

Annual Plan Fiscal Year 2016

OIG-CA-16-001

Office of Inspector General
Department of the Treasury



Foreword

This annual plan outlines the fiscal year (FY) 2016 Department of the Treasury (Treasury or the Department) Office of Inspector General (OIG) audit and investigative priorities. The planned work focuses on Treasury's major initiatives and challenges, and takes into consideration OIG's *Strategic Plan for Fiscal Years 2016 - 2020*.

As this plan illustrates, we have prioritized our resources to provide oversight of the most significant and highest risk Treasury programs and operations under our jurisdiction. For FY 2016, our oversight efforts will place top priority in the following areas: (1) cyber threats, (2) the continued implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (3) management of Treasury's authorities intended to support and improve the economy, (4) anti-money laundering and terrorist financing/Bank Secrecy Act enforcement, (5) efforts to promote spending transparency and to prevent and detect improper payments, and (6) administration of the Gulf Coast Restoration Trust Fund.

Other areas of emphasis for FY 2016 include mandated audits as required by the Government Management Reform Act of 1994, the Federal Information Security Modernization Act of 2014 (FISMA), the Federal Deposit Insurance Act, and the Improper Payments Act, among others. Additionally, we will continue to perform audit work related to the Treasury's responsibilities under the Digital Accounting and Transparency Act of 2014 (DATA Act).

The projects described in this plan address those areas of known and emerging risks and vulnerabilities. As in the past, we encourage Department and bureau management to use this plan for areas of self-assessment.

October 2015

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Overview

Mission Statement

The Department of the Treasury (Treasury or the Department) Office of Inspector General (OIG) conducts independent and objective audits and investigations to promote integrity, efficiency, and effectiveness in programs and operations across its jurisdictional boundaries.

Background

In 1989, the Secretary of the Treasury established OIG in accordance with the 1988 amendments to the Inspector General Act. The OIG is to accomplish the following:

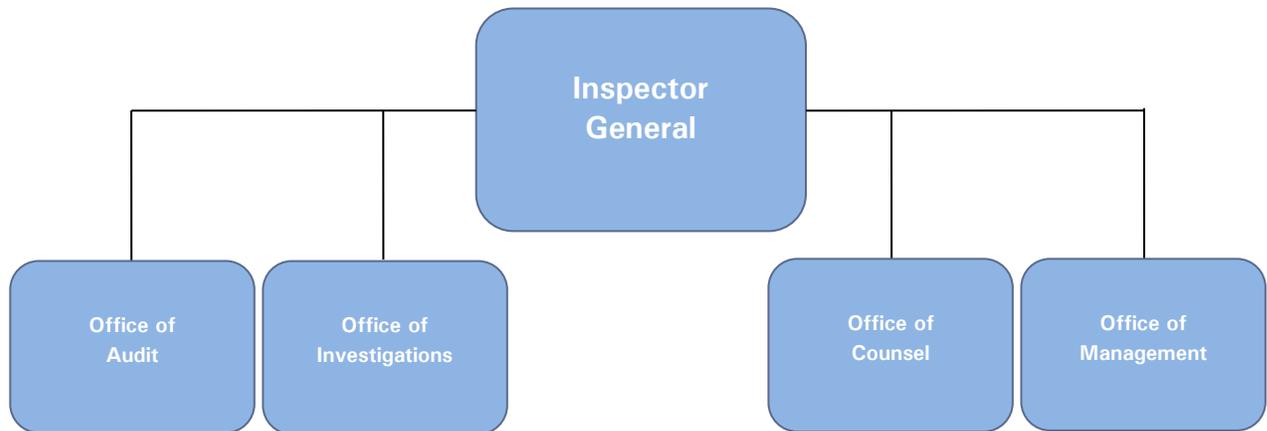
- Conduct and supervise audits and investigations of Treasury programs and operations except for the Internal Revenue Service (IRS), which is under the jurisdictional oversight of the Treasury Inspector General for Tax Administration (TIGTA), and the Troubled Asset Relief Program (TARP), which is under the jurisdictional oversight of a Special Inspector General.
- Provide leadership and coordination of policies that (1) promote economy, efficiency, and effectiveness in Treasury programs and operations and (2) prevent and detect fraud and abuse in Treasury programs and operations.
- Keep the Secretary of the Treasury and Congress fully and currently informed about problems and deficiencies in Treasury programs and operations.

The OIG also has audit and investigative oversight for the Gulf Coast Ecosystem Restoration Council (Council), an independent Federal entity presently chaired by the Secretary of Commerce, and the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program) administered by the National Oceanic and Atmospheric Administration (NOAA) of the U.S. Department of Commerce.

Organizational Structure and Fiscal Resources

OIG is headed by an Inspector General appointed by the President with the advice and consent of the Senate. As shown below, OIG's organization is comprised of

four offices. All report to the Inspector General and are headquartered in Washington, D.C. OIG also has an audit field office in Boston, Massachusetts.



For fiscal year (FY) 2016, the President requested approximately \$35.4 million for direct appropriations for OIG. Up to \$2.8 million of that total is to be available for audits and investigations conducted pursuant to Section 1608 for the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Audits and investigations of the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI) are funded on a reimbursable basis by the SBLF and SSBCI program offices, and annual financial statement audits of Treasury and certain components are funded through the Treasury Departmental Offices annual salaries and expense appropriation. Estimated reimbursable funding for fiscal year 2016 is \$1.0 million for SBLF oversight, \$2.0 million for SSBCI oversight, and \$6.0 million for annual financial statement audits of Treasury offices and bureaus.

Performance Measures

OIG established the following FY 2016 performance measures for the Offices of Audit and Investigations:

Office of Audit Performance Measures

- Complete 77 audit products
- Complete 100 percent of mandated audits by the required date
- Identify monetary benefits where appropriate

Office of Investigations Performance Measure

- Ensure 80 percent of investigative work product is referred for civil or criminal prosecution or administratively to a Treasury bureau for appropriate action

Fiscal Year 2016 Priorities

Audit Priorities

OIG established three audit priorities for FY 2016:

Priority 1 Audit Products Mandated by Law

OIG allocates significant resources to meet mandated audit requirements, which include (1) audited financial statements and financial-related review work, (2) information security, (3) the SBLF Program authorized by the Small Business Jobs Act of 2010, and (4) bank failures pursuant to requirements in the Federal Deposit Insurance Act. We also perform work in response to Congressional directives. Pursuant to authorities under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), we support the Council of Inspectors General on Financial Oversight (CIGFO) by leading or participating on CIGFO working groups that evaluate the effectiveness and internal operations of the Financial Stability Oversight Council (FSOC).

Priority 2 Work Requested by Treasury Management, Congress, or Other External Source

OIG typically receives two to three requests each year from Treasury management or Congress to perform specific work. The requested work is often already in our plan and requires only that we adjust the work schedule or scope. If the requested work is in a new area, we assess whether the work should be performed.

Priority 3 Self-directed Work in Treasury's Highest Risk Areas

With the resources available after we have completed mandated audits and requested work, we conduct audits to assess Treasury's progress in addressing significant known and emerging risks and vulnerabilities. For FY 2016, our self-directed work will focus on Treasury's responsibilities as they relate to cybersecurity, implementation of Dodd-Frank, anti-money laundering/terrorist financing programs, administration of programs authorized by the RESTORE Act,

Treasury’s “Do Not Pay” Initiative, and the Digital Accountability and Transparency Act of 2014 (DATA Act).

For a tabular presentation of our planned FY 2016 OIG staff resource utilization by audit priority see Appendix A.

Treasury OIG Strategic Plan

OIG aligned its *Strategic Plan for Fiscal Years 2016-2020* with Treasury’s mission to maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government’s finances and resources effectively. The Treasury OIG mission is to promote the integrity, efficiency, and effectiveness of programs and operations across its jurisdictional boundaries. We accomplish this through four strategic goals:

- Promote the integrity, efficiency, and effectiveness of programs and operations across Treasury OIG’s jurisdictional boundaries through audits and investigations
- Proactively support and strengthen the ability of programs across Treasury OIG’s jurisdictional boundaries to identify challenges and manage risks
- Fully and currently inform stakeholders of Treasury OIG findings, recommendations, investigative results, and priorities
- Enhance, support, and sustain a workforce and strengthen internal operations to achieve the Treasury OIG mission, vision, and strategic goals

Relationship between Treasury’s Strategic Goals and Treasury OIG’s Annual Plan Issue Areas

To accomplish its mission, Treasury identified five strategic goals for FY 2014 to FY 2017. OIG will focus its work on nine issue areas shown in the table below as they relate to Treasury’s strategic goals.

Treasury Strategic Goal	OIG Issue Area
Promote domestic economic growth and stability while continuing reforms of the financial system	<ul style="list-style-type: none"> • Safety, Soundness, and Accessibility of Financial Services • Domestic and International Assistance Programs • Bill and Coin Manufacturing, Marketing, and Distribution • Gulf Coast Restoration Trust Fund Oversight • Small Business Lending Fund and State Small Business Credit Initiative Programs
Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth	<ul style="list-style-type: none"> • Domestic and International Assistance Programs • Terrorist Financing, Money Laundering, and Foreign Assets Control
Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems	<ul style="list-style-type: none"> • Government-wide Financial Services and Debt Management • Revenue Collection and Industry Regulation
Safeguard the financial system and use financial measures to counter national security threats	<ul style="list-style-type: none"> • Terrorist Financing, Money Laundering, and Foreign Assets Control
Create a 21 st -century approach to government by improving efficiency, effectiveness, and customer interaction	<ul style="list-style-type: none"> • Treasury General Management and Infrastructure Support

Office of Audit Initiatives

The Office of Audit plans to start 75 projects in FY 2016 and complete 67 projects started in prior years. We have identified 167 high-priority projects that must be deferred beyond FY 2016. For descriptions of our in-progress and planned work, as well as projects for future consideration, see the Planned Projects by OIG Issue Area section of this document.

Investigative Priorities

OIG established six investigative priorities for FY 2016.

Priority 1 Criminal and Serious Employee Misconduct

Our highest priority is investigating complaints involving alleged criminal and other serious misconduct by Treasury employees. OIG investigates allegations of the general crimes enumerated in Title 18 of the U.S. Code, other Federal crimes, alleged violations of the Ethics in Government Act, and allegations of serious misconduct prohibited by the Standards of Ethical Conduct for Employees of the Executive Branch. Several Treasury bureaus and offices have additional rules and regulations relating to ethical standards for their own employees and OIG investigates complaints of alleged violations of these rules and regulations.

Priority 2 Fraud Involving Contracts, Grants, Guarantees, and Funds

We conduct investigations into allegations of fraud and other crimes involving Treasury contracts, grants, loan guarantees, and Federal funds. Such allegations often involve contractors, entities, and individuals who are providing or seeking to provide goods or services to the Department. We receive complaints alleging criminal or other misconduct from employees, contractors, members of the public, and Congress.

Priority 3 Financial Programs and Operations Crime

We conduct and supervise criminal investigations relating to Treasury financial programs and operations. These programs and operations involve issuing licenses, providing benefits, and exercising oversight of U.S. financial institutions. We investigate criminal activity associated with improper payments made due to false claims to the Treasury and stolen and fraudulently redirected Treasury payments.

Priority 4 Threats Against Treasury Employees and Facilities

Our investigative efforts into threats against Treasury employees and facilities are critical in ensuring safety for the Department. To protect those involved, these matters require prompt attention and coordination with Federal, state, and local authorities. In addition, the OIG has responsibilities in connection with the Department's Continuity of Operations Plan.

Priority 5 Investigating Fraud Related to Criminals Impersonating Treasury Agents and Employees

We conduct investigations into criminal activity associated with individuals who attempt to scam citizens by fraudulently purporting to be Treasury Agents or employees. These matters have become more prevalent and require prompt

coordination with Federal, State, and local authorities to protect the targets of the scams.

Priority 6 Identifying and Investigating Fraud Related to the RESTORE Act

The RESTORE Act commits 80 percent of all administrative and civil penalties related to the Deepwater Horizon spill to a Gulf Coast Restoration Trust Fund. It outlines a structure for using the funds to restore and protect the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, coastal wetlands, and economy of the Gulf Coast region. As such, the act assigns Treasury several roles in administering the Trust Fund, including authorizing the Inspector General to investigate projects, programs, and activities funded under the act.

Counsel Initiatives

The Office of Counsel supports OIG audit, investigative, and other oversight activities by responding to requests for legal advice and reviewing and processing requests for the issuance of Inspector General subpoenas. In the area of disclosure, the office provides responses to Freedom of Information Act and Privacy Act requests. It carries out its litigation responsibilities in cases related to the Merit Systems Protection Board and Equal Employment Opportunity Commission, as necessary.

Based on experience, the Office of Counsel expects to process 50 initial Freedom of Information Act/Privacy Act requests and 3 appeals from those initial responses in FY 2016. With regard to the Electronic Freedom of Information Act, the office expects to review approximately 80 audit, evaluation, and oversight reports to be posted on OIG's website and to accomplish these additional tasks:

- provide ethics and standards of conduct training for all employees; and timely review of all required confidential and public financial disclosure reports;
- review and update, as needed, Privacy Impact Assessments for OIG operations and provide procedural review and training services;
- respond to *Giglio*¹ requests, coordinate responses to document requests from Congress, respond to media inquiries, and respond to discovery requests arising from litigation involving the Department and its bureaus;

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

- provide training on the Inspector General Act and other subjects in connection with new employee orientation and in-service training;
- serve as Whistleblower Ombudsman, as defined in the Whistleblower Protection Enhancement Act;
- review, as statutorily mandated, legislative and regulatory proposals and, where appropriate, coordinate comments; and review all allegations of misuse of the Treasury seal, name, and identification; and prepare cease and desist orders and penalty assessments, as needed, to carry out OIG's authority to enforce 31 U.S.C. 333, Prohibition of misuse of Department of the Treasury names, symbols, etc.

Management Initiatives

The Office of Management provides a range of administrative support to OIG offices, including budget and finance, facilities management, procurement, human resources, security, records management, asset management, and information technology (IT) services. A working agreement with the Treasury's Bureau of the Fiscal Service (Fiscal Service) Administrative Resource Center (ARC) provides augmented support for travel, procurement, budget execution, and accounting services.

During FY 2016, the Office of Management will focus primarily on consolidating OIG's three Washington, D.C., offices into a single location. The office will also lead an effort to implement OIG's new 5-year Strategic Plan.

The office's administrative services component will manage the purchase-card program, the travel program, and all contracts valued at more than \$3,000 threshold. It will also administer the public transit program and oversee security and safety initiatives. Administrative services will continue to maintain an active program for the economical and efficient management of OIG's records. The program will implement presidential directives to integrate concepts and practices for electronic records management with comprehensive information management policies. In addition, during FY 2016 administrative services will maintain an effective and comprehensive safety and health program to comply with regulations promulgated under the Occupational Safety and Health Act of 1979.

During FY 2016, OIG Security will continue to manage the Personal Identify Verification (PIV) Data Synchronization business process map, which shows linkages to HRConnect and USAccess for employee sponsorship and PIV card issuance. Security services will also continue to design and execute measures to

prevent unauthorized access to OIG facilities, equipment and resources to ensure the protection of personnel and property from damage or harm. Security services include the following:

- initiating and adjudicating required background investigations,
- granting security clearances for access to classified information,
- maintaining electronic database records, and
- providing verification of security clearances for customers and processing requests for access to Sensitive Compartmented Information.

The Office of Management will take additional steps to train employees in security procedures.

The Office of Management's budget and finance component will work with the ARC to increase the timeliness of financial information and accuracy of budget projections, while adapting to the uncertainties of the Federal budgeting process. The office will continue to provide for the efficient and effective reconciliation of financial transactions as well as:

- provide monitoring and oversight of billing and invoice approvals to ensure full compliance with the Prompt Payment Act and "Do Not Pay" list procedures issued by the Office of Management and Budget (OMB)
- prepare and execute interagency agreements for services provided or rendered
- respond to budget data calls
- liaise with the ARC for any system changes that affect OIG budgeting or accounting, such as establishing new cost centers to better and more accurately account for oversight of new programs and responsibilities

The Office of Management's human resources component will assist hiring managers to recruit, hire, and retain employees within existing budget constraints. It will expand and institutionalize the supervisory training program. In addition, human resources will update and expand succession-planning efforts, strengthen OIG performance management, and conduct a review and analysis of employee electronic official personnel folders.

The Office of Management's IT component will continue to seek efficiencies through virtualization and service consolidation. Efforts continue to enhance the OIG's general support system; improve the ability of OIG employees to collaborate, either on-site or remotely; enhance the quality and choice of mobile communications; and ensure that all systems are fully maintained, operational, and

in compliance with information security requirements. IT will deploy electronic records management tools to support OIG's records-management initiatives, and will provide information management tools to ensure personnel have the resources and ability to access OIG information and make timely decisions.

Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000, the Treasury Inspector General annually provides his perspective on the most serious management and performance challenges facing the programs and operations across Treasury OIG's jurisdictional boundaries. The Inspector General's annual Management and Performance Challenges Letter are available, in their entirety, on the Treasury OIG website.

Treasury

In a letter to Secretary Lew dated October 23, 2014, Inspector General Thorson reported six challenges facing Treasury; two new challenges and four repeat challenges from the previous year. The following is a synopsis of the matters included in that letter.

Cyber Threats (New Challenge)

For the last several years, we have reported our growing concern with cybersecurity. This year we elevated cyber threats to the Department's top challenge because it represents one of the most serious problems facing the nation. We depend on a reliable critical infrastructure, including information systems and networks, to manage national security and economic threats. This challenge focuses on Treasury's ability to provide effective leadership to financial institutions, in particular, and more generally to the financial sector to strengthen awareness of and preparedness for cyber threats.

Continued Implementation of Dodd-Frank (Repeat Challenge)

The intention of Dodd-Frank is most notably to prevent, or at least minimize, the impact of future financial sector crisis on the U.S. economy. We believe the management challenge is maintaining an effective FSOC process, supported by Treasury's Office of Financial Research (OFR) and Federal Insurance Office (FIO) that timely identifies and appropriately responds to emerging risks.

