIG-CA-16-003, 10/30/2015)

*Information Technology: Debit Gateway's Disaster Recovery Exercise Experiencing Delays* (OIG-16-003, 11/6/2015)

*Financial Management: Report on the Bureau of the Fiscal Service Funds Management Branch Schedules for Selected Trust Funds as of and for the Year Ended September 30, 2015* (OIG-16-004, 11/6/2015)

*Financial Management: Audit of the Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2015 and 2014* (OIG-16-005, 11/6/2015)

*Bank Secrecy Act: FinCEN Continues to Face Challenges with Money Services Businesses* (OIG-16-006, 11/10/2015)

*Domestic Assistance-Recovery Act: Audit of Mississippi Home Corporation's Payment Under 1602 Program* (OIG-16-007, 11/10/2015)

*Financial Management: Audit of the Federal Financing Bank's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-008, 11/10/2015)

*Response to the Chairman, United States Senate Committee on Homeland Security and Governmental Affairs, and the Chairman, United States Senate Committee on the Judiciary, Request for Information on Open and Unimplemented Recommendations, Closed Investigations, and Other Matters* (OIG-CA-16-006, 11/12/2015)

*RESTORE Act: Louisiana Made Progress Establishing a Center of Excellence* (OIG-16-009, 11/12/2015)

*Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2015 Performance Audit* (OIG-16-010, 11/12/2015)

*Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2015 Independent Evaluation for Collateral National Security Systems* (OIG-CA-16-007, 11/12/2015)

*Financial Management: Audit of the Community Development Financial Institutions Fund's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-011, 11/13/2015)

*Financial Management: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2015 and 2014* (OIG-16-012, 11/16/2015)

*Financial Management: Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2015 and 2014* (OIG-16-013, 11/16/2015)

*Audit Termination Memorandum—State Small Business Credit Initiative Venture Capital Funds Audit* (OIG-CA-16-008, 11/16/2015)

*Financial Management: Audit of the Department of the Treasury's Closing Package Financial Statements for Fiscal Years 2015 and 2014* (OIG-16-014, 11/17/2015)

*Financial Management: Management Report for the Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Year 2015* (OIG-16-015, 11/17/2015) (Sensitive But Unclassified)

*Financial Management: Management Letter for the Audit of the Community Development Financial Institutions Fund's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-016, 11/18/2015)

*Small Business Lending Fund Corrective Action Verification: Treasury Effectively Monitored Small Business Lending Fund Participants' Compliance with Program Requirements* (OIG-16-017, 11/25/2015)

*Financial Management: Audit of the Exchange Stabilization Fund's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-018, 12/8/2015)

*RESTORE Act: Texas Made Progress in Establishing Centers of Excellence* (OIG-16-019, 12/11/2015)

*Financial Management: Audit of the United States Mint's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-020, 12/11/2015)

*Financial Management: Management Letter for the Audit of the United States Mint's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-021, 12/11/2015)

*Financial Management: Audit of the Alcohol and Tobacco Tax and Trade Bureau's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-022, 12/22/2015)

*DATA Act: USASpending.gov Refreshed, But Data Quality Issues Remain* (OIG-16-023, 12/22/2015)

*Financial Management: Audit of the Office of D.C. Pensions' Fiscal Year 2014 Balance Sheet* (OIG-16-024, 12/23/2015)

*Financial Management: Audit of the Office of D.C. Pensions' Fiscal Year 2015 Financial Statements and Fiscal Year 2014 Balance Sheet* (OIG-16-025, 12/23/2015)

*Domestic Assistance–Recovery Act: Audit of North Dakota Housing Finance Agency's Payment Under 1602 Program* (OIG-16-026, 1/5/2016)

*Financial Management: Audit of the Bureau of Engraving and Printing's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-027, 1/6/2016)

*Financial Management: Management Letter for the Audit of the Bureau of Engraving and Printing's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-028, 1/14/2016)

*Safety and Soundness: OCC Should Reconsider the Waiver of \$4.9 Million in Under-assessed Fees* (OIG-16-029, 1/15/2016)

*Audit Report on a Classified Program* (OIG-16-030, 1/19/2016) (Classified)

*Joint Purchase Card Violations Report* (OIG-CA-16-010, 1/20/2016)

*Financial Management: Audit of the Office of the Comptroller of the Currency's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-031, 1/22/2016)

*Financial Management: Management Letter for the Audit of the Office of the Comptroller of the Currency's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-032, 1/22/2016)

*Financial Management: Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-033, 2/1/2016)

*Financial Management: Management Letter for the Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-034, 2/3/2016)

*Financial Management: Management Letter for the Audit of the Department of the Treasury's Fiscal Years 2015 and 2014 Financial Statements* (OIG-16-035, 2/5/2016)

*Safety and Soundness: Failed Bank Review of Hometown National Bank, Longview, Washington* (OIG-16-036, 2/10/2016)