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

Congress provided Treasury with broad authorities to address the financial crisis under the Housing and Economic Recovery Act of 2008 (HERA), Emergency

Economic Stabilization Act of 2008 (EESA), American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010. This challenge focuses on Treasury's management of these programs and its outstanding investments.

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 U.S. financial networks to sustain their operations or launch attacks against the United States. Other concerns on the horizon include the increasing use of (1) mobile devices for banking, Internet banking, Internet gaming, and peer-to-peer transactions and (2) virtual currencies. Given the criticality of this challenge to Treasury's mission, we continue to consider anti-money laundering and combating terrorist financing as inherently high-risk.

Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments (New Challenge)

The DATA Act, signed into law in May 2014, is intended to increase and improve the public availability of information about Federal spending by ensuring that the Federal Government provides consistent, reliable, and useful online data about how it spends taxpayer dollars. The DATA Act imposes certain requirements on the Secretary of the Treasury, the OMB Director, the Inspectors General of each federal agency, and the Comptroller General of the United States. In addition, extreme pressure on the budget has intensified efforts to reduce improper payments in major Federal programs. 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.

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 April 2010 Deepwater Horizon oil spill. Treasury announced that, as of October 2014, eligible states and local governments could apply for and receive grants to support the recovery of affected communities. The appropriate disbursement and use of these funds will be a focus of our work going forward.

Our letter also highlighted two areas of concern:

- challenges with currency and coin production
- lapses by the Department in maintaining a complete and concurrent record of key activities and decisions

Gulf Coast Ecosystem Restoration Council

In an October 28, 2014, letter to Secretary of Commerce Pritzker, in her role as Chair of the Gulf Coast Ecosystem Restoration Council, Inspector General Thorson acknowledged the formidable task of establishing the Council as a new Federal entity and reported one challenge with regard to its on-going stand-up activities.

Implementing an Infrastructure to Administer Gulf Coast Restoration Activities

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 of the monies deposited into the Gulf Coast Restoration Trust Fund. The Council faces the challenge of operating 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 also needs to develop the infrastructure—including permanent staffing, information technology, and sound internal control—and put the necessary policies and procedures in place to administer grants and interagency agreements under the Comprehensive Plan and Spill Impact Components.

In Progress and Planned Projects, by OIG Issue Area

Treasury General Management and Infrastructure Support: Financial Management

Background

Mandates

Financial audits are required for the Department and certain component entities pursuant to various statutes and other reporting requirements. The Government Management Reform Act of 1994 requires an annual audit of Treasury's consolidated financial statements. OMB or other laws require several Treasury components to issue stand-alone audited financial statements:

- Internal Revenue Service (IRS)
- Bureau of Engraving and Printing (BEP)
- Federal Financing Bank
- U.S. Mint (Mint)
- Treasury Forfeiture Fund
- Office of D.C. Pensions Assets
- Community Development Financial Institutions (CDFI) Fund
- Office of Financial Stability

In addition, the Office of the Comptroller of the Currency (OCC), the Exchange Stabilization Fund, and the Alcohol and Tobacco Tax and Trade Bureau (TTB) financial statements are audited as management initiatives.

Independent public accounting firms, under contract with and supervised by OIG, audit the Department's consolidated financial statements and the financial statements of component entities, with some exceptions. The U.S. Government Accountability Office (GAO) audits IRS' and Office of Financial Stability's financial statements, as well as the Fiscal Service's Schedule of Federal Debt. OIG staff audit the Mint's Schedule of Custodial Deep Storage Gold and Silver Reserves and Treasury's Schedule of United States Gold Reserves Held by Federal Reserve Banks.

Program Responsibilities

Treasury has responsibility for certain programs that will be reviewed as part of the audit of the FY 2016 Department-wide financial statements including programs established by the following acts:

- Housing and Economic Recovery Act of 2008
- Emergency Economic Stabilization Act of 2008
- American Recovery and Reinvestment Act of 2009
- Small Business Jobs Act of 2010
- Terrorism Risk Insurance Act of 2002, as extended and reauthorized by the Terrorism Risk Insurance Reauthorization Act of 2007 and
- Terrorism Risk Insurance Program Reauthorization Act of 2015.

The terrorism risk insurance program was enacted under the terrorism risk insurance acts to stabilize market disruptions that result from acts of terrorism. The program has a cap on annual liability for insured losses of \$100 billion and is in place to pay 84 percent of the insured losses arising from acts of terrorism above insurers' deductibles until it expires December 31, 2020.

Treasury Franchise Fund Shared Services Programs

The Treasury Franchise Fund Shared Services Programs (SSPs) provide common administrative services across the Department, achieving economies of scale and eliminating duplication of effort. These services are provided on a reimbursable basis to Treasury components at rates that recover SSP operating expenses. For FY 2016, the SSPs budgeted \$220 million in program costs including \$130 million in shared costs.

Improper Payments

The Improper Payments Information Act of 2002 (IPIA) requires Federal agencies to review and identify programs and activities susceptible to improper payments each year. Agencies must report estimates of improper payments to Congress along with actions to reduce estimated improper payments that exceeded \$10 million.

Executive Order (E.O.) 13520, "Reducing Improper Payments and Eliminating Waste in Federal Programs," signed by the President in 2009, requires Federal agencies to intensify their efforts to eliminate payment error, waste, fraud, and abuse in major Federal programs and provide their inspectors general with detailed information on efforts to identify and reduce the number of improper payments in Federal programs.

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) amended IPIA and expanded requirements for the reporting and recapture of improper payments. IPERA requires each agency to periodically review all programs and activities susceptible to significant improper payments. If a determination is made that a program is susceptible to significant improper payments, the agency must (1) estimate the amount of the improper payments, (2) report on actions being taken by the agency to reduce improper payments, (3) report on actions being taken to recover improper payments, and (4) include this information in the accompanying materials to the annual financial statements. IPERA also requires agencies to conduct recovery audits of each program and activity that expends more than \$1 million annually, if not prohibited by law and if it would be cost effective. The Inspector General of each agency is required to annually determine whether the agency is in compliance with IPERA.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) further expanded agency requirements to foster greater accountability for improper payments. Like E.O. 3520, IPERIA requires the OMB Director to identify a list of high-priority programs and requires OMB to coordinate with agencies to establish annual targets and semi-annual or quarterly actions for reducing improper payments. Agencies must submit an annual report to their Inspector General on actions taken or planned to (1) recover improper payments and (2) prevent future improper payments. The report is required to be available to the public on a central website, and OMB requires the report be included in the Agency Financial Report.

Managerial Cost Accounting

Managerial cost accounting should be a fundamental part of a financial performance management system. It involves the accumulation and analysis of financial and nonfinancial data, resulting in the allocation of costs to organizational pursuits such as performance goals, programs, activities, and outputs. Both our office and GAO have reported the need for Treasury to more effectively implement managerial cost accounting. The Department developed a high-level plan for implementing managerial cost accounting and revised policy to improve managerial cost accounting practices throughout Treasury to promote consistency wherever possible, and address OIG and GAO concerns.

Known Weaknesses

The Department received an unmodified audit opinion on its FY 2014 consolidated financial statements. The independent public accounting firm's audit report disclosed the following internal control deficiencies:

- material weakness in internal control over financial reporting at IRS (repeat condition)
- significant deficiency in internal control in information systems controls at Fiscal Service (repeat condition)

The auditor also reported (1) an Anti-deficiency Act violation related to uncompensated services provided to the Department and (2) a finding that the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act related to Federal financial management system requirements and applicable Federal accounting standards.

In Progress and Planned FY 2016 Projects

Audits of Treasury Financial Statements and of Financial Statements or Schedules for Component Entities and Activities (In Progress)

During FY 2016, we will complete audit work for the FY 2015 financial statements and schedules and begin audit work for the FY 2016 financial statements and schedules. These audits will determine whether the financial statements and schedules are fairly presented in all material respects and will report on internal control and on compliance with laws and regulations that could have a direct and material effect on the financial statements.

Improper Payments

We plan to assess Treasury's compliance with IPERA and other improper payment reporting requirements included in E.O. 13520 and IPERIA for FY 2015. We plan to coordinate with TIGTA to provide an overall assessment of Treasury's compliance and review high-priority Treasury programs.

Controls over the Review of Unliquidated Obligations

Unliquidated obligations are obligations of budgetary resources that have been designated for a specific purpose but not yet disbursed, such as an account payable for an item ordered or received but not yet paid for. As of September 30, 2014, Treasury's total unpaid obligations were \$131 billion. Reviews of unliquidated

obligations are necessary to properly report obligation balances, certify the validity of obligated balances, and make funds available for expenditure that otherwise would not be used.

We plan to assess management controls and procedures that guide the review of unliquidated obligations by Treasury and non-IRS component entities.

Projects under Consideration for Future Fiscal Years

Office of D.C. Pensions' Quality Assurance for Annuitant Benefit Payments

The Office of D.C. Pensions implements the Secretary's responsibilities under the Balanced Budget Act of 1997 to make timely and accurate Federal benefit payments associated with the D.C. Retirement Programs for police officers, firefighters, teachers, and judges. These benefit payments totaled \$545 million in FY 2014. During past financial statement audits, the auditor identified errors in annuitant payment amounts.

We plan to assess whether the Office of D.C. Pensions' quality assurance program is designed and operating effectively to detect and correct mistakes in the processing of annuitant benefit payments.

Cash Discounts

A cash discount is a reduction to the amount of an invoice that a seller offers a buyer in exchange for paying an invoice before its scheduled payment due date. Considering the high volume of bills paid by Treasury, significant savings can be achieved by taking advantage of cash discounts.

The Treasury Financial Manual (TFM) provides a methodology to follow to determine whether a cash discount should be taken. TFM requires that agency payment systems incorporate procedures that take advantage of cash discounts as a matter of routine.

We plan to assess TFM's cash discounts policy and determine whether Treasury and its components are adhering to it to take full advantage of cash discount opportunities.

Treasury Franchise Fund Shared Services Programs

We plan to determine whether the Treasury Franchise Fund established adequate controls over its SSPs. As part of the overall audit, we plan to determine whether:

- activities are appropriate for inclusion into SSPs,

- reconciliations between actual costs incurred by SSPs and costs billed to participating Treasury bureaus exist, are timely prepared, and consistent,
- costs charged by SSPs are appropriate,
- costs charged by SSPs to specific bureaus are supported by appropriate documentation, and
- assumptions, data, processes, and models used by SSPs to estimate its annual costs are reasonable.

We will coordinate our work as necessary with TIGTA.

Managerial Cost Accounting

We plan to assess whether Treasury implemented managerial cost accounting comprehensively and effectively.

Fiscal Service's Reporting of Treasury Managed Accounts Activity to Program Entities

Fiscal Service provides accounting services for non-entity assets, non-entity costs, and custodial revenue accounts. These accounts are held or managed on behalf of other program entities and are referred to as Treasury Managed Accounts (TMA). TMAs consist of deposit funds, receipt accounts, and appropriated accounts requiring functions such as the issuance of payments, making deposits and performing collections. As of September 30, 2014, TMA revenue totaled \$103.5 billion and TMA costs or payments totaled \$14.1 billion.

We plan to assess whether Fiscal Service is providing appropriate, useful, and accurate reports on TMA activity to program agencies for use in managing their programs.

Treasury's Use of Official Reception and Representation Funds

Entertainment is not a proper expenditure unless Congress has authorized it. One way Congress does this is by appropriating sums for "official reception and representation expenses." Official reception and representation appropriations are typically sought, justified, and granted in the context of an agency's need to interact with various nongovernment individuals or organizations. The President's Budget for FY 2016 includes \$403,500 for official reception and representation expenses for Treasury.

Planned Projects by OIG Issue Area

We plan to assess whether Treasury has adequate controls over the expenditure of official reception and representation funds and whether these funds are used to further Treasury's mission.

Treasury General Management and Infrastructure Support: Information Security

Background

Cybersecurity is one of the most serious challenges facing our nation. The dynamics of cyberspace and rapidly changing technologies (such as open source software, cloud computing, virtual technologies, social networking, and mobile devices) provide greater convenience and accessibility; but increase vulnerabilities to information and information systems. Cyber threats to U.S. national and economic security continue to grow in number and sophistication, increasing the risk that essential services could be degraded or interrupted or that sensitive information could be stolen or compromised. E.O. 13694, “Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities,” which the President signed in April 2015, authorized Treasury to impose sanctions on individuals or entities behind cyberattacks and cyber espionage.

Mounting cyber threats from foreign intelligence services, terrorists, organized crime groups, hacktivists, and hackers pose significant risks to the confidentiality, integrity, and availability of Treasury’s information and infrastructure. Insider threats pose further significant risks to Treasury’s mission and operations. Insiders have institutional knowledge, authorized access to Treasury’s critical systems and sensitive information, as well as associated trust granted to the level of access. As cyber threats continue to increase in frequency, scale, and sophistication, they pose an ongoing challenge for Treasury to safeguard its internal systems and operations and improve the cybersecurity of the nation’s financial sector it oversees. A successful cyber-attack could result in:

- disrupting key Treasury functions (such as collecting revenues, issuing payments, managing the Government’s cash and debt, producing coins and currency, and preventing financial crimes)
- compromising classified or sensitive Treasury information
- obtaining or disclosing information on private citizens
- destroying or altering information needed to accomplish Treasury’s missions
- stealing valuable equipment or technology
- inappropriately using Treasury resources

We found in our recent penetration tests of selected Treasury bureaus and offices that security measures were not sufficient to fully prevent and detect intrusions to networks and systems. In one case, we found that a default configuration setting provided public access to personally identifiable information.

Accordingly, in his October 2014 memorandum to Secretary Lew, the Treasury Inspector General elevated cyber threats to the top management and performance challenge facing Treasury. Because cybersecurity is critical to Treasury's mission and operations, Treasury management must ensure an effective information security program to mitigate cybersecurity risks and ensure proper protections for Treasury's information and information systems.

Mandates

The Federal Information Security Modernization Act of 2014 (FISMA) requires Federal agencies to have an annual independent evaluation of their information security program and practices and to report the results of the evaluations to OMB. To meet our FISMA requirements, we contracted an independent certified public accounting firm to perform the FISMA evaluation of Treasury's unclassified systems, except for those of IRS. TIGTA conducts the evaluation of the IRS' information security program and practices. We may exercise a contract option to conduct an audit for Treasury's program and practices for its unclassified systems. In addition, we may exercise a contract option to perform the FISMA evaluation or audit covering Treasury's collateral national security systems. Our staff conducts the FISMA audit of Treasury's intelligence systems.

Based on the results of the FY 2014 evaluations, KPMG LLP (KPMG), under our supervision, concluded that Treasury established an information security program and related practices for its unclassified and collateral national security systems consistent with FISMA requirements, OMB policy, and National Institute of Standards and Technology (NIST) standards and guidelines. However, KPMG identified the need for improvement in 7 of 11 FISMA program areas for Treasury's unclassified systems (excluding those of the IRS): identity and access management, incident and response reporting, risk management, security training, contingency planning, Plan of Actions and Milestones, and configuration management.

Program Responsibilities

Cross-Agency Priority Goals

The Government Performance and Results Modernization Act of 2010 requires that the Federal Government set two types of Cross-Agency Priority (CAP) Goals:

Planned Projects by OIG Issue Area

- outcome-oriented goals that cover a limited number of crosscutting policy areas
- management improvements across the Federal Government in the areas of IT, financial management, human resources, and real property

Fourteen CAP Goals are identified in areas where increased cross-agency coordination on outcome-focused areas is likely to improve progress. The Cybersecurity CAP Goal helps Federal agencies improve cybersecurity performance by focusing efforts on the type and volume of data and information entering and exiting their networks, who is on their systems, and what components are on their information networks, as well as when system security statuses change. Executive branch departments and agencies were to achieve 95 percent implementation of the Administration's priority cybersecurity capabilities by the end of FY 2014, including the following:

- Trusted Internet Connections – consolidate external Internet traffic and ensure a set of common security capabilities for situational awareness and enhanced monitoring.
- Continuous Monitoring of Federal Information Systems -- allows agencies to maintain an ongoing near-real-time awareness and assessment of information security risk and to rapidly support organizational risk-management decisions.
- Strong Authentication – ensures authorized access to Federal information systems by requiring that Homeland Security Presidential Directive-12, "Policy for a Common Identification Standard for Federal Employees and Contractors," standards be followed.

Continuous Monitoring

OMB Memorandum M-14-03, "Enhancing the Security of Federal Information and Information Systems," requires agencies to implement continuous monitoring of security controls as part of a phased approach through FY 2017. Agencies are required to develop and maintain an Information Security Continuous Monitoring strategy and implement an Information Security Continuous Monitoring program in accordance with NIST Special Publications. This strategy allows agencies to maintain ongoing awareness of information security, vulnerabilities, and threats to support organizational risk management decision.

Critical Infrastructure Protection

The U.S. critical cyber infrastructure comprises government and private-sector systems and assets that are vital to public confidence and the nation's safety,

prosperity, and well-being. These systems are increasingly vulnerable to cyberattacks that could cripple the nation's infrastructure and economy, including the financial sector. In response to this threat, the President signed E.O. 13636, "Improving Critical Infrastructure Cybersecurity," and Presidential Policy Directive-21, "Critical Infrastructure Security and Resilience," to promote a cybersecurity partnership between the Government and private companies that oversee U.S. critical infrastructure. The directive requires Treasury to collaborate with the Department of Homeland Security and financial sector organizations to identify and protect critical cyber infrastructure. The April 2015 E.O. 13694 gave Treasury the authority to impose sanctions on individuals or entities behind cyberattacks and cyber espionage.

Effective public-private coordination will be required to address the growing threat of cyberattacks against the U.S. critical infrastructure. Treasury systems are interconnected and critical to the core functions of the Federal Government and the U.S. financial infrastructure. Information security remains a constant area of concern and potential vulnerability for Treasury's network and systems, and Treasury must be prepared to provide leadership to defend against cyber threats to the nations' financial institutions'.

In Progress and Planned FY 2016 Projects

FISMA Independent Audit—Unclassified Systems (In Progress)

We plan to assess the effectiveness of the Treasury's information security programs and practices for its unclassified systems as well as compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines. In addition, we will follow up on Treasury's progress in resolving previously reported FISMA related weaknesses. During FY 2016, we will complete audit work for FY 2015 and begin work for FY 2016.

FISMA Independent Evaluation—Collateral National Security Systems (In Progress)

We plan to assess the effectiveness of Treasury's information security programs and practices for its collateral national security systems as well as compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines. In addition, we will follow up on Treasury's progress in resolving previously reported FISMA-related weaknesses. During FY 2016, we will complete evaluation work for FY 2015 and begin work for FY 2016.

FISMA Independent Audit – Intelligence National Security Systems

We plan to assess the effectiveness of Treasury’s information security programs and practices for its intelligence national security systems as well as compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines. In addition, we will follow up on Treasury’s progress in resolving previously reported FISMA-related weaknesses cited in our prior-year report.

Network and System Vulnerability Assessments and Penetration Testing (In Progress)

We plan to determine whether sufficient protections exist to prevent and detect unauthorized access to Treasury bureaus’ networks and systems. To accomplish this objective, we plan to identify and exploit existing vulnerabilities in IT infrastructure to determine whether information and systems are (1) secure from unauthorized access and misuse, (2) vulnerable to malicious security attacks, or (3) accessible through unauthorized or misconfigured paths (such as, back doors into the network from the Internet or adjacent networks). In this regard, we plan to perform a coordinated network security test by conducting automated and manual vulnerability assessments and exploitation. For FY 2016, we plan to complete our audit of Mint’s networks and systems and begin audit work at the Financial Crimes Enforcement Network (FinCEN) or the Alcohol and Tobacco Tax and Trade Bureau (TTB).

Public Web Server Security (In Progress)

We plan to determine whether Treasury and bureaus ensure effective security management practices and controls over public-facing web servers. For FY 2016, we plan to complete our in progress audit at Fiscal Service and begin audit work at Departmental Offices.

Corrective Action Verification – OCC Network and Systems

In 2013, we reported that OCC’s security measures were not sufficient to fully prevent and detect unauthorized access into its network and systems by internal threats, or external threats that gained an internal foothold. Also, OCC’s security measures were not adequate to fully protect PII from Internet-based threats.²

² OIG, *Information Technology: OCC’s Network and Systems Security Controls Were Deficient* (OIG-14-001; issued Oct. 17, 2013)

We plan to determine whether OCC implemented planned corrective actions to address these deficiencies.

Disaster Recovery Exercises

We plan to determine whether Treasury and its components can recover operations in a disaster. During FY 2016, we plan to observe one disaster-recovery exercise.

Projects under Consideration for Future Fiscal Years

Personal Identical Verification (PIV) for Logical Access

We will determine whether Treasury's bureaus have effectively implemented PIV authentication for network user accounts, including privileged accounts.

Continuous Monitoring

We plan to determine whether Treasury has established a continuous monitoring management program that meets current Federal standards and guidelines.

Mobile Device Security

We plan to determine whether Treasury has provided proper safeguards for organization-issued devices.

Enterprise Patch Management

We plan to determine whether Treasury's offices and bureaus have an effective patch-management program to ensure timely and secure installation of software patches.

Equipment Sanitization and Disposal

We plan to determine whether Treasury's offices and bureaus use proper media sanitization and disposal techniques, appropriate to the security categorization of the associated system's confidentiality.

Open-source Software Risk Assessment and Mitigation

We plan to determine whether sufficient protections exist to minimize risk to Treasury due to use of open-source software.

Software License Management

We plan to determine whether Treasury is paying for all software installed on its network and effectively tracking software licenses.

Wireless Local Area Network Security

We plan to determine whether Treasury has implemented appropriate security management practices and controls over wireless local area networks to meet Federal guidelines.

Trusted Internet Connection Compliance

We plan to determine whether Treasury's offices and bureaus have complied with OMB's Trusted Internet Connection Initiative. We will also determine whether Treasury's offices and bureaus have connections to the Internet outside of the approved Trusted Internet Connections and how vulnerabilities associated with unapproved access are mitigated.

Supply Chain Security

We plan to assess whether Treasury's acquisition process mitigates supply chain threats to computer hardware and software procured for its use.

Protection of Treasury's Designated Cyber Critical Infrastructure

We plan to determine whether Treasury has ensured adequate protection and resilience for its designated cyber critical infrastructure.

Treasury's Reliance on Contractors for Information Technology

We plan to determine whether Treasury has relied on IT contractors to fill "inherently governmental" positions; or other positions that pose a potential conflict of interest.

Services Provided by the Government Security Operations Center

We plan to determine whether Treasury's Government Security Operations Center is providing an effective analysis of all security-related events and data that traverse Treasury's network, including Internet access points.

Intrusion Detection and Incident Response

We plan to assess whether Treasury's intrusion detection and incident response programs meet Federal reporting requirements.

Firewall Security

We plan to determine whether Treasury has properly configured firewalls to prevent unauthorized access attempts into its network and systems.

Social Media

We plan to determine whether Treasury's use of social media complies with policy guidance and applicable laws.

Voice Over Internet Protocol

We plan to determine whether Treasury has ensured effective security controls over Voice Over Internet Protocol phones.

Security of Treasury Data in Cloud Computing Environment

We plan to determine whether Treasury has ensured effective security over its information on public clouds maintained by contractors as required by Federal policies, guidelines, and contracts.

Security Controls over Virtual Systems

We plan to determine whether proper controls are in place for securing information systems employing virtualization technology.

Security Controls over Treasury's Industrial Control Systems

Industrial Control Systems in a manufacturing environment encompass several types of control systems, including supervisory control and data acquisition systems and distributed control systems.

We plan to determine whether Treasury has provided effective security controls over its Industrial Control Systems.

Security Assessment of Treasury Foreign Intelligence Network

We plan to determine whether sufficient protections exist to prevent intrusions into the Treasury Foreign Intelligence Network.

Top 20 Critical Security Controls

We plan to determine whether Treasury has ensured effective critical security controls over its information systems, as recommended by the Council on Cybersecurity's Top 20 Critical Security Controls.

Treasury General Management and Infrastructure Support: General Management

Background

In addition to financial management and information security, the Treasury General Management and Infrastructure Support issue area encompasses other management activities to ensure that resources are used efficiently and effectively to carry out Treasury programs and operations. Examples of broad management activities that warrant audit coverage are discussed below.

Capital Investments

Sound business practices for the acquisition and maintenance of information systems (including hardware and software) are necessary to support Treasury's mission to effectively manage resources. Absent such practices, Treasury may:

- inadvertently develop or acquire duplicate or incompatible systems;
- pay higher prices for commercial off-the-shelf products by not obtaining volume discounts;
- develop systems that do not address Treasury's needs or provide management with information needed to accomplish key missions;
- exceed projected or reasonable costs to develop, acquire, or maintain systems;
- acquire or develop systems that do not secure and protect Treasury's classified, confidential, or sensitive information;
- implement systems that do not readily integrate with existing systems.

Under the Clinger-Cohen Act of 1996, agencies are required to submit business plans for IT investments to OMB. In 2009, OMB instituted the IT Dashboard website, where agencies report details of their IT investments. This site allows users to track the progress of IT projects over time. To identify IT projects at risk for excess costs or schedule delays, the costs and progress are rated against the agency's plan. As of June 2015, Treasury bureaus other than IRS reported 37 major IT investments. Of these projects, the Treasury Chief Information Officer reported 8 IT projects as having medium risk to accomplishing their goals:

- Automated Standard Application for Payments
- Central Accounting and Reporting System
- Departmental Office IT Infrastructure End User Systems and Support

Planned Projects by OIG Issue Area

- Departmental Offices IT Infrastructure Mainframes and Servers Services and Support
- Departmental Offices IT Infrastructure Telecommunications
- Franchise Financial and Administrative Services
- Payment Application Modernization
- Treasury Enterprise Identity, Credential and Access Management

Three of these projects are expected to be delayed and exceed projected costs -- Departmental Office IT Infrastructure Mainframes and Servers Services and Support, Franchise Financial and Administrative Services, and Payment Application Modernization. The Departmental Offices IT Infrastructure Telecommunication project is also behind schedule. Although projects identified with medium overall risk and high-risk in cost and scheduling require special attention from the highest level of agency management, are not necessarily at risk for failure.

Past audits indicated that Treasury did not always effectively manage its capital investments. For more recent projects, however, we have reported that much improved management was in place. Certain capital investments, such as those for telecommunications, are funded through the Department's Working Capital Fund. Such projects do not receive the same scrutiny by OMB and Congress as projects directly funded through the annual appropriations process.

Procurement

Procurements are a major Treasury activity. For example, from October 1, 2014, through April 30, 2015, Treasury bureaus other than IRS issued \$4.4 billion in contract actions. Of that amount, \$1.9 billion was issued by OCC and \$1.8 billion by the Mint. In addition, the use of Government charge cards for micro purchases (generally goods and services under \$3,000) is extensive. Strong control over this activity is essential to prevent abuse as recognized by the passage of the Government Charge Card and Prevention Act of 2012.

Treasury's procurement activities are performed partly by the bureaus and Departmental Offices and by Treasury shared service providers via agreements with Fiscal Service's ARC or IRS.

OIG is the Department's focal point for obtaining pre-award, costs incurred, and other contract audits requested by Treasury offices and the bureaus (except IRS). These audits are typically performed by the Defense Contract Audit Agency and coordinated through our office.

Nonappropriated Activities

Three Treasury bureaus—BEP, the Mint, and OCC—do not receive appropriated funds; instead, they operate with revolving funds. BEP and the Mint charge the Board of Governors of the Federal Reserve System for manufactured goods, while OCC assesses fees to those banks under its supervision for regulatory activities. These three bureaus generally have greater latitude than Treasury's appropriated bureaus in how they finance their operations. Other revolving funds are administered by the Deputy Chief Financial Officer such as the Working Capital Fund and shared service providers such as the ARC.

Potential Integrity Risks

Potential integrity risks may result from the actions of external parties (contractors, terrorists, drug lords, and hackers) or internal personnel (disgruntled or unethical employees). Internal personnel, for example, can disrupt Treasury functions, violate laws, award contracts for less than best value, receive bribes or kickbacks, steal or reveal sensitive data, and cost the taxpayer money through the theft of materials and machinery, finished products, and mutilated products.

In Progress and Planned FY 2016 Projects

Contract Audit Oversight Activities

We plan to oversee and coordinate Defense Contract Audit Agency contract audit services requested by Treasury procurement officers. Typically, we receive two such requests a year.

Controls over Purchase and Travel Cards (In Progress)

As required by the Government Charge Card Abuse Prevention Act of 2012, we plan to assess the Treasury purchase card and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases, travel charges, or payments. The results of these assessments will help us develop a plan for determining the scope, frequency, and number of periodic audits of transactions made with purchase cards, convenience checks, and travel charge cards. We also plan to issue joint reports with the Department on violations or other actions related to Treasury guidance for the use of purchase cards and convenience checks. This includes reporting on illegal, improper, or erroneous purchases with purchase cards or convenience checks.

Controls over Conferences, Travel, and Employee Awards Programs (In Progress)

We plan to determine whether Treasury bureaus have effective policies and procedures in place to ensure compliance with applicable laws, regulations, and executive orders on travel, conferences, and employee award programs. At the beginning of FY 2016, we had an audit in progress at TTB, and plan to initiate an audit of OCC during the fiscal year.

Treasury Procurement Activities (In progress)

We plan to determine whether selected Treasury bureaus and offices, when procuring goods and services, follow logical and prudent business practices that comply with laws and regulations and Treasury policies and procedures. At the beginning of FY 2016, we have audits in progress at OCC and the Office of Financial Research. During FY 2016, we plan to initiate an audit of the Mint.

Classification of Treasury Information (In Progress)

The 9/11 Commission and others observed that the over-classification of information interferes with accurate, actionable, and timely information sharing, increases the cost of information security, and needlessly limits stakeholder and public access to information. The over-classification of information causes considerable confusion about what information may be shared and with whom, and it negatively affects the dissemination of information within the Federal Government and to others. In accordance with the Reducing Over-Classification Act, we are required to carry out no less than two evaluations of Treasury's classification policies, procedures, rules, and regulations. The first evaluation was required by September 30, 2013, and was completed by that date.³ The second evaluation must be completed by September 30, 2016.

Consistent with the act, we plan to (1) assess whether applicable classification policies, procedures, rules, and regulations have been adopted, followed, and effectively administered within Treasury and (2) identify policies, procedures, rules, regulations, or management practices that may be contributing to persistent misclassification of material within Treasury.

³ OIG, *General Management: Treasury Has Policies and Procedures to Safeguard Classified Information But Implementation Needs to Be Improved* (OIG-13-055; issued Sep. 27, 2013)

Treasury Enterprise Identity, Credential, and Access Management

In 2012, the Treasury Chief Information Officer identified scheduling problems in Treasury's Enterprise Identity, Credential, and Access Management system. Since 2007, Treasury has spent approximately \$244 million to implement the requirements of Homeland Security Presidential Directive 12 for a common identification standard. Treasury received funding of \$69 million in FY 2013 and \$56 million in FY 2014. The implementation for most of Treasury is targeted for completion in 2018.

We plan to determine whether sound project management principles are being followed in carrying out the project.

Audit Resolution and Follow-up

We plan to determine whether Treasury's audit follow-up system ensures that audit recommendations are promptly and properly acted on and that progress on corrective actions is adequately monitored. This project is intended to complement our corrective action verifications on specific audits. As part of this audit, we plan to follow up on our recommendations in our prior report, *General Management: Office of Management Needs to Improve Its Monitoring of the Department's Audit Follow-up Process* (OIG-08-037; issued Jun 23, 2008).

Contractor Clearance and Background Investigation

We plan to determine whether controls are in place to ensure that Treasury's contractor personnel who have access to Treasury data and other information have current and appropriate security clearances and background investigations.

Management of the National Seized Property Contract

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Treasury Forfeiture Fund, the receipt account for the deposit of nontax forfeitures made by Treasury and certain other Federal law enforcement agencies. In 2007 and 2013, TEOAF contracted with VSE Corporation and CWS Marketing Group for general property and real property services in support of the Treasury Forfeiture Fund's mission. We plan to determine whether the contracting actions and practices for the national seized property contract complied with policies, procedures, and guidelines established under the Federal and Treasury acquisition requirements.

Projects under Consideration for Future Fiscal Years

Resolution of Accountable Officer Irregularities

Accountable officers include certifying officers, disbursing officers, collecting officials, and other officers or employees who are responsible for or have custody of public funds. Treasury Directive 32-04, "Settlement of Accounts and Relief of Accountable Officers," established the policy and procedures to settle irregularities (erroneous or improper payments) in the accounts of accountable officers. Requests for relief of accountable officers (except for those in Fiscal Service) from liability for irregularities resulting in a major loss must be referred to Treasury's Deputy Chief Financial Officer for resolution. Requests for relief of Fiscal Service accountable officers with Government-wide fiscal responsibilities must be referred to the Fiscal Assistant Secretary for resolution. The resolution of irregularities constituting a minor loss has been delegated to other Treasury officials.

We plan to determine whether irregularities in the accounts of Treasury accountable officers are resolved in accordance with Treasury Directive 32-04.

Telework Program Oversight

We plan to determine whether Treasury bureaus other than IRS have policies, procedures, and controls over employee telework.

Physical Access Controls over Treasury Facilities

We plan to determine whether sufficient protections exist to prevent unauthorized access into Treasury facilities.

Employee Bonus Policies at Mint and BEP

We plan to determine whether non-appropriated bureaus have (1) established policies for employee bonuses in accordance with applicable laws and regulations and (2) paid bonuses in compliance with applicable laws, regulations, and policy and procedures. Separate audits are planned at Mint and BEP.

Strategic Human Capital Management

We plan to determine whether the Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer identified any existing critical skill gaps at Treasury and modified its strategic human capital management plan accordingly.

Mandated Reports

We plan to determine whether Treasury has adequate monitoring controls in place to ensure the completion of presidentially and congressionally mandated reports. As part of this project, we will assess Treasury's progress in reducing, eliminating, or consolidating reports pursuant to the GPRA Modernization Act.

Treasury's Environmental and Sustainability Program

We plan to determine Treasury's compliance with applicable laws, regulations, executive orders, and agency directives with respect to managing its environmental and climate change programs. As part of this work, we will assess Treasury's progress toward meeting sustainability goals identified in its *Strategic Sustainability Performance Plan*.

Work-life Programs

We plan to determine whether Treasury tracks and evaluates data on the implementation and assessment of its work-life programs.

Website Compliance with Section 508 of the Rehabilitation Act

Section 508 of the Rehabilitation Act of 1973, as amended, contains accessibility requirements for Federal departments and agencies that develop, procure, maintain, or use electronic and information technology. The purpose of Section 508 is to ensure that individuals with disabilities have access to and use of information and data in electronic or IT format that is comparable to the access to and use of the information and data by members of the public who do not have disabilities.

We plan to determine whether Treasury's website and its bureaus conform to the technical standards of Section 508 for web-based intranet and Internet information.

Review of TIC Reporting System

The Treasury International Capital (TIC) reporting system collects data for the United States on cross-border portfolio investment flows and positions between U.S. residents (including U.S.-based branches of firms headquartered in other countries) and foreign residents (including offshore branches of U.S. firms).

This system provides:

- monthly data on transactions in long-term securities,
- monthly and quarterly position data on claims and liabilities (including some short-term securities) reported by banks and broker/dealers of securities,

Planned Projects by OIG Issue Area

- quarterly position data on selected claims and liabilities reported by non-banks and non-broker/dealers,
- annual position data on holdings of long-term and short-term securities, and
- quarterly position and transactions data on financial derivatives.

Besides being reported on the TIC website, detailed data from the monthly and quarterly TIC forms are combined and presented in several tables in the Capital Movements section of the quarterly Treasury Bulletin. TIC reporting system data, including the data from the periodic surveys of holdings of securities, are also a primary input to the Bureau of Economic Analysis' International Transactions Accounts and for the International Investment Position of the U.S. The TIC reporting system data is indirectly the basis of the Federal Reserve's Flow of Funds accounts for financial positions and flows of the Rest of the World sector. The Flow of Funds accounts use as their primary input the data published by Bureau of Economic Analysis in its international transactions accounts, which is based on the TIC reporting system data. The TIC reporting system data is also used to compute the U.S. Gross External Debt position, which is published as part of the International Monetary Fund's Special Data Dissemination Standard.