*U.S. Department of Justice OIG Peer Review System Report* (OIG-CA-16-011, 3/28/2016)

*OIG Panel–DATA Act: Presentation to the 15th Annual Association of Government Accountants Federal Financial Management Training (OIG-CA-16-012, 3/30/2016)*

## Audit Reports Issued with Questioned Costs

October 1, 2015, through March 31, 2016

Category	Total No. of Reports	Total Questioned Costs	Total Unsupported Costs
For which no management decision had been made by beginning of reporting period	2	\$1,866,295	\$0
Which were issued during the reporting period	0	\$0	\$0
Subtotals	2	\$1,866,295	\$0
For which a management decision was made during the reporting period	2	\$1,866,295	\$0
Dollar value of disallowed costs	2	\$1,866,295	\$0
Dollar value of costs not disallowed	0	\$0	\$0
For which no management decision was made by the end of the reporting period	0	\$0	\$0
For which no management decision was made within 6 months of issuance	0	\$0	\$0

## Audit Reports Issued with Recommendations that Funds Be Put to Better Use

October 1, 2015, through March 31, 2016

During the period, we did not issue any audit reports with recommendations that funds be put to better use by management. There were no reports with recommendations that funds be put to better use for which a management decision had not been made by the commencement of the period.

## Summary of Reports Issued Before October 1, 2015, for which no Management Decision Has Been Made as of March 31, 2016

There were no such reports for this reporting period.



## Significant Revised Management Decisions

October 1, 2015, through March 31, 2016

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

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## Significant Disagreed Management Decisions

October 1, 2015, through March 31, 2016

There were no management decisions this reporting period with which the Inspector General was in disagreement.

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## Peer Reviews

October 1, 2015, through March 31, 2016

### Office of Audit

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

During this semiannual reporting period, the Department of Labor (Labor) OIG performed a peer review of our office. In its report dated November 23, 2015, Labor OIG rendered a *Pass* rating for our system of quality control in effect for the year ended March 31, 2015. The external peer review did not identify any recommendations. External audit peer review reports of our office are available on the Treasury OIG [website](#).

On March 28, 2016, our office issued a report on our peer review of the Department of Justice OIG. The report did not include any recommendations.

All recommendations we made to the Inspector General of the Intelligence Community in our May 20, 2015, report on a peer review of the Office of the Inspector General of the Intelligence Community's audit organization were addressed as of the end of this reporting period.

### Office of Investigations

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

In August 2014, the General Services Administration OIG conducted a peer review of our office and found it to be in compliance with relevant guidelines.

During this reporting period, our office conducted peer reviews of the FDIC and the National Archives and Records Administration OIGs. Our reports on these peer reviews did not include recommendations.

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## Other Reporting Requirements and Requests

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

### Reviews of Bank Failures with Nonmaterial Losses

We conducted a review of one failed bank supervised by OCC with losses to the FDIC's Deposit Insurance Fund (DIF) that did not meet the definition of a material loss as defined in the Federal Deposit Insurance Act. The review was performed to fulfill the requirements found in 12 U.S.C. §1831o(k). The term "material loss" which, in turn, triggers a material loss review be performed is a loss to the DIF that exceeds \$50 million (with provisions to increase that trigger to a loss that exceeds \$75 million under certain circumstances).

For losses that are not material, the Federal Deposit Insurance Act requires that each 6-month period, the OIG of the Federal banking agency must (1) identify the estimated losses that have been incurred by the DIF during that 6-month period and (2) determine the grounds identified by the failed institution's regulator for appointing the FDIC as receiver, and whether any unusual circumstances exist that might warrant an in depth review of the loss. For each 6-month period, we are also required to prepare a report to the failed institutions' regulator and the Congress that identifies (1) any loss that warrants an in-depth review, together with the reasons why such a review is warranted and when the review will be completed; and (2) any losses where we determine no in depth review is warranted, together with an explanation of how we came to that determination. The table below fulfills this reporting requirement to the Congress for the 6-month period ended March 31, 2016. We issue separate audit reports on each review to OCC.

## Other Reporting Requirements and Requests

Bank Failures and Nonmaterial Loss Reviews				
Bank Name/ Location	Date Closed/ Loss to the DIF	OIG Summary of Regulator's Grounds for Receivership	In-Depth Review Determination	Reason/ Anticipated Completion Date of the In-Depth Review
Hometown National Bank, Longview, Washington	October 2, 2015 \$1.6 million	<ul style="list-style-type: none"> <li>• Dissipation of assets and earnings due to unsafe and unsound practices</li> <li>• Capital impaired</li> <li>• Failed to submit an acceptable capital restoration plan</li> </ul>	No	No unusual circumstances noted