We plan to (1) review the data in the TIC reporting system for reliability and completeness; (2) review the process for accumulating data in the TIC reporting system for compliance with applicable laws, regulations, policies, and procedures; and (3) determine whether controls are in place to safeguard financial data and any sensitive information in the TIC reporting system.

Treasury's Enterprise Architecture Program

We plan to determine whether Treasury complies with established Federal guidance and Treasury's enterprise architecture policies and procedures, and to determine whether Treasury aligned its strategic plans and individual business priorities within an appropriate enterprise architecture framework.

Treasury's Email Electronic Records Management Practices

The media has reported that U.S. Government officials have used private email and alias accounts to conduct official government business. The use of these accounts could seriously impair records collection, preservation, and access, therefore compromising transparency and oversight. The Federal Records Act requires agency heads to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency.

We plan to determine whether Treasury uses any private or alias email accounts to conduct official business and assess the controls over any such accounts to ensure compliance with Federal records retention requirements.

Treasury's Management of Facilities

The Federal Government is the biggest property owner in the United States. The President proposed a Civilian Property Realignment Board to sell or otherwise dispose of property it no longer needs. The Presidential Memorandum, "Disposing of Unneeded Real Estate," issued in June 2010, required Federal agencies to save no less than \$3 billion by the end of FY 2012. Treasury reported \$24 million in real property cost savings through FY 2012. In May 2012, OMB issued Memorandum M-12-12, "Promoting Efficient Spending to Support Agency Operations," which prevents agencies from increasing square footage and requires agency reporting on real property.

We plan to assess Treasury's effort to implement the President's and OMB's memoranda.

Treasury's Human Resource Succession Planning

We plan to determine whether Treasury established human resource succession plans.

Capital Planning and Investment Control Process

We plan to assess Treasury's management of its capital planning and investment process for IT projects.

Treasury's Performance Data

GPRA, as amended by the GPRA Modernization Act of 2010, requires the Department to establish performance measures for its programs. These performance measures are published annually in the Department's Annual Performance Report. Performance measure data is reported to the Department's Office of Performance and Budget by individual component entities.

We plan to review the Department's process to accumulate and report performance data and determine whether select performance data reported in the Annual Performance Report is supported.

Freedom of Information Act Requests

We plan to determine whether the Department and non-IRS bureaus (1) have adequate systems to record, track, and timely complete Freedom of Information Act

requests including an assessment of fees and fee waivers, and the use of exemptions; (2) provide points of contact and monitoring systems to ensure that inquiries regarding existing requests have been properly addressed with the requesters; (3) ensure proper collection of fees and the granting of fee waivers; (4) ensure compliance with the 2011 Supreme Court decision *Milner v. Department of the Navy*, the 1996 Electronic Freedom of Information Act amendments, and Treasury Directives, and (5) report required Freedom of Information Act statistics annually to the Department of Justice.

Treasury's Progress in Reducing Underperforming IT Investments as Required by the 25-Point Implementation Plan

In June 2009, OMB launched the IT Dashboard which allowed OMB and the public to monitor IT investments across all agencies in the Federal Government. As a result of OMB's analysis of this information, the Federal Chief Information Officer (CIO) initiated the first OMB-led "TechStat" reviews with agency CIOs and members of their leadership team in January 2010. A "TechStat" is a face-to-face, evidence-based accountability review of an IT investment. It enables the Federal Government to intervene to turn around, halt or terminate IT projects that are failing or are not producing results for the American people. On December 9, 2010, OMB launched the "25-Point Implementation Plan to Reform Federal Information Technology Management" to deliver more value to the U.S. taxpayer. The plan established the requirement for Federal agencies to conduct "TechStats" on troubled investments on an ongoing basis. In August 2011, OMB took an additional step to support the rollout of the TechStat governance model to the agency level with the issuance of the Chief Information Officer Authorities Memorandum. OMB memo M-11-29 directs "changing the role of Agency CIOs away from just policymaking and infrastructure maintenance, to encompass true portfolio management for all IT." From a governance perspective, the guidance requires CIOs to drive the investment review process for IT investments. In accordance with the IT Reform plan, it also requires Agency CIOs to lead TechStat sessions to improve line-of-sight between project teams and senior executives, to formalize outcomes from these sessions, and to follow up on them through completion. As noted in the memo, the goal of such reviews is to terminate or turn around "one third of all underperforming IT Investments by June 2012."

We plan to assess Treasury's implementation of the "25 Point Implementation Plan to Reform Federal Information Technology Management."

Integrating Information Security into Capital Planning

We plan to determine whether Treasury has properly integrated information security into the capital planning and investment control process in accordance with Federal guidelines.

Process to Release Economic Indicators and Market Information

We plan to assess the controls that Treasury has in place to safeguard sensitive information such as economic indicators, statistics, and market information prior to release to the public.

Terrorist Financing, Money Laundering, and Foreign Assets Control

Background

Preventing terrorism, money laundering, and other criminal activity is a global effort. Treasury's role in this effort is to safeguard the U.S. financial system and protect it from illicit use. Treasury coordinates with other law enforcement agencies, intelligence agencies, foreign governments, and the private sector to add transparency to the financial system to more easily detect those who would try to exploit that system for their own illicit purposes. Within Treasury, this effort is led by the Office of Terrorism and Financial Intelligence. The office oversees the following:

- Office of Terrorist Financing and Financial Crime
- Office of Intelligence and Analysis
- FinCEN
- Office of Foreign Assets Control (OFAC)

The Office of Terrorist Financing and Financial Crime is responsible for policy and outreach. The Office of Intelligence and Analysis is responsible for intelligence functions, integrating Treasury into the larger intelligence community, and providing support to Treasury leadership. FinCEN is responsible for Treasury's effort to enforce the Bank Secrecy Act (BSA) and the USA PATRIOT Act. OFAC administers laws that impose economic sanctions against hostile targets to further U.S. foreign policy and national security objectives.

BSA requires financial institutions to file Currency Transaction Reports for cash transactions exceeding \$10,000 and Suspicious Activity Reports (SARs) for transactions that are suspicious in nature. Law enforcement uses these reports to as leads for potential fraud, money laundering, terrorist financing, and other types of illicit finance.

Title III of the USA PATRIOT Act requires each financial institution to establish an anti-money laundering program, extends the SAR filing requirement to broker-dealers, requires financial institutions to establish procedures to verify the identities and addresses of customers seeking to open accounts, and requires FinCEN to maintain a highly secure network that allows financial institutions to file BSA reports electronically.

OFAC's authority to impose controls on transactions and to freeze foreign assets is derived from the President's constitutional and statutory wartime and national emergency powers. OFAC relies principally on authority under the Trading with the Enemy Act, International Emergency Economic Powers Act, and the United Nations Participation Act to prohibit or regulate commercial or financial transactions involving specific foreign countries, entities, or individuals. E.O. 13694 provided OFAC authority to impose sanctions on those persons engaging in significant malicious cyber-enabled activities. OFAC works with other Federal agencies to implement and enforce these programs.

Areas of Concern

Terrorism, narcotics trafficking, human smuggling and trafficking, loan modification and foreclosure scams, mortgage fraud, health care fraud, and other organized criminal activity remain high-priority concerns for the United States. These activities all involve movement of funds and use of financial systems. Continued instability in the Middle East remains a significant challenge. In North America, increasing drug smuggling and violence related to drug cartels in Mexico have increased smuggling, crime, and violence along our Southern Border. Law enforcement continues to target organizations and individuals involved in defrauding the Medicare and Medicaid programs.

Over the last decade, the United States and others in the global community have required increased reporting and monitoring of financial institution transactions. In reaction to the activities largely occurring in the Middle East, including the nuclear development activities in Iran, the United States increased sanctions on transactions involving countries in these areas. Terrorists and criminals react to the increase in financial institution monitoring by looking for alternative ways of moving funds to support their illicit activity. This includes, among other things, the use of electronic transactions (online and mobile) and prepaid instruments that make it increasingly difficult for financial institutions and law enforcement to detect illicit transactions, and the use of the nonbank financial sector where there is likely to be less monitoring and more opportunity to hide transactions, including money services businesses (MSBs) and informal value-transfer systems.

In March 2013, FinCEN addressed the emerging risks associated with virtual currencies with guidance that designates currency exchangers as MSBs subject to BSA and USA Patriot Act requirements. FinCEN has also focused its attention on the importance of financial institutions knowing their customers. It will be codifying, clarifying, and strengthening existing due-diligence regulatory requirements and

supervisory expectations for customers, and in particular for banks, brokers or dealers in securities, mutual funds, futures commission merchants, and brokers in commodities. The purpose is to enhance identification and verification of accountholders and beneficial ownership which is any individual or group of individuals that, either directly or indirectly, has the power to vote or influence transaction decisions. The risk is that nominal account holders can enable individuals and business entities to conceal the identity of the true owner of assets or property derived from or associated with criminal activity. FinCEN's rules and regulations are designed to protect U.S. financial institutions and financial systems from money laundering and terrorist finance.

In 2014, FinCEN issued an advisory flagging trade based money laundering and funnel accounts – monies being hidden through the exchange of goods and services. This guidance advised financial institutions to monitor account activity for types of deposit and wire activity representing monies that are being acquired through the exchange of goods to hide money laundering.

Anti-money laundering and combating financing of terrorists remain high priorities for OIG. Our prior audits have revealed problems related to the detection of BSA violations, the timely enforcement of the BSA, SAR data quality, BSA system development efforts, and administration of sanctions. Moreover, the universe of institutions required to comply with BSA requirements has grown as nonbank financial institutions participate in the program. The universe now includes the insurance industry and precious stones and metals dealers.

Potential Integrity Risks

Treasury efforts to support law enforcement in the fight against terrorist financing, money laundering, and other financial crimes are dependent on honest and complete reporting of currency transactions and suspicious financial activity. Potential integrity risks include (1) the failure by financial institutions to file required BSA reports (because of poorly run programs or corrupt bank officials who are involved in the schemes); (2) filing of false or fraudulent BSA reports; (3) internal and external misuse or disclosure of sensitive BSA information contrary to law; and (4) inappropriate handling or use of sensitive but unclassified, law enforcement-sensitive, or classified information.

In Progress and Planned FY 2016 Projects

Terrorist Finance Tracking Program (In Progress)

After the terrorist attacks on September 11, 2001, Treasury initiated the Terrorist Finance Tracking Program to identify, track, and pursue terrorists and their networks. During 2010, the United States and the European Union entered into a new agreement on the transfer and processing of data in the Terrorist Finance Tracking Program. As provided in the agreement, we plan to provide ongoing and appropriate oversight of the program.

Operation Inherent Resolve (In Progress)

Since September 11, 2001, many countries have broadened their efforts to combat and disrupt terrorist activities. In the past several years, the Islamic State of Iraq and the Levant (ISIL) has expanded reach and gained access to people and significant and diverse sources of funding to support its activities. In 2014, the United States devised a comprehensive strategy to combat ISIL in nine major areas including disrupting ISIL finances, protecting the homeland, and providing humanitarian aid. To provide oversight of the agencies involved these lines of effort, including military action under Operation Inherent Resolve, the Department of Defense (DoD) Inspector General was designated the as Lead Inspector General for the contingency operation, pursuant to section 8L of the Inspector Act of 1978, as amended. The Inspectors General of the Department of State and the U.S. Agency for International Development work as close oversight partners and provide support for quarterly reports to Congress on U.S. programs and operations. In 2015, the DoD Inspector General requested our office's support in reporting Treasury efforts to disrupt ISIL financing. We will be conducting ongoing work and provide appropriate oversight of Treasury's involvement in Operation Inherent Resolve in support of the Lead Inspector General's effort.

FinCEN Efforts to Ensure Compliance by MSBs with BSA (In Progress)

In 2005, our office issued an audit report recommending that FinCEN take actions to improve the registration program for money service businesses. Registration is the first and vital step in (1) identifying possible money laundering and terrorist financing, often perpetrated by unlicensed and unregistered MSBs; (2) performing appropriate BSA examinations and monitoring filings of SARs; (3) monitoring compliance with OFAC sanctions; and (4) taking enforcement actions for BSA or

OFAC violations.⁴ In 2009 and 2010, FinCEN issued proposed rules to tighten emerging threats associated with activities that often involve MSBs. These include rules to more clearly delineate the scope of entities regulated as MSBs and tightening rules associated with MSBs, which are difficult to enforce. These rules govern the use of prepaid access cards and the reporting of cross-border wire transfers. FinCEN also issued an advisory regarding the use of informal value transfer systems by unlicensed and unregistered MSBs, citing several that had been involved in money laundering or violations of OFAC sanctions.

We will assess whether FinCEN has taken sufficient action in response to our 2005 report and otherwise established adequate management systems and controls over MSB registration and BSA compliance.

OFAC Licensing Programs (In Progress)

We will determine (1) the universe of licensing programs under OFAC's jurisdiction; (2) the related laws, regulations, and OFAC policies and procedures for these programs; and (3) whether the programs are administered in an appropriate manner.

OFAC Libyan Sanctions Case Study (In Progress)

On February 25, 2011, the President issued E.O. 13566, "Blocking Property and Prohibiting Certain Transactions Related to Libya," to protect Libyan state assets from misappropriation. The order was issued based on findings that Colonel Muammar Qadhafi, his government, and close associates, had taken extreme measures against the people of Libya, including using weapons of war, mercenaries, and wanton violence against unarmed civilians. By March 1, 2011, Treasury reported that at least \$30 billion in Government of Libya assets were frozen under the order. By September 2011, the reported amount of frozen Libyan assets increased to approximately \$37 billion. In an effort to return the frozen assets to the Libyan people, on September 1, 2011, OFAC released an initial \$700 million in frozen assets to the Libyan Transitional National Council for fuel and civilian operating costs and to pay salaries in support of the Libyan people. Treasury announced that it would remain in close contact with the council for the release of additional assets. On December 16, 2011, the United States unfroze all Libyan Government and Central Bank funds within U.S. jurisdiction, with limited

⁴ OIG, *Bank Secrecy Act: Major Challenges Faced by FinCEN in Its Program to Register Money Services Businesses* (OIG-05-050; issued Sep. 27, 2005)

exceptions. Only those assets in the United States of the Qadhafi family and former members of the former Qadhafi regime remain frozen.

We plan to perform a case study on OFAC's implementation and subsequent lifting of most of the sanctions against Libya. For the purpose of this project, we plan to (1) review OFAC's implementation of the Libyan sanctions program; (2) determine how frozen assets are identified, maintained, and accounted for; (3) review OFAC's subsequent and gradual release of frozen Libyan assets; and (4) determine how OFAC will identify and release all frozen assets to their rightful owners upon termination of the sanctions program.

OCC's BSA and USA PATRIOT Act Compliance Examinations and Enforcement Actions (In Progress)

We plan to determine the effectiveness of OCC's programs to conduct supervisory activities and, when necessary, take enforcement actions to ensure that national banks and federal savings associations have controls in place and provide the requisite notices to law enforcement agencies to deter and detect money laundering, terrorist financing, and other related criminal acts. Additionally, the scope of this review will include national bank trust departments and banks offering both private banking services and correspondent bank accounts (which make payments or handle transactions on behalf of a foreign bank).

TEOAF's Use of Treasury Forfeiture Fund Receipts to Support Law Enforcement (In Progress)

We plan to determine whether the TEOAF has appropriate controls to (1) award and distribute funds to eligible law enforcement agencies in accordance with applicable laws, regulations, and policies and (2) ensure that distributed receipts are used for the intended purposes. As part of this work, we plan to determine whether selected state and local government agencies use Treasury forfeiture funds in accordance with Treasury guidelines.

FinCEN Implementation of USA PATRIOT Act Information-sharing Procedures (In Progress)

The USA PATRIOT Act provides for the sharing of information between the Government and financial institutions, and also among financial institutions, regarding individuals, entities, and organizations engaged in or reasonably suspected of engaging in terrorist acts or money-laundering activities. In March 2005, FinCEN implemented a web-based secure communications system to expedite sharing of this information.

We plan to determine the extent to which information sharing is occurring among the Government and financial institutions.

Financial Institution Filing of Reports to OFAC and FinCEN on Blocked Transactions (In Progress)

In December 2004, FinCEN advised institutions subject to BSA suspicious activity reporting that under certain circumstances, reports filed with OFAC related to blocked transactions with designated terrorists, foreign terrorist organizations, narcotics traffickers, and trafficker kingpins would fulfill the requirement to file SARs with FinCEN (that is, a separate SAR to FinCEN on the same blocked transaction would no longer be required). However, if the institution has information not included on the blocking report filed with OFAC, a SAR containing that information must still be filed with FinCEN.

We plan to determine whether OFAC and FinCEN implemented controls to ensure that the information in reports filed with OFAC on blocked transactions is made available to law enforcement through FinCEN databases as appropriate.

FinCEN Civil Penalties for BSA Program Violations (In Progress)

We plan to determine FinCEN's process for assessing and collecting civil penalties when BSA violations occur.

FinCEN SAR Data Quality (In Progress)

In March 2012, FinCEN introduced its new universal SAR designed for use by all industry members to file reports with FinCEN. Effective July 1, 2012, all SARs were required to be filed electronically. FinCEN made the filing of universal SARs mandatory for all industry members in April 2013. These actions are part of the bureau's efforts to transition to a more modern and efficient system for both government and industry.

We plan to assess whether the quality of the data provided by SAR filers has improved since the implementation of FinCEN's universal SAR filing mandates.

Office of Terrorist Financing and Financial Crimes Interagency Collaboration with the National Security Community (In Progress)

The Office of Terrorist Financing and Financial Crimes develops initiatives and deploys strategies to combat money laundering, terrorist financing, proliferation of weapons of mass destruction proliferation, and other criminal and illicit activities, both domestically and abroad. This effort requires the Office of Terrorist Financing and Financial Crimes to work within the national security community -- including the

law enforcement, regulatory, policy, diplomatic and intelligence communities – and with foreign governments and the private sector to identify and address threats of illicit finance to the international financial system.

We plan to determine how and the extent to which the Office of Terrorist Financing and Financial Crimes collaborates with the national security community to identify and address threats to the international financial system from money laundering and other forms of illicit finance.

FinCEN's Regulatory Helpline (In Progress)

FinCEN's Regulatory Helpline provides regulatory assistance for financial institutions seeking clarification of their obligations under the BSA and certain requirements under the USA PATRIOT Act. FinCEN's goal is to provide financial institutions with understandable guidance for complying with related regulations.

We plan to determine and assess the controls over the Regulatory Helpline for providing guidance to users that is responsive and consistent with the BSA, USA PATRIOT Act, and related regulations.

FinCEN's Implementation of Section 311 of the USA PATRIOT Act

Section 311 of the USA PATRIOT Act grants the Secretary of the Treasury the authority to require domestic financial institutions to take certain special measures with respect to foreign jurisdictions, foreign financial institutions, classes of transactions, or types of accounts identified as primary money laundering concerns. The Secretary has delegated to FinCEN the authority to propose and implement the special measures under Section 311. Special measures that may be implemented by FinCEN include recordkeeping and reporting on certain financial transactions, collecting information relating to certain accounts, and enforcing prohibitions or conditions on opening or maintaining certain accounts. FinCEN proposes such measures through Notices of Proposed Rule Making. After receiving and reviewing comments in response to these notices and considering any other available information, FinCEN may promulgate final rules, withdraw the findings and proposed rules, or keep matters open for further review.

We plan to assess the mechanisms FinCEN has in place to implement actions under Section 311 of the USA PATRIOT Act.

FinCEN's Final-rule Process

We plan to assess FinCEN's process for developing, issuing, interpreting, amending, and repealing final rules.

FinCEN's Guidance on Virtual Currency

Electronic money -- also known as e-money, e-currency, electronic cash, electronic currency, digital money, digital cash, digital currency, or cyber currency – typically involves the use of computer networks, the Internet, and digital stored value systems. Electronic funds transfer, direct deposit, digital gold currency, and virtual currency are all examples of electronic money. Digital currencies provide a potential money-laundering instrument because they facilitate international payments without the transmittal services of traditional financial institutions.

In March 2013, FinCEN issued *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*. This interpretive guidance was issued to clarify the applicability of the regulations implementing the BSA to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currencies.

We plan to determine how FinCEN identifies, prioritizes, and addresses money-laundering and terrorist financing risks associated with virtual currencies.

OCC's Implementation of the Permanent Subcommittee on Investigation's Recommendations in Response to the HSBC Case

In July 2012, the Permanent Subcommittee on Investigations of the Senate Committee on Homeland Security and Governmental Affairs reported that lax oversight by top HSBC Bank executives allowed terrorists and drug cartels to access the U.S. financial system. The Subcommittee recommended that OCC take the following actions:

- follow the practice of other Federal bank regulators by treating anti-money laundering deficiencies as a safety and soundness matter, rather than a consumer compliance matter
- establish a policy to conduct institution-wide examinations of bank anti-money laundering programs
- consider use of formal or informal enforcement actions to act on anti-money laundering problems
- strengthen its anti-money laundering examinations

In December 2012, HSBC agreed to pay \$1.92 billion to settle money laundering and sanctions violations.

We plan to determine OCC's responses to each of the Subcommittee's recommendations and the status of OCC's efforts to implement the Subcommittee's recommendations.

FinCEN Efforts to Identify Fraud

We plan to survey FinCEN's efforts in proactively identifying potential healthcare, mortgage, insurance, and other frauds; and in disseminating that information to law enforcement and regulatory agencies. The survey results will be used to determine whether more in-depth audit coverage of this area is warranted.

Responsibilities of the Office of Intelligence and Analysis under the Intelligence Authorization Act

The Intelligence Authorization Act for Fiscal Year 2004 established the Office of Intelligence and Analysis and assigned it responsibility for receiving, analyzing, collating, and disseminating foreign intelligence and foreign counterintelligence information related to Treasury operations.

We plan to assess the office's progress toward meeting its responsibilities.

OFAC's Management of the Specially Designated Nationals and Blocked Persons List

OFAC is responsible for enforcing economic and trade sanctions against targeted foreign countries, terrorists, and international narcotics traffickers. A major component to these sanctions is the Specially Designated Nationals and Blocked Persons List, which includes more than 3,500 names of individuals, governments, and companies that serve as agents or representatives of countries with which U.S. businesses and citizens are prohibited from engaging in trade. In consultation with the Departments of State and Justice, OFAC relies on both public and classified data to include an entity on the list. Entities that wish to challenge OFAC's designation can apply to OFAC for delisting. They must credibly demonstrate that they no longer engage in or plan to engage in the sanctioned activity, and that the circumstances resulting in the designation no longer apply. In 2014, OFAC removed 855 persons from the SDN list.

We plan to determine and assess OFAC's management controls over the process of listing and delisting individuals and entities from the Specially Designated Nationals and Blocked Persons lists and assess the effectiveness of the new data system in helping OFAC manage this process.

FinCEN's Memorandum of Understanding with the National Counterterrorism Center

A 2010 memorandum of understanding between FinCEN and the National Counterterrorism Center sets conditions for searching BSA data, some of which is provided as bulk data to the center. The memorandum requires intelligence agencies to search for data that is valuable for specific cases and to immediately destroy data obtained in error. Redistribution of information is also limited.

We plan to determine how FinCEN has implemented the memorandum of understanding with the National Counterterrorism Center.

OFAC and OCC's Monitoring of JP Morgan Chase Bank Compliance with Sanctions Programs

In August 2011, JP Morgan Chase Bank agreed to remit \$88.3 million to settle potential civil liability for apparent violations of multiple OFAC sanctions programs. According to Treasury's website, the bank violated the Cuban Assets Control Regulations; the Weapons of Mass Destruction Proliferators Sanctions, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters;" and the Iranian Transactions Regulations, among other sanctions programs. The violations occurred between December 2005 and March 2011. Also, in a January 2014 consent order for the assessment of a civil money penalty, OCC cited the bank for inadequate internal controls, including filtering processes and independent testing with respect to OFAC compliance.

We plan to assess OFAC's and OCC's oversight of JP Morgan Chase's actions to implement adequate controls with respect to OFAC compliance.

FinCEN Guidance on Prepaid Access

Prepaid access is defined as access to funds (or the future value of funds) that have been paid in advance and can be retrieved or transferred in the future through an electronic device or vehicle, such as a card, code, electronic serial number, mobile identification number, or personal identification number. In July 2011, FinCEN issued a final rule to clarify the definition of prepaid access and impose suspicious activity reporting, customer identification, and recordkeeping requirements on both providers and sellers of prepaid access, and to impose registration requirements on sellers.

We plan to assess FinCEN's actions to address money laundering and terrorist financing risks associated with prepaid access.

FinCEN's Monitoring over the Use of BSA Data

We plan to assess FinCEN controls over the sharing of BSA data to prevent and detect the misuse of that data.

FinCEN's Oversight of Casino Compliance with BSA

Casinos with gross annual gaming revenue in excess of \$1 million are subject to BSA reporting and recordkeeping requirements. The definition of casino has been updated over the years to include state-licensed casinos, tribal casinos, and club cards. As part of their compliance with the BSA, casinos are required to implement and maintain an anti-money laundering program, file Currency Transaction Reports and SARs, and maintain records.

We plan to assess FinCEN's oversight of BSA compliance by the casino industry.

FinCEN and OFAC's Oversight of the Insurance Industry

We plan to review FinCEN's guidance for the insurance industry regarding BSA compliance and OFAC's activities to educate the industry about compliance with sanctions programs.

FinCEN's Efforts to Ensure BSA Compliance by Nonbank Financial Institutions

FinCEN has the responsibility for oversight of BSA compliance by nonbank financial institutions that do not have a Federal functional regulator. FinCEN delegated examination authority for these institutions to IRS. In an effort to better leverage examination resources, FinCEN is looking also to coordinate with the states.

We plan to assess FinCEN's coordination efforts with the states with respect to BSA compliance by nonbank financial institutions.

OFAC's Efforts to Identify Terrorist Activities in Charities

Charitable organizations are vulnerable to terrorist activity often because of the areas in which they provide services and the ways in which funds are donated and passed through these organizations. Protecting charities from terrorist abuse is a critical component of the global fight against terrorism. U.S. persons, including U.S. based charities and donors, are generally prohibited from supporting charities or other organizations working in sanctioned jurisdictions and charities designated by OFAC as supporting terrorist activities, unless they have acquired the appropriate registrations and licenses from OFAC. Charities should ensure that grantees do not appear on OFAC's Specially Designated Nationals list and are not otherwise subject

to OFAC sanctions. Since July 2005, OFAC has added 41 charities to the list because of their support for terrorist activity.

We will assess OFAC's process for monitoring charities for compliance with foreign sanction programs.

FinCEN's Protection of Information Shared with Foreign Financial Intelligence Units

FinCEN serves as the Foreign Financial Intelligence Unit for the United States and one of more than 100 Foreign Financial Intelligence Units making up the Egmont Group, an international entity focused on information sharing and cooperation. FinCEN exchanges financial information with its counterparts around the world in support of U.S. and foreign financial crime investigations.

We plan to determine how FinCEN protects information shared with Foreign Financial Intelligence Units from unauthorized disclosure.

OFAC Implementation of the Foreign Sanctions Evaders List

In May 2012, the President signed E.O. 13608, "Prohibiting Certain Transactions and Suspending Entry into the United States of Foreign Sanctions Evaders with Respect to Iran and Syria," which gives OFAC the authority to impose sanctions on foreign persons who have facilitated deceptive transactions for or on behalf of persons subject to U.S. sanctions. As a result of this order, OFAC maintains a separate listing of these individuals and entities called the Foreign Sanctions Evaders List. OFAC introduced the list in February 2014. Assets of these individuals and entities are not blocked, but a U.S. citizen or entity may not provide or procure goods or services, including financial services, or technology for or from a listed person without authorization from OFAC. In addition, financial institutions must reject any wire transfer involving a listed person and file a report with OFAC within 10 days.

We plan to determine OFAC's process for maintaining the Foreign Sanctions Evaders List and for monitoring activity of these designated individuals and entities.

Projects under Consideration for Future Fiscal Years

FinCEN's Guidance on Expectations Regarding Marijuana-related Businesses

Twenty (20) states and the District of Columbia have legalized certain marijuana-related activity. In February 2014, FinCEN issued guidance to clarify how financial institutions can provide services to marijuana-related businesses consistent with their BSA obligations, including customer due diligence and reporting requirements.

These businesses are required to file a SAR on activity involving any marijuana-related business, even if the business is duly licensed under state law.

We plan to determine how FinCEN is assessing the impact of its guidance on BSA compliance.

FinCEN's Implementation of Cross-border Electronic Transfer of Funds Data Collection

The Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108–458), which amended BSA, requires that FinCEN propose regulations requiring that financial institutions report certain cross-border electronic transmittals of funds for Treasury's efforts to combat money laundering and terrorist financing. On September 30, 2010, FinCEN issued a notice of proposed rulemaking to issue regulations that would require certain banks and money transmitters to report to FinCEN transmittal orders associated with certain cross-border electronic transmittals of funds. A final rule was not to be issued until FinCEN had the appropriate IT systems in place to collect, maintain, and disseminate the data. FinCEN was relying on its BSA IT Modernization system, completed in April 2014, to provide the infrastructure necessary to maintain this data.

We plan to determine the status of FinCEN efforts to require reporting of certain cross-border electronic transmittals of funds.

OFAC Civil Penalty Cases

OFAC enforces economic sanctions by issuing civil and criminal penalties. These penalties serve as a deterrent to acts that violate sanction programs. Past audits have revealed that some civil and criminal cases have not been acted upon in a timely fashion allowing them to fall out of the statute of limitations. In 2006, we reported that OFAC had allowed hundreds of enforcement cases to expire without issuing civil money penalties because of poor case management.

We plan to determine whether OFAC has implemented case management processes for its civil and criminal penalty activities to ensure timely action is taken.

FinCEN's Oversight of BSA Examination and Enforcement for Nonbank Residential Mortgage Originators and Brokers

In February 2012, FinCEN issued final regulations requiring nonbank residential mortgage lenders and originators to establish anti-money laundering programs and file SARs. FinCEN expects that the new regulations will help mitigate risks and

minimize vulnerabilities that criminals have exploited in the nonbank residential mortgage sector.

We plan to evaluate FinCEN's strategy for establishing an examination and compliance program for nonbank mortgage originators and brokers.

FinCEN Memorandum of Understanding with Federal Banking Agencies

We plan to determine whether (1) FinCEN is receiving timely, complete, and reliable information in accordance with the FinCEN memorandum of understanding with Federal banking agencies; and (2) the purpose of the memorandum of understanding, which was to enhance communication and coordination enabling financial institutions to identify, deter, and interdict terrorist financing and money laundering, is being achieved. We plan to conduct audit work at FinCEN and OCC.

OFAC Memorandum of Understanding with Federal Banking Agencies

We plan to determine (1) whether OFAC is receiving timely, complete, and reliable information under the April 2006 memorandum of understanding with Federal banking agencies and (2) whether the memorandum of understanding is achieving its purpose of helping OFAC administer and enforce economic sanctions and assisting the Federal banking agencies in fulfilling their roles as banking organization supervisors. We plan to conduct audit work at OFAC and OCC.

FinCEN's Analysis and Dissemination of Report of International Transportation of Currency or Monetary Instruments Data

In accordance with 31 U.S.C. 5316 (a), a person who physically transport, mail, or ship currency or other monetary instruments in an aggregate amount exceeding \$10,000 at one time from or to the United States is required to file a Currency or Monetary Instruments report with the Department of Homeland Security, Customs and Border Protection (CBP). These reports are useful for identifying money-laundering schemes.

We plan to assess FinCEN's efforts to analyze the report's data and coordinate with CBP to detect and pursue money-laundering schemes.

Treasury's Compliance with Intelligence Reporting Requirements

E.O. 13462, "President's Intelligence Advisory Board and Intelligence Oversight Board," as amended, requires Treasury to report intelligence-gathering activities to the President's Intelligence Advisory Board and its component, the Intelligence Oversight Board. The Intelligence Advisory Board is responsible for keeping the President apprised of issues discovered through intelligence gathering activities

throughout the Federal Government. Treasury's Office of Intelligence and Analysis is responsible for submitting quarterly reports on intelligence activities that it has reason to believe may be unlawful or contrary to executive orders or presidential directives. These reports are provided to the President's Intelligence Advisory Board and the Director of National Intelligence. This quarterly report also covers any matters considered significant or highly sensitive as defined under the criteria. The executive order also requires Treasury to act on any recommendations made by the board and the Director of National Intelligence, including instructions to discontinue activities that may be unlawful or contrary to executive orders or other presidential directives.

We plan to assess Treasury's processes for identifying reportable matters under E.O. 13462 and related directives.

TEOAF Management Controls over the Security of Forfeited Property

We plan to determine whether TEOAF has established an effective system of internal controls for maintaining accountability and control of property stored in warehouses.

FinCEN Efforts to Ensure Compliance with the Comprehensive Iran Sanctions, Accountability, and Divestment Act

The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 imposed sanctions aimed at persuading the Iranian Government to end its illicit nuclear program. The financial sanctions prescribed by the act were designed to restrict or prohibit U.S. financial institutions from doing business with foreign institutions related to or conducting business with the Government of Iran or its agents. Under the act, FinCEN is authorized to require U.S. banks to perform sanctions audits on foreign financial institutions with which they keep correspondent accounts to determine whether those institutions are in compliance with requirements of the act. Correspondent accounts are defined by the USA PATRIOT Act as accounts established to receive deposits from, make payments on behalf of, or handle other financial transactions related to a foreign financial institution. FinCEN issued the final rule in October 2011.

We plan to determine how many sanctions audits were required by FinCEN and what those audits found.

FinCEN's Use of the Report of Foreign Bank and Financial Accounts

A Report of Foreign Bank and Financial Accounts is to be filed by persons in the United States who have a financial interest in or signature authority over at least one financial account located outside of the United States that exceeded \$10,000 at any time during the calendar year. The report is a tool to help the Federal Government identify persons who may be using foreign financial accounts to circumvent U.S. law.

We plan to determine how FinCEN uses the report's data.

TEOAF's Controls over Super Surplus and the Secretary's Enforcement Fund

The Super Surplus Fund is a special receipt account, which means that the fund can be used to provide money to other Federal entities toward the accomplishment of a specific objective for which the recipient bureaus are authorized to spend money. TEOAF is responsible for managing the fund. In FY 2014, the Fund expensed an estimated \$133.2 million in Super Surplus funds; this was up from \$43.5 million in FY 2013. TEOAF's FY 2014 President's Budget request shows that TEOAF plans to expend no monies in Super Surplus funds in FY 2015.

The Secretary Enforcement Fund is available for law enforcement purposes of Federal law enforcement organizations that participate in the fund. TEOAF is also responsible for determining how the Secretary Enforcement Fund funds are spent. In FY 2014, the Fund expensed an estimated \$16.1 million in Secretary Enforcement Funds. TEOAF's FY 2014 President's Budget request shows that TEOAF plans to expend \$28 million in Secretary Enforcement Funds in FY 2015.

We plan to identify the controls in place over the use of Super Surplus Fund and Secretary Enforcement Fund resources.

FinCEN's Implementation of Section 361 of the USA PATRIOT Act

Section 361 of the USA PATRIOT ACT established FinCEN as a bureau within Treasury with the duties of furnishing research, analytical, and informational services to financial institutions in the interest of detection, prevention, and prosecution of terrorism, organized crime, money laundering, and other financial crimes.

We plan to determine how FinCEN is meeting the requirements of this section of the USA PATRIOT Act.

OCC's Efforts to Address Emerging High-risk BSA/Anti-Money Laundering Areas

We plan to assess OCC's efforts to provide guidance to its examiners related to monitoring areas of risk in the financial institutions such as prepaid access, mobile banking, and suspicious-activity monitoring systems.

Implementation of FinCEN BSA IT Modernization Program

Pursuant to a congressional directive, we conducted six audits to determine whether FinCEN was (1) meeting cost, schedule, and performance benchmarks for the BSA IT Modernization program, and (2) providing appropriate contractor oversight. We reported on these objectives until the system development was completed in April 2014.

We plan to determine how well the BSA IT Modernization program is meeting the needs of FinCEN and other users after the system has been fully operational for several years.

Government-wide Financial Services and Debt Management

Background

Treasury, through Fiscal Service, borrows the money needed to operate the Federal Government, accounts for the resulting debt, and provides reimbursable support services to Federal agencies. Fiscal Service also provides central payment services to Federal agencies, operates the Federal Government's collections and deposit systems, provides Government-wide accounting and reporting services (including preparation of the Financial Report of the U.S. Government), and manages collection of delinquent debt owed the Federal Government.

The goal of Treasury debt management is to achieve the lowest borrowing costs over time by committing to regular and predictable debt issuance. The Federal debt has two major components: Debt Held by the Public and Intragovernmental Holdings. Debt Held by the Public is the debt held by individuals, corporations, state or local governments, foreign governments, and other entities outside the U.S. Government. Types of securities held by the public include Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Inflation-Protected Securities, U.S. Savings Bonds, State and Local Government Series Securities, Foreign Series securities, and Domestic Series securities. Intragovernmental Holdings are primarily Government Account Series securities held by Federal Government trust funds, revolving funds, and special funds. As of April 30, 2015, the total Federal debt outstanding was \$18.2 trillion, of which \$13.1 trillion was Debt Held by the Public and \$5.1 trillion was Intragovernmental Holdings. The interest expense on the Federal debt for FY 2014 was \$430.8 billion. Interest expense for FY 2015, as of April 30, 2015, was \$192.8 billion. Fiscal Service's debt operations depend on modernized electronic and information system technology. Implemented in 2002, the TreasuryDirect system maintains approximately 580,000 funded accounts.

Another of Fiscal Service's primary goals is to provide reliable and accurate processing of Federal payments, which is an essential part of supporting the U.S. economy. These payments total over \$2.5 trillion annually. Fiscal Service issues more than one billion payments each year by paper check, electronic funds transfer, and Fedwire, and it has increased its efforts to make payments electronically, thereby reducing the number of paper checks issued. In FY 2014, approximately 98 percent of benefit payments and 94 percent of total payments were made

electronically. Fiscal Service also collects more than \$3 trillion per year in government receipts from individual and corporate income taxes, social security and other payroll taxes, excise taxes, and duties. Approximately 98 percent of this amount is collected electronically. In FY 2014, delinquent non-tax debt owed to the United States totaled \$139.3 billion of which 55 percent was over 2 years delinquent. Fiscal Service collected \$6.9 billion of delinquent debt in FY 2014, of which approximately \$3.6 billion was Federal nontax debt. Prompt referral of eligible delinquent debts to Treasury by Federal program agencies is critical to the success of collection efforts.

Digital Accountability and Transparency Act of 2014

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted in May 2014 to accomplish the following objectives:

- expand the Federal Funding Accountability and Transparency Act of 2006 by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to programs of Federal agencies, enabling taxpayers and policy makers to track Federal spending more effectively
- establish Government-wide data standards for financial data and provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policy makers on USASpending.gov (or a successor system that displays the data)
- simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency
- improve the quality of data submitted to USASpending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted
- applied approaches developed by the Recovery Accountability and Transparency Board to spending across the Federal Government.

To fulfill its purpose, the DATA Act imposes certain requirements on the Secretary of the Treasury, the Director of OMB, the Inspector General of each Federal agency, and the Comptroller General of the United States. Under the act, Treasury and OMB are responsible for the following:

- establishing Government-wide financial data standards for any Federal funds made available to or expended by Federal agencies and entities receiving Federal funds by May 2015

Planned Projects by OIG Issue Area

- ensuring this financial data is accurately posted and displayed on USASpending.gov or a successor system by May 2017
- ensuring the data standards established are applied to the data made available on the website by May 2018

Inspectors General must accomplish the following:

- review a statistically valid sampling of the spending data submitted under this act by their respective Federal agencies submit to Congress, and make publicly available, a report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the Federal agency by November 2016. Similar reports are also required in future years.

The DATA Act places major responsibilities for the promulgation of data standards and public reporting of Government spending squarely on Treasury. Implementing the DATA Act is an extremely complex undertaking involving the overhaul of the existing reporting systems, the implementation of new data standards and data handling methodologies, and significant interagency coordination and cooperation. We anticipate that our office will continue to provide significant resources to oversee Treasury's responsibilities under the DATA Act. We will also work within the IG community to develop a comprehensive audit methodology that allows agency IGs to comply with their responsibilities under the act, and promote the efficient use of resources.

"Do Not Pay" Initiative

In E.O. 13520, "Reducing Improper Payments and Eliminating Waste in Federal Programs," issued in 2009, the President directed agencies to identify ways in which information sharing may improve payment eligibility verification and pre-payment scrutiny. The E.O. also directed the establishment of a "single point of entry" through which agencies would access relevant data to determine eligibility for a Federal award or payment. In an April 2012 memorandum, OMB described the efforts of OMB and Treasury to establish the Do Not Pay Initiative. The memorandum directed Federal agencies to develop a plan for using the Do Not Pay system for pre-payment eligibility reviews. In January 2013, IPERIA was enacted, codifying the ongoing efforts to develop and enhance the initiative. Additionally, IPERIA required that not later than June 2013, all agencies review all payments and awards for all programs through the system established by OMB. As the Federal Government takes these important steps to prevent waste, fraud, and abuse in

Federal spending, it is vital for agencies to ensure that individual privacy is fully protected.

The Do Not Pay Initiative includes multiple resources designed to help agencies confirm that the right recipient obtains the right payment for the right reason at the right time. IPERIA provides the Federal Government with new tools and authorities to help agencies effectively implement the initiative. IPERIA also establishes new standards and procedures for computer matching programs that are conducted as part of the Do Not Pay Initiative. As required by IPERIA, OMB issued implementation guidance for the initiative in OMB memorandum M-13-20, "Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative" (August 2013).

The Do Not Pay Business Center is a Treasury program designed to give critical information to paying agencies to help reduce improper payments. It provides two services to agencies: the Do Not Pay Portal and Do Not Pay Data Analytics Service. Each agency can choose to use any combination of these Do Not Pay services to best meet its needs. The Do Not Pay Portal provides users with a single entry point to search for entities that may be listed in a variety of data sources, including the following:

- List of Excluded Individuals/Entities
- Social Security Administration's (SSA) Death Master File
- Central Contractor Registry
- Excluded Parties List System
- Debt Check

Three types of searches will be available so that agencies can customize use of the portal to align with their business needs: online, batch, and continuous monitoring.

With its potential to significantly reduce improper payments while at the same time ensuring appropriate privacy, we need to devote resources to oversee Treasury's responsibilities under the Do Not Pay Initiative.

Potential Integrity Risks

Integrity risks associated with Government-wide financial services and debt management affecting Fiscal Service include fraud and abuse by means of (1) unauthorized access to sensitive information, (2) filing of false applications and claims, (3) provision of false statements to obtain Federal assistance or funds, (4) diversion of benefit proceeds, (5) check forgery, (6) promised services not delivered, and (7) misuse and mismanagement of Federal funds. Program risks

related to this issue area include the inability to collect debt, inability to recover in a disaster, misallocation of program costs, and disruption of the Federal payment function and service to the public.

To minimize potential integrity risks, we plan to explore the use of data-mining methods to analyze Fiscal Service payments to reveal hidden patterns relating to trends, relationships, and correlations between the data. These data-mining methods have the potential to reveal trends and patterns that could identify ongoing fraud and abuse directed against or occurring within Fiscal Service.

In Progress and Planned FY 2016 Projects

Bureau of the Public Debt and Financial Management Service Consolidation (In Progress)

We plan to determine whether Treasury has a comprehensive plan to accomplish the consolidation and re-designation of the legacy Bureau of the Public Debt and legacy Financial Management Service (FMS) as Fiscal Service and determine how well Treasury followed its plan. We also plan to determine the reliability of projected cost savings resulting from the consolidation.

Tax Refund and Other Payment Offsets (In Progress)

Media reports have stated that the Federal Government was improperly offsetting taxpayer refunds to resolve long overdue SSA debts incurred by parents or other parties without due process. Accordingly, this audit will initially focus on the offset of debt referred to Fiscal Service from SSA.

We plan to determine Fiscal Service's role in identifying and targeting payments for offset and actions taken to ensure only appropriate debts are subject to offset. We will also determine if taxpayers are afforded due process prior to offset of the scheduled payments.

Selection and Monitoring of Financial Agents for Revenue Collection Management (In Progress)

Fiscal Service makes significant use of financial agents to execute the systems and processes used to collect Federal revenue. We plan to assess Fiscal Service's processes for selecting financial agents related to revenue-collection management and monitoring their performance under the terms of the financial agency agreements.

Fiscal Service's Stand-up of Transparency Office and Administration of USASpending.gov (In Progress)

In February 2014, OMB transferred responsibility of the USASpending.gov website to Treasury from the General Services Administration. We plan to review Fiscal Service's plans for addressing its new responsibilities of maintaining and improving the USASpending.gov website.

Challenges with Obtaining Full Death Data (In Progress)

IPERIA requires that Federal agencies review several databases, including the SSA's Death Master File, before issuing any payment award. Provisions of the Social Security Act apparently limit the Do Not Pay Business Center's ability to access the most complete death data maintained by SSA.

We plan to identify the challenges that Fiscal Service is facing in obtaining full death information for the Do Not Pay Business Center along with possible solutions to overcome the challenges.

Delinquent Debt Referrals (In Progress)

We plan to evaluate Fiscal Service's efforts to work with creditor Federal agencies so that delinquent non-tax debt is referred to Fiscal Service for collection in a timely manner.

Treasury's Implementation of the DATA Act (In Progress)

Treasury, working in conjunction with OMB, is leading the Government-wide implementation of the DATA Act. Through a series of audits, we plan to determine the sufficiency of plans and actions taken by Treasury to timely comply with the DATA Act.

Treasury's Efforts to Report Financial and Payment Information Data under the DATA Act (In Progress)

In addition to leading the Government-wide implementation of the DATA Act, Treasury, as a Federal agency, is required to submit spending data under the Act by no later than May 2017. We plan to gain an understanding of the processes, systems and controls that Treasury has implemented or plans to implement to accomplish this reporting. This understanding is necessary for us to develop an efficient, effective methodology to execute the Inspector General reviews required by the DATA Act.

Direct Express Program (In Progress)

We plan to determine whether Fiscal Service followed applicable laws, regulations, policies, and procedures in selecting the financial agent for the Direct Express Program.

Treasury's DATA Act Submission

As required by the DATA Act, we plan to (1) review a statistically valid sampling of the spending data submitted under this act by Treasury, and (2) submit to Congress and make publically available a report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by Treasury. We plan to start our first audit under this requirement in FY 2016.

Treatment of Legacy FMS Workers

In October 2012, Treasury consolidated the legacy Bureau of the Public Debt and the legacy FMS into a single entity establishing the Fiscal Service. The consolidation plan had two phases. Phase 1 was focused on gaining efficiencies and cost savings through attrition and elimination of redundant positions. Phase 2 further streamlined accounting and IT functions. Also in phase 2, FMS employees were to be relocated from Hyattsville, MD, to either Parkersburg, WV, or Kansas City, MO. In response to concerns raised by Congress with the transfers, employees were given until December 2019 to relocate. Senate Report 114-97 included a directive by the Appropriations Committee that our office to report on the treatment of workers by Fiscal Service who were formerly employees of FMS. Our office was also directed to pay special attention to whether any employees have faced intimidation, demotion, or actions that would discourage the employees from continuing their employment with Fiscal Service.

Consistent with the Senate Report, we plan to assess the treatment of former FMS employees by Fiscal Service.

Do Not Pay Program and Data Analytics Services

The Do Not Pay Business Center provides automated tools, including a web-based portal with single-entry-access federal agencies can use to access an array of data sources that assist in determining whether an individual or entity is eligible to receive Federal payments or engage in Federal contracts or grants.

We plan to assess the ongoing effectiveness of Fiscal Service's Do Not Pay program as a tool to assist agencies in identifying and preventing improper payments, including an evaluation of the Do Not Pay Business Center's analytical activities.

Fiscal Service's Management of Facilities, Property, and Equipment

We plan to determine whether the Fiscal Service is managing its facilities, property, and equipment in an efficient and effective manner.

Fiscal Service Processing of Requests for Payment of Federal Benefits by Check

According to Fiscal Service's website, Treasury requires Federal benefit payments to be made electronically, either through direct deposit or through the Direct Express® Debit MasterCard®. Recipients living in remote areas without sufficient banking infrastructure may apply for a waiver (FS Form 1201W, Request for Payment of Federal Benefits by Check) as well as check recipients for whom electronic payments would impose a hardship due to a mental impairment. Automatic waivers are granted to people born on or before May 1, 1921, and people who qualify for this waiver do not need to submit an application.

We plan to (1) determine the volume of waiver requests received and processed by Fiscal Service and (2) assess the policies, procedures, and controls over the processing of waiver requests.

Use of Beneficiary Data

We plan to assess controls to prevent financial agents from using customer data obtained through their activities under financial-agent agreements to market other financial products.

myRA Financial Agent Selection

In late 2014, Treasury rolled out the myRA (My Retirement Account), a retirement savings account for individuals looking for a simple, safe, and affordable way to save.

We plan to assess the process for selecting the myRA financial agent (Comerica Bank), the effectiveness of the myRA program, and the controls in place to safeguard the myRA accounts.

Projects under Consideration for Future Fiscal Years

Use of Permanent and Indefinite Appropriation Funds

In FY 2014, Treasury used approximately \$1.5 trillion dollars in permanent and indefinite appropriations for interest on the public debt, court judgments and settlements, and payments to fiscal and financial agents.

We plan to determine whether selected Fiscal Service permanent and indefinite appropriations are used in accordance with the underlying legislation.

Consolidated Post Payment Systems

Fiscal Service's Post Payment System (PPS) will be the system of record for more than one billion payments made by Fiscal Service annually, and for any associated exception processing. PPS will consolidate all post-payment exception processing into a single application by merging activities currently performed in multiple legacy applications and reengineering disparate processes.

We plan to determine whether Fiscal Service has successfully consolidated its PPS function and whether controls are sufficient to ensure prompt accurate processing of payment claims, inquiries, returns and reclamations.

Debt Collection Cross Servicing

As the Government's central debt collection agency, Fiscal Service uses a number of tools to collect nontax debt delinquencies. These tools include direct debtor contact and demand letters, referral to the Treasury Offset Program, use of private collection agencies, administrative wage garnishments, and credit bureau reporting.

We plan to assess Fiscal Service's controls over debt collection.

Survey of Payment Systems and Payment Information Repository

We plan to gain an understanding of Fiscal Service's payment infrastructure and identify key processes, systems and controls that, based on our assessment of risk, should be audited in more depth. In addition, we plan to identify and develop opportunities to monitor payment activity through data mining.

Survey of Collection Systems and the Collection Information Repository

We plan to gain an understanding of Fiscal Service's revenue-collection infrastructure and identify key processes, systems and controls that, based on our assessment of risk, should be audited in more depth. In addition we plan to identify and develop opportunities to monitor collection activity through data mining.

Fiscal Agent Relationships

Fiscal Service has established approximately 35 fiscal agent relationships with the Federal Reserve Banks (FRBs) to acquire various support and operational services. During FY 2014, Fiscal Service paid the FRBs over \$500 million for these services.

We plan to determine the nature of the fiscal agent relationships and assess Fiscal Service's monitoring the services provided by the fiscal agents.

Fiscal Service Policies and Procedures for Amending and Monitoring Financial Agent Agreements

We plan to determine if Fiscal Service has taken corrective action in response to a September 2015 OIG audit report to develop and implement policies and procedures for amending and monitoring its financial agent agreements.⁵

Managing Interchange Fees

In FY 2014, Treasury, through Fiscal Service, collected approximately \$11.6 billion in revenue through credit and debit cards and paid interchange fees of approximately \$137.7 million. Interchange fees are payments that card-acquiring banks make to banks that issued the cards.

We plan to determine how Fiscal Service manages costs associated with interchange fees. As part of this audit, we plan to follow up on findings and recommendations from GAO's 2008 report, *Credit and Debit Cards: Federal Entities Are Taking Actions to Limit Their Interchange Fees, but Additional Revenue Collection Cost Savings May Exist* (GAO-08-558; May 15, 2008).

Administrative Resource Center's Services and Billing

Fiscal Service's ARC is a shared service provider that offers a range of financial management, human resources, IT, investment accounting, procurement, and travel services to more than 75 Federal customers. In FY 2014, the ARC collected more than \$470 million in revenue from these customers.

We plan to assess the controls that the ARC has put in place to ensure that it provides and properly bills customers for cost-effective services that meet customer expectations.

⁵ OIG, *Former Federal Inmate Debit Card Fees Were Comparable with Other Card Programs, but Documentation Supporting Financial Agent Agreements Was Lacking* (OIG-15-048, Sep. 17, 2015)

Payments to Grantees and Financial Agents

As of the end of FY 2014, 48 programs used the Automated Standard Application for Payments (ASAP) for grant payment, reimbursements to financial agents, and program payments. GAO reported in April 2012 that ASAP held \$126 million in grant accounts for which there had been no activity for 2 years or more. To help reduce unused funding, Fiscal Service issues dormant account reports to agencies that own the funds.

We plan to assess controls over funds held and payments made to grantees and financial agents using ASAP. In connection with this, we will also assess efforts to work with agencies to resolve dormant accounts with balances.

Direct Express Service Levels

We plan to determine whether the financial agent for the Direct Express Debit Card Program is meeting the service level requirements set forth in the financial agency agreement.

Survey of Treasury's Marketable Securities Offerings

We plan to (1) gain an understanding of the process by which Treasury determines the type and amount of marketable securities to be offered to meet the Government's financing needs and investor demands and (2) identify key processes, systems and controls that, based on our assessment of risk, should be audited in more depth.

Survey of Government Agency Investment Services

Fiscal Service manages approximately \$5.1 trillion in securities for Federal agencies that have the legislative authority to invest, including Government trust funds and tribal funds held on behalf of Treasury. Fiscal Service also offers flexible investment alternatives for state and local governments and administers loans to Federal agencies with the legislative authority to borrow.

We plan to (1) gain an understanding of Fiscal Service's controls over Federal, state and local investments and Federal borrowing programs and (2) identify key processes, systems and controls that, based on our assessment of risk, should be audited in more depth.

Treasury Checks and the Check Forgery Insurance Fund

While the vast majority of Government payments are made electronically, Fiscal Service still disburses approximately \$125 million annually in payments by paper

check. The Check Forgery Insurance Fund is a revolving account administered by Fiscal Service to settle claims of non-receipt of Treasury checks. The fund's purpose is to ensure that the intended payees, whose checks were fraudulently negotiated, receive settlement in a timely manner. The Check Forgery Insurance Fund's balance at the end of FY 2014 was nearly \$3.5 million. During that fiscal year, approximately 8,400 claims for lost, stolen, or forged checks were filed. Reimbursements totaled \$17.4 million and recoveries totaled \$16 million. The OIG Office of Investigation is currently involved in a joint initiative with Fiscal Service in an effort to combat Treasury check fraud.

We plan to determine whether the Check Forgery Insurance Fund is administered in accordance with legislation.

Survey of the Invoice Processing Platform

The Invoice Processing Platform is an Internet-based payment information portal provided by Fiscal Service for use, free of charge, to Federal agencies and their vendors. It was established to improve the flow of information between Federal agencies and suppliers by providing a centralized location to exchange electronic purchase orders, invoices, and related payment information.

We plan to gain an understanding of security measures and controls Fiscal Service uses for the portal to identify areas that, based on our assessment of risk, should be audited in more depth.

Safety, Soundness, and Accessibility of Financial Services

Background

One of Treasury's strategic goals is to promote domestic economic growth and stability while continuing reforms of the financial system. Two of Treasury's strategies to reach that goal are to (1) complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability and (2) develop a sustainable housing finance system that meets the needs of a diverse population of borrowers, including long-term reform of the mortgage finance system and the smooth wind-down of Fannie Mae and Freddie Mac.

Dodd-Frank made sweeping changes to the U.S. financial regulatory framework, affecting all financial regulatory agencies, including OCC. It also established two offices within Treasury:⁶

- OFR, established by Title I of Dodd-Frank, is tasked with supporting the activities of the Financial Stability Oversight Council and its member agencies by performing activities such as collecting data on behalf of the council, providing data to the council and member agencies, standardizing the types and formats of data reported and collected, and performing essential long-term research.
- FIO, established by Title V of Dodd-Frank, is tasked with addressing problems and concerns in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the U.S. financial system.

OCC is responsible for licensing, regulating, and supervising nearly 1,200 nationally chartered banks, 460 federal savings associations, and 50 federal branches or agencies of foreign banks. OCC-supervised banks hold more than \$10.9 trillion in total assets. OCC, which has more than 3,900 employees, has three strategic goals: (1) a vibrant and diverse system of national banks and federal savings associations that supports a robust U.S. economy; (2) "One OCC" focused on collaboration, innovation, coordination, and process efficiency; and (3) the ability to operate independently and effectively into the future.

⁶ Dodd-Frank also established two other offices within Treasury: the Offices of Minority and Women Inclusion in Department Offices and OCC.

From September 2007 through May 2015, 512 commercial banks and federal savings associations failed, resulting in an estimated \$87.7 billion in losses to the Deposit Insurance Fund. Of these 512 failures, 139 were banks or federal savings associations regulated by OCC or the former Office of Thrift Supervision (OTS).⁷ OIG is mandated by Section 38(k) of the Federal Deposit Insurance Act to review and produce a written report on failures of OCC-regulated financial institutions that result in material losses to the fund. The law also requires that the report be completed within 6 months after it becomes apparent that the material loss has occurred. Dodd-Frank raised the threshold loss amount triggering a material loss review to \$50 million in 2014 and thereafter, with a provision for increasing the threshold to \$75 million under certain circumstances. We completed 56 material loss reviews during the recent economic downturn.

For any failure of an OCC-regulated bank or thrift with a loss to the Deposit Insurance Fund under the triggering threshold, Dodd-Frank requires us to conduct a limited review to determine (1) the grounds identified by OCC for appointing the Federal Deposit Insurance Corporation (FDIC) as receiver, and (2) any unusual circumstances that might warrant an in-depth review of the loss. During the economic downturn we completed 74 limited reviews for these types of losses.

In Progress and Planned FY 2016 Projects

Reviews of Failed OCC-Regulated Financial Institutions

In the event of a failure of an OCC-regulated financial institution with an estimated loss to the Deposit Insurance Fund exceeding \$50 million, we will perform a material loss review to (1) determine why the institution failed and resulted in a material loss; (2) evaluate OCC's supervision of the institution; and (3) as appropriate, make recommendations to prevent similar losses in the future.

For failed financial institutions with estimated losses under the material loss review threshold, we plan to (1) determine the grounds identified by OCC for appointing FDIC as receiver and (2) identify any unusual circumstances that might warrant an in-depth review of the loss.

⁷ Dodd-Frank abolished OTS in 2011; most of the former agency's functions and personnel were moved to OCC.

Supervision of Bank Processes to Prevent, Detect, and Report Criminal Activity by Bank Employees (In Progress)

We plan to (1) identify the extent and nature of criminal and other suspicious activity committed by bank and thrift employees reported to FinCEN under BSA through a review of SARs and related analytical studies; (2) identify OCC processes for pursuing enforcement action against current or former bank employees in which there is evidence of wrongdoing involving dishonesty or a breach of trust or money laundering; (3) identify OCC examination procedures to ensure that national banks and federal savings associations have sufficient processes to prevent, detect, and report internal criminal activities; (4) determine whether the procedures are applied effectively; and (5) determine whether deficiencies identified during the examination process result in appropriate supervisory actions that are tracked and satisfactorily resolved.

Treasury's Implementation of PPD-21 and Executive Order Relating to Critical Infrastructure (In Progress)

We plan to assess Treasury's coordination efforts with private sector entities and other government entities to protect the banking and finance portions of the nation's critical infrastructure in accordance with Presidential Policy Directive-21, "Critical Infrastructure Security and Resilience" (February 2013), and E.O. 13636, Improving Critical Infrastructure Cybersecurity."

Lessons Learned From Bank Failures (In Progress)

We plan to review completed material loss reviews and other reviews of Treasury-regulated failed financial institutions to (1) identify common themes related to the causes of failure and supervision of institutions and (2) assess OCC's actions to strengthen the supervisory process in response to our audit recommendations as well as other initiatives by OCC.

OFR Procurement Activities (In Progress)

We plan to determine whether OFR's procurement process ensures that OFR effectively and efficiently acquires the goods and services needed to accomplish its mission and that procurements are made in compliance with applicable regulations.

Supervision of Student Loan Products (In Progress)

We plan to assess OCC's supervision of financial institutions' student loan lending activities.

Treasury's Office of Minority and Women Inclusion (In Progress)

We plan to determine whether the Office of Minority and Women Inclusion within Departmental Offices was established and is carrying out its functions consistent with Section 342 of Dodd-Frank.

OCC's Supervision of Banks Use of Independent Consultants under Enforcement Actions (In Progress)

We plan to evaluate OCC's supervision when requiring banks to employ independent consultants as part of enforcement actions to address significant violations of law, fraud, or harm to consumers.

OFR Performance Measures (In Progress)

We plan to assess the design and implementation of performance measures by OFR.

OCC's Oversight of Servicer's Operational Improvements Required by the 2011 Foreclosure Related Consent Orders (In Progress)

We plan to assess OCC's oversight of actions taken by servicers to address those articles of the 2011 foreclosure-related consent orders designed to correct unsafe and unsound operational practices.

Oversight of In-scope Borrowers Related to Foreclosure Consent Orders (In Progress)

We plan to determine (1) the facts and circumstances surrounding the increase in population of Citibank's in-scope population; (2) the methodology used and procedures performed by OCC to test and validate the universe of in-scope borrowers and whether such borrowers were appropriately sent checks for the five servicers not covered in a prior OIG review; (3) OCC's process for vetting any individual questions, complaints, or requests for appeal related to the scope population from borrowers; (4) any direction that OCC has provided to servicers outlining how the servicer should process questions, complaints, or requests to appeal the determination of the in-scope population that they receive from borrowers, and (5) what data gaps existed within servicers systems that made it difficult to identify in-scope borrowers and whether such data gaps or system integration issues have been corrected. We initiated this audit in response to a request by the Ranking Minority of the House Committee on Financial Services.

Identification and Reduction of Regulatory Burdens (In Progress)

We plan to assess OCC's decennial review of its regulations pursuant to the Economic Growth and Regulatory Paperwork Act of 1996, through the notice and public comment process, to eliminate unnecessary regulations, as appropriate.

Abandoned Foreclosures (In Progress)

We plan to assess OCC's oversight of banks' controls over risks associated with abandoned foreclosures.

CIGFO Working Group Review

We plan to lead or participate in at least one working group convened by CIGFO to evaluate the effectiveness and internal operations of the FSOC.

Supervision of Large Institutions

We plan to assess OCC examinations of large institutions (those with assets exceeding \$100 billion) after implementation of peer-review recommendations and changes to the supervision process.

OCC's Consideration of BSA and Anti-money Laundering Examination Findings in a Safety and Soundness Context

We plan to determine whether OCC is considering BSA and anti-money laundering examination findings in a safety and soundness context as part of the management component of a bank's examination CAMELS rating.

Treasury's Implementation of Regulatory Initiatives

E.O. 12866, "Regulatory Planning and Review," issued in September 1993, established the regulatory planning process and guiding principles agencies must follow when developing regulations. The objectives of the E.O. are to (1) enhance planning and coordination with respect to both new and existing regulations, (2) reaffirm the primacy of Federal agencies in the regulatory decision-making process (3) restore integrity and legitimacy of regulatory oversight, and (4) make the process more accessible and open to the public.

To improve the transparency and accountability of agency rulemaking, the President issued E.O. 13563, "Improving Regulation and Regulatory Review," in January 2011. The E.O. calls on agencies to promote public participation and an open exchange of information, and perspectives among State, local, and tribal officials, experts in relevant disciplines, affected stakeholders in the private sector, and the public as a whole. The order also emphasizes the importance of retrospective

analyses of existing rules and states that, within 120 days, each agency must develop a preliminary plan to facilitate the periodic review of existing significant regulations and promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned.

In May 2012, the President issued E.O. 13610, "Identifying and Reducing Regulatory Burdens," to modernize the regulatory systems and reduce unjustified regulatory costs and burdens. The order requires agencies to conduct retrospective analyses of current rules to examine whether they should be modernized or remain justified. The order also states that agencies should promote public participation in retrospective review and report on the status of their retrospective efforts to the Office of Information and Regulatory Affairs on a bi-annual basis.

We plan to assess Treasury's and OCC's implementation of E.O. 13563 and E.O. 13610.

Supervision of Financial Institutions' Other Real Estate Owned Property

We plan to evaluate OCC's supervision of other real estate owned property in financial institutions. Our specific objectives are to determine whether (1) guidance promoting effective assessment and control of other real estate owned property has been promulgated; (2) existing OCC monitoring, risk assessment, and examination procedures are sufficient to address other real estate owned property risk; (3) the procedures are applied effectively; and (4) deficiencies identified by OCC result in appropriate supervisory actions that are tracked and satisfactorily resolved.

Supervision of Interest Rate Risk

We plan to assess OCC's coverage in examining financial institutions' management of interest-rate risk.

OCC's Oversight of Banks' Commodity Holdings

We plan to assess OCC's oversight of bank controls over risks associated with commodity holdings.

Supervision of Foreign Country Risk

We plan to assess OCC's supervision of financial institutions' international exposures. Our specific objectives are to determine whether (1) OCC has promulgated guidance promoting effective assessment and control of country risk by national banks; (2) existing OCC monitoring, risk assessment and examination procedures are sufficient to address country risk; (3) the procedures have been

applied effectively; and (4) deficiencies identified during the examination process result in appropriate supervisory actions that are tracked and satisfactorily resolved.

Supervision of Federal Branches of Foreign Banks

We plan to assess OCC's supervision of foreign banking organizations operating in the United States

OFR's Participation in NSF's EAGER Program

We plan to assess OFR's participation in the National Science Foundation's Early-concept Grants for Exploratory Research (EAGER).

OCC's Office of Enterprise Governance and the Ombudsman

OCC's Office of Enterprise Governance and the Ombudsman serves as an independent arbiter of the OCC's regulated banks and their customers. The Ombudsman operates apart from the OCC bank supervision function and reports directly to the Comptroller of the Currency. The office provides customer service and resolves consumer and bank supervisory disputes through two distinct units: the Customer Assistance Group and the Bank Appeals program.

We plan to assess the OCC Office of Enterprise Governance and the Ombudsman.

Corrective Action Verification – FIO's Consultation With State Insurance Regulators

We plan to determine whether FIO management has taken corrective action responsive to OIG's recommendation made in the report, *FIO's Consultation Process with State Insurance Regulators Could be Improved* (OIG-15-032; issued May 15, 2015).

Legal Entity Identifier Implementation

We plan to assess the progress made by the Office of Financial Research to implement a Legal Entity Identifier regime as a universal standard for identifying all parties to financial contracts.

Projects under Consideration for Future Fiscal Years

Supervision of Bank Cybersecurity

We plan to assess OCC's supervision of banks' cybersecurity-related activities.

OCC Examination of Third-party Technology Service Providers

We plan to determine whether OCC has ensured adequate direct examinations of third party technology service providers used by financial institutions.

OCC's Response to Risks Identified in Its Semiannual Risk Assessment

We plan to assess OCC's response to the risks identified in its semiannual risk assessment.

Examination Coverage of Identity Theft Risk at Financial Institutions

We plan to determine whether OCC examinations of financial institutions are adequate to address privacy risks, including identity theft.

Supervision of Small Banks

We plan to assess the challenges in the area of safety and soundness facing small banks and OCC's supervisory response to those challenges. Preliminarily, our focus will be on institutions with total assets of \$250 million or less.

Development, Training, Rotation, and Performance Evaluations of OCC Examiners

We plan to assess OCC processes for developing, training, rotating, and evaluating the performance of bank examiners.

OCC Supervision of Insider Activities

We plan to assess OCC's supervision of insider activities at financial institutions.

OCC Supervision of Financial Institutions' Stress-testing Program

We plan to assess OCC's oversight of financial institutions' stress-testing programs.

Development and Communication of OCC Issuances and Comptrollers Handbook

We plan to assess OCC's processes to develop, update, communicate, and promote the consistent use of OCC issuances, including bulletins and alerts, and the Comptrollers Handbook.

Supervision of Real Estate Appraisal Activities

We plan to assess OCC's supervision of financial institutions' real estate appraisal policies and procedures.

Supervision of Incentive-Based Compensation Provisions of Dodd-Frank

Section 956 of Dodd-Frank requires financial institutions with total consolidated assets of \$1 billion or more to disclose to the appropriate regulator the structures of all incentive-based compensation arrangements. The disclosure should allow the regulator to determine whether the incentive-based compensation structure (1) provides executives, employees, directors, or principal shareholders with excessive compensation, fees or benefits or (2) could lead to material financial

losses to the financial institution. Further, the law requires the Federal regulators to jointly prescribe regulations or guidelines to provide for the disclosure of compensation arrangements and to prohibit any types of incentive-based payment arrangement that encourages inappropriate risks by the covered financial institution.

After the final rules are in place, we plan to assess OCC's supervision of incentive-based compensation structures in OCC-regulated financial institutions.

OCC's Supervision of Financial Institutions' Use of Social Media

We plan to evaluate OCC's supervision of financial institutions' risk-management programs that identify, measure, monitor, and control the risks related to social media.

OCC's Use of Matters Requiring Attention to Address Large Bank Deficiencies

OCC defines Matters Requiring Attention (MRA) as practices that (1) deviate from sound governance, internal control, and risk management principles, which may adversely impact the bank's earnings or capital, risk profile, or reputation, if not addressed; or (2) result in substantive noncompliance with laws and regulations, internal policies or processes, OCC supervisory guidance, or conditions imposed in writing in connection with the approval of any application or other request by a bank.

We plan to assess OCC's use of Matters Requiring Attention to address deficiencies identified through the examination and other supervisory activities at large banks.

OCC's Oversight of Leveraged Loans

In March 2013, OCC, FRB, and FDIC issued guidelines to banks to limit their risk-taking for leveraged loans. The compliance date was May 21, 2013. Financial institutions are expected to properly evaluate and monitor underwritten credit risks in leveraged loans, to understand how changes in borrower enterprise values affect the quality of credit portfolios, and to assess the sensitivity of future credit losses to these changes in enterprise values. The final guidance is intended to be consistent with sound industry practices and to expand on recent interagency issuances on stress testing.

We plan to assess OCC's supervision of financial institutions' implementation of guidance relating to leveraged loans.

OCC's Licensing and Charter Approval Process

We plan to assess the OCC's licensing and charter conversion process for financial institutions.

Safeguards over Financial Institutions' Sensitive Information

We plan to determine whether OCC examiners adhere to applicable laws, regulations, and policies and procedures for safeguarding the privacy and confidentiality of sensitive information provided by financial institutions to OCC during the examination process.

Supervision of Nonbanking Activities of Financial Institutions

We plan to assess OCC supervision of nonbanking activities of regulated financial institutions and their affiliates.

OCC's Alternatives to the Use of Credit Ratings

Under Section 939A of Dodd-Frank, all Federal agencies, including the OCC, must:

- review, no later than 1 year after enactment, any regulation that requires the use of an assessment of creditworthiness of a security or money market instrument as well as any references to, or requirements in, such regulations regarding credit ratings; and
- remove any references to, or requirements of reliance on, credit ratings and substitute such standard of creditworthiness as each agency determines is appropriate.

The statute further provides that the agencies must seek to establish, to the extent feasible, uniform standards of creditworthiness, taking into account the entities the agencies regulate and the purposes for which those entities would rely on such standards.

We plan to assess OCC's implementation of guidance on alternatives to the use of credit ratings by financial institutions to determine the creditworthiness of securities and money market instruments.

Supervision of Federal Branches of Foreign Banks

We plan to assess OCC's supervision of foreign banking organizations operating in the United States.

Supervisory Use of Individual Minimum Capital Requirements

We plan to assess how OCC applies capital restrictions and risk-weighting to institutions it supervises including: (1) its use of individual minimum capital requirements as an enforcement action, (2) its criteria for calculating the capital requirement, and (3) its enforcement of minimum capital requirements.

Supervision of Large Banks' Internal Audit Function

We plan to assess the effectiveness and adequacy of OCC's supervision of the overall audit function of banks with assets exceeding \$100 billion.

OCC Oversight of Credit Risk Retention

Section 941 of the Dodd-Frank Act requires securitizers of mortgages not meeting criteria associated with lower default rates to retain at least 5 percent of the credit risk, though Federal rulemaking agencies specify differing amounts. OCC is one of the Federal rulemaking agencies. Dodd-Frank also charges the Federal rulemaking agencies with formulating rules that required lenders to retain a five percent interest in any assets not held on their books, while authorizing exemptions for loans with the lowest credit risk, particularly for qualified residential mortgages.

We plan to assess OCC's oversight of credit-risk retention in financial institutions once the final rules are issued.

OCC Enforcement Practices

We plan to assess OCC's enforcement practices, including (1) the factors used to determine the use of formal and informal enforcement actions, (2) the timeliness of enforcement actions, (3) controls to ensure consistency in the use of enforcement actions, and (4) activities to ensure compliance with enforcement actions.

FIO Performance Measures

We plan to assess the design and implementation of performance measures by FIO.

OCC's Participation in the Shared National Credit Program

The Shared National Credit Program was established by OCC, FDIC and FRB in 1977 to provide an efficient and consistent review and classification of large syndicated loans. The program covers any loan or loan commitment of at least \$20 million and shared by three or more supervised institutions. The agencies' review is conducted annually.

We plan to evaluate OCC's participation in the Shared National Credit Program. Our specific objectives are to (1) identify the guidance promoting effective review of

Planned Projects by OIG Issue Area

shared national credits; (2) determine whether existing monitoring, risk assessments and examination procedures are sufficient to address risk to the banking industry by shared national credits; (3) determine whether the procedures are applied effectively; and (4) determine whether deficiencies identified during the examination process resulted in appropriate supervisory actions that are tracked and satisfactorily resolved.

Commercial Real Estate Concentrations

We plan to determine the risks associated with financial institutions having high commercial real estate concentrations and related OCC supervisory approaches.

Revenue Collection and Industry Regulation

Background

TTB collects Federal excise taxes on tobacco products, alcohol, firearms and ammunition. The bureau also ensures compliance with permitting requirements for tobacco and alcohol; ensures that alcohol products are properly labeled, advertised, and marketed; and ensures fair trade practices and facilitates the international trade of alcohol beverage products. TTB administers and enforces the (1) Internal Revenue Code pertaining to the excise taxation and authorized operations of alcohol and tobacco producers and related industries; (2) the Federal Alcohol Administration Act; (3) the Alcohol Beverage Labeling Act; and (4) the Webb-Kenyon Act, which prohibits the shipment of alcohol beverages into a state in violation of the state's laws.

TTB has approximately 470 employees, most of whom either report to the TTB headquarters office in Washington, D.C., or perform tax and permit processing at the National Revenue Center in Cincinnati, Ohio. TTB also maintains 10 offices in cities across the United States and Puerto Rico for its auditors, investigators, and agents. These offices are located in close proximity to centers of trade and industry activity. Additionally, TTB has alcohol and tobacco laboratories in Maryland and California.

TTB is the third-largest tax collection agency in the Federal Government behind IRS and CBP. Annual revenues collected by TTB average approximately \$22.2 billion for 10,500 taxpayers. TTB's tax collections on tobacco products have decline since FY 2010, apparently caused, at least in part, by the significantly increased tax rate on cigarettes and other tobacco products imposed by the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). In FY 2014, TTB collected \$13.6 billion in tobacco tax revenue, a decrease of approximately 5 percent from the total collected in FY 2013. Its tax collections on alcohol, firearms, and ammunition products, however, have steadily increased.

In 2010, Congress authorized specialized funding for TTB to establish a criminal enforcement program to address tobacco smuggling and other diversion activity. TTB entered into an agreement with the IRS Criminal Investigation office for criminal investigative services to enforce its criminal jurisdiction. Congress has continued this specialized funding in each fiscal year since 2010. In FY 2014, TTB used the \$2 million in specialized funding to continue its interagency agreement with the IRS.

According to *TTB's Annual Report for Fiscal Year 2014* (www.ttb.gov), in its 4 years of operation, TTB's criminal enforcement program has opened 72 cases, with identified liabilities of more than \$345 million in estimated alcohol and tobacco excise taxes and approximately \$117 million in criminal seizures. Of the 72 cases presented to the U.S. Attorney's Office, 70 have been accepted for further investigation.

TTB processes applications for 23 types of permits or registrations for the alcohol, tobacco, firearms, and ammunition industries. Industry members must obtain permits from TTB to operate legally in these industries. In FY 2013, TTB completed two major releases of its Permits Online electronic filing system designed to help industry members file permit applications electronically and download encrypted copies of application data for use in obtaining equivalent state licenses. The Permits Online system has helped TTB manage the influx of applications resulting from sustained growth in the industries that TTB regulates. The number of alcohol beverage producers alone has increased nearly 80 percent in 5 years.

TTB uses its Formulas Online electronic filing system to receive applications for beverage formula approvals from alcohol industry members. In FY 2013, TTB enhanced Formulas Online with the intent to provide industry members with a more efficient, user-friendly environment for submitting applications. In FY 2014, TTB hosted Formulas Online Improvement Forums to gather ideas from industry representatives on issues identified and future improvements to the system. That year, TTB received 34 percent of its alcohol beverage formula submissions electronically through Formulas Online, an increase of 11 percent over FY 2013.

TTB also reviews labels and formulas for domestic and imported beverage alcohol products and maintains public access to approved Certificates of Label Approval (COLA), which are required for every alcoholic beverage. In FY 2014, industry submitted 94 percent of its 142,000 COLA applications electronically through COLAS Online. TTB has continued to introduce system enhancements to draw industry members to electronic filing, including updating processing information and adding new system validations to check the completeness of applications. TTB monitors labeling compliance through the Alcohol Beverage Sampling Program and tests samples of wine, distilled spirits, and malt beverages for content in its laboratories.

Federal excise taxes on firearms and ammunition are remitted to the Fish and Wildlife Restoration Fund. The U.S. Fish and Wildlife Service oversees the fund and apportions money to state governments for programs to research and restore

wildlife and educate hunters. Collections almost tripled in the last decade – increasing from \$225 million in FY 2005 to an estimated \$769 million in FY 2014. TTB attributes this growth to increased sales and TTB’s enforcement presence.

The Secretary of the Treasury has authority for Customs revenue functions and has delegated that authority to the Office of Tax Policy. In March 2003, The Homeland Security Act of 2002 transferred the legacy U.S. Customs Service from Treasury to the Department of Homeland Security where it became CBP. However, as provided by the act, Treasury retained sole authority to approve any regulations concerning import quotas or trade bans, user fees, marking, labeling, copyright and trademark enforcement, and the completion of entry or substance of entry summary, including duty assignment and collection, classification, valuation, application of the U.S. Harmonized Tariff Schedules, eligibility or requirements for preferential trade programs, and the establishment of related recordkeeping requirements. Treasury also reviews CBP rulings involving these topics if they constitute a change in practice.

Potential Integrity Risks

The major integrity risks for TTB involve not collecting all revenue rightfully due and having alcohol products in the marketplace that are improperly labeled. TTB’s tax collection activity could be seriously undermined if industry members fail to pay all taxes due either intentionally or otherwise if the TTB tax verification and audit program fails to detect underpayments or if industry attempts to corrupt government officials through bribery or other means. Similarly, fraudulent manufacturers or distributors could attempt to place untaxed, unsafe, or deceptively advertised products into the marketplace.

By increasing the Federal excise tax on all tobacco products, including an increase of more than 150 percent on cigarettes, CHIPRA provided additional incentive to evade tobacco taxes. Decreased consumption, significant shifts in demand, and lower-priced tobacco products may explain part of the continuing decline in tobacco tax revenue, but it may also be reflective of increased illicit activity. The growing popularity of untaxed products, such as electronic cigarettes, and the misclassification of higher-taxed tobacco as lower-taxed tobacco may further contribute to declining tobacco revenue.

Although manufacturers and importers of tobacco products and processed tobacco must have permits to operate and are subject to recordkeeping requirements, the same is not true of tobacco brokers, wholesalers, and retailers of tobacco products.

Manufacturers and importers of processed tobacco must report on the first removal, transfer, or sale of processed tobacco. Once the processed tobacco is removed, however, its manufacture into taxable products may never be reported or subject to tax. TTB estimated that in FY 2013, more than 277 million pounds of untaxed processed tobacco was shipped to entities that did not have a permit with TTB. The untaxed processed tobacco shipped to these non-permitted entities could be destined for illicit production of tobacco products, representing a significant revenue risk.

The use of machinery to manufacture untaxed cigarettes was long considered a revenue risk. The proliferation and technological advances in these machines followed the passage of CHIPRA, allowing customers to manufacture their own cigarettes at a much faster rates using pipe or roll your own tobacco. In many cases, the manufactured cigarettes were either untaxed or taxed at lower rates based on the type of tobacco used. The Moving Ahead for Progress in the 21st Century Act (MAP-21), enacted in July 2012, addressed the legal status of retailers that provide cigarette-making equipment on their premises for use by customers to manufacture cigarettes using roll your own or pipe tobacco. Under MAP-21, any person who, for commercial purposes, makes available for consumer use a machine capable of making tobacco products (including cigarettes) is a manufacturer of tobacco products under the Internal Revenue Code. These manufacturers, however small, must comply with all applicable statutory and regulatory requirements. In October 2012, TTB issued guidance clarifying that these retailers -- including non-profit organizations, social clubs, cooperatives, and similar organizations making roll-your-own machines available to members -- were not exempt from TTB regulatory requirements. Identifying these establishments and determining their tax liabilities continue to be enforcement challenges for TTB.

TTB's efforts to streamline the permit application process through its Permits Online system have reduced the burden on applicants in submitting information needed to obtain new or updated permits. Despite these efforts, which have resulted in an electronic filing rate of 79 percent, the average time for processing new permit applications increased from 81 days in FY 2013 to 84 days in FY 2014. Although electronic processing reduces application errors as well as the time and resources needed to return incomplete applications, it does not decrease the time needed by TTB to review each application. As a result, addressing delays in application processing requires broader reforms in TTB's business processes. Processing delays

can pose hardships to industry members and delay their entry or continuation in the business community.

In Progress and Planned FY 2016 Projects

TTB's Use of Collection Procedures and Offers in Compromise to Collect Revenue (In Progress)

We plan to assess TTB's collection procedures for delinquent accounts, including write-offs of delinquent debts that are no longer collectable. We also plan to assess TTB's use of offers in compromise in its collection activities.

TTB's Online Certificate of Label Approval and Formulas Online Programs (In Progress)

We plan to determine whether the COLA Online and Formulas Online applications are operating as intended, including whether any user problems have been identified and, if so, corrected.

Controls over TTB's Permit and Registration Processes

We plan to assess TTB's controls over application processing and the issuance of permits and registrations to industry members. As part of this work, we plan to assess TTB's Permits Online program and evaluate TTB's efforts to identify and obtain permits from new industry members added under CHIPRA and MAP-21.

Effect of CHIPRA on Tax Paid Removals of Tobacco Products

Federal excise taxes are imposed on tobacco products when they are removed for sale from manufacturers or when they are imported into the United States. In 2009, CHIPRA significantly increased the tax rates on all tobacco products. The tax rates for pipe tobacco was increased to \$2.83 per pound, and the rate for roll-your-own tobacco was increased to \$24.78 per pound. Previously, they were taxed at similar rates. TTB data suggests dramatic shifts in post-CHIPRA removals – away from roll-your-own tobacco and toward lower taxed pipe tobacco, and from small cigars to lower taxed large cigars. Revenue loss estimates associated with these transitions may exceed \$1 billion. A 2012 study by GAO confirmed TTB's revenue loss estimates and concluded that TTB will face significant challenges ensuring the proper amounts of tax are paid.

We plan to assess TTB's efforts to ensure proper reporting of removals and payment of all appropriate taxes, and determine the impact of CHIPRA tax increases

on reported removals of other products such as large and small cigars that are subject to different tax rates.

TTB's Efforts to Implement Controls over Exports of Alcohol and Tobacco Products

Exports of alcohol and tobacco products are generally exempt from Federal excise tax. Prior OIG audit work identified export-related weaknesses at TTB that needed to be addressed. In response, TTB proposed new processes be developed to ensure that documentation on alcohol and tobacco exports were maintained by exporters and subject to verification by TTB audits and investigations.

We plan to assess procedures implemented by TTB to ensure proper tracking of export data and TTB's audits and investigations in verifying that exemptions claimed on exports are appropriate.

TTB Designation of American Viticulture Areas

An American Viticulture Area is a designated wine-grape-growing region. It is defined by features that affect growing conditions (climate, soil, elevation, physical features) and that distinguish it from surrounding areas.

We plan to assess the controls in place over TTB's program to designate American Viticulture Areas.

Projects under Consideration for Future Fiscal Years

TTB's Oversight of Newly Defined Manufacturers of Tobacco Products under MAP-21

We plan to assess TTB's efforts to identify new tobacco product manufacturers defined under MAP-21, enforce regulatory requirements on these new manufacturers, and monitor the labeling of tobacco used in the on-site manufacturing of tobacco products.

TTB's Tax Verification Process

TTB's tax verification process incorporates a strategic risk-based approach to conduct targeted compliance audits and investigations of industry members. Since FY 2012, TTB has increased its use of automated techniques for its investigative targeting models. TTB uses data for enforcement actions to identify industry members and others who could be involved in diversion and tax fraud. We plan to assess TTB's excise tax verification process.

TTB's Efforts to Ensure the Accurate Collection of Federal Excise Taxes on Imports

We plan to assess TTB's efforts to identify Federal excise taxes due on undeclared and misclassified alcohol and tobacco product imports and TTB's coordination with CBP to ensure all Federal excise taxes are paid by importers.

TTB Alcohol and Tobacco Laboratory Services

We plan to review TTB's alcohol and tobacco laboratories service to TTB program units. As part of the audit, we plan to assess TTB's efforts to ensure the safety of imported beverage products through pre-import activities, post-market sampling, and laboratory analysis.

TTB Reviews of Manufacturer Nonbeverage Drawback Claims

When a manufacturer uses alcohol to produce a food, flavor, medicine, or perfume that is approved by TTB's Nonbeverage Products Laboratory as unfit for beverage purposes, the manufacturer can claim a return, or drawback, on most of the distilled spirits excise tax paid. In FY 2013, approved nonbeverage drawback claims totaled \$345 million.

We plan to assess TTB's controls over nonbeverage product manufacturer claims.

TTB's Oversight of Manufacturers of Processed Tobacco

CHIPRA established TTB's responsibility for oversight of manufacturers of processed tobacco. These manufacturers receive tobacco plants from growers, remove the stems, and cut the tobacco leaves. The processed tobacco is used by manufacturers that produce tobacco products. Processed tobacco is generally not subject to Federal excise tax until manufactured into products and removed for consumption in the United States. In 2010, the market for processed tobacco was approximately 1.1 billion pounds. Manufacturers of processed tobacco can legally sell processed tobacco to product manufacturers, other businesses that further process the tobacco, or tobacco brokers. Manufacturers of processed tobacco are required to notify TTB of processed tobacco sold to businesses without TTB permits.

We plan to (1) determine what actions TTB has taken to regulate manufacturers of processed tobacco, (2) determine how TTB has used its authority to detect and prevent processed tobacco from entering the illicit market, and (3) identify regulatory-related issues that affect TTB's ability to prevent illicit tobacco trade related to processed tobacco.

Coordinating Participation in the International Trade Data System Project

The Security and Accountability for Every Port Act formally established the International Trade Data System, processing imports and exports. CBP operates the system in collaboration with 43 agencies. The act assigns responsibility to the Secretary of the Treasury for coordinating interagency participation in the system. The act also allows TTB to review data on importations of alcohol and tobacco through the CBP automated commercial environment portal and requires TTB to provide CBP access to its database of approved alcohol labels. This allows CBP inspectors to compare the approved labels with the actual labels on the imported products.

We plan to determine whether Treasury is fulfilling its responsibility under the Security and Accountability for Every Port Act. We also plan to determine whether the information sharing between TTB and CPB has proved beneficial in ensuring only approved products are imported.

Review of TTB Policies and Procedures

We plan to determine whether TTB has established a process to ensure that adequate policies and procedures are developed for its tax and revenue responsibilities, including the functions performed by the National Revenue Center, and that TTB's policies and procedures are updated in a timely manner.

TTB's Implementation of a Criminal Investigations Program

We plan to assess the benefits and challenges of TTB's decision to obtain criminal investigative support from IRS.

TTB Controls for Cover-Over Payments

Taxes collected on rum produced in Puerto Rico or the U.S. Virgin Islands and transported to the United States are "covered over" or transferred to the territory where the rum is produced. Taxes collected on rum imported into the United States from foreign countries are also covered over to the two territories, with these payments split between Puerto Rico and the U.S. Virgin Islands. In FY 2013, TTB processed cover-over payments totaling \$358 million to the treasuries of Puerto Rico and the U.S. Virgin Islands.

We plan to determine whether TTB's controls ensure that cover-over reimbursements are made for the correct amounts and in a timely manner.

TTB Controls over Sensitive Taxpayer Information

We plan to determine whether TTB has established effective controls to ensure sensitive taxpayer information have been developed, maintained, and are periodically reviewed by TTB.

TTB Use of Collateral to Protect Revenue

TTB protects excise tax revenue by mandating that taxpayers pledge collateral—such as a bond, note, or securities—to offset tax liability if payments are not made.

We plan to determine whether collateral requirements are sufficient to meet TTB's needs and whether TTB is ensuring that taxpayers maintain adequate collateral to protect tax revenue