### Joint Purchase Card Violations Report

The Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194, requires the head of each executive agency with more than \$10 million in purchase card spending annually, and each Inspector General of such an executive agency, on a semiannual basis, to submit to the Director of OMB a joint report on confirmed violations by employees of such executive agency and the related disciplinary actions. OMB prescribed the format for the semiannual report, which is transmitted by Treasury to OMB via the OMB Max Portal. We reviewed the report, "Semi-Annual Report on Purchase Card Violations for the Department of the Treasury Non-Internal Revenue Service" prepared by Treasury's Office of the Procurement Executive for the period of April 1, 2015, through September 30, 2015. The report showed that for the period, Treasury's non-IRS offices and bureaus had two confirmed violations involving misuse of a purchase card. The report also states that there were no violations pending investigation, hearing, final agency action, or decision on appeal. As part of our work to verify the information reported, we inquired of Office of the Procurement Executive staff about their procedures to identify reportable matters and reviewed the corrective action plans for the two confirmed violations. We also inquired of the OIG Office of Investigations and the Counsel to the Inspector General to obtain information on any cases of OIG-confirmed purchase card violations during the period, of which there were none. **(OIG-CA-16-010)**

### Response to Chairman Johnson and Chairman Grassley

On November 12, 2015, we responded to a standing request from Chairman Johnson, Senate Committee on Homeland Security and Governmental Affairs, and

Chairman Grassley, Senate Committee on the Judiciary, on seven questions: (1) the number and total dollar value of outstanding unimplemented recommendations—we reported 72 such recommendations with a total potential cost savings of \$48.9 million as of September 30, 2015, (we also reported that for a recommendation related to deficiencies with the Earned Income Tax Credit, IRS had estimated the improper payments associated with the tax credit program to be \$17.7 billion for fiscal year 2014); (2) a description of all audits evaluations, or investigations provided to the agency for comment but not responded to within 60 days—we reported one such delay between the period March 25, 2015, through September 30, 2015. The delay related to a classified memorandum that was issued in connection with an OIG audit report titled *OSP Needs to Promptly Inform OIG of Potential Illegal Activity and Improve Other Processes* (Report No. OIG-15-040; issued July 27, 2015); (3) a description of any investigation involving GS-15 level or above employees where misconduct was found, but no prosecution resulted—we reported two such investigations, involving United States Mint and Fiscal Services senior employees, between the period March 25, 2015, through September 30, 2015; (4) a description of any instance of whistleblower retaliation—we reported no such instances between the period March 25, 2015, through September 30, 2015; (5) a description of any attempt to interfere with Inspector General independence—we reported no such instances between the period March 25, 2015, through September 30, 2015; (6) a description of any incident where the Department has resisted or objected to our oversight activities or restricted or significantly delayed access to information—we reported no such incidents between the period March 25, 2015, through September 30, 2015; and (7) a description of any investigation, evaluation, audit, or report that is closed and was not disclosed to the public—we reported 37 closed investigations and 6 audit reports between the period March 25, 2015, through September 30, 2015. **(OIG-CA-16-006)**

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## References to the Inspector General Act

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## Abbreviations

ASM	Assistant Secretary of Management
Center of Excellence	Centers of Excellence Research Grant Programs
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DATA Act	Digital Accountability and Transparency Act of 2014
DCFO	Deputy Chief Financial Officer
DHS	Department of Homeland Security
DIF	Deposit Insurance Fund
DTO	Data Transparency Office
DRE	Disaster Recovery Exercise
Enhancement Project	USASpending.gov Enhancement Project
EO	Executive Order
FDIC	Federal Deposit Insurance Corporation
FinCEN	Financial Crimes Enforcement Network
FISMA	Federal Information Security Modernization Act of 2014
Fiscal Service	Bureau of the Fiscal Service
GAO	Government Accountability Office
IPA	independent public accountant
IRS	Internal Revenue Service
KPMG	KPMG LLP
MHC	Mississippi Home Corporation
MSB	money services businesses
NDHFA	North Dakota Housing Finance Agency
NIST	National Institute of Standards and Technology
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Assets Control
OIG	Office of Inspector General
OMB	Office of Management and Budget
PII	Personally Identifiable Information
Recovery Act	American Recovery and Reinvestment Act of 2009
RESTORE Act	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012
RTO	Recovery Time Objective
SBLF	Small Business Lending Fund
SSA	Social Security Administration
Treasury	Department of the Treasury
USPIS	U.S. Postal Inspection Service

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# The Treasury Building Liberty Bell



The replica Liberty Bell outside the west wing of the Treasury Building is one of a series created for a \$650 million dollar "Independence Savings Bond" drive in 1950. Funded by private industry, bells were cast and sent to each State, the Virgin Islands, and the District of Columbia. With the slogan "Save for Your Independence," the replica bells traveled throughout each State and helped inspire Americans to save for their future. (Source: The Treasury Curator and Treasury Graphics Branch)

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### Treasury OIG Website

Access Treasury OIG reports and other information online:

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

### Report Waste, Fraud, and Abuse

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

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

Email: [Hotline@oig.treas.gov](mailto:Hotline@oig.treas.gov)

Submit a complaint using our online form:

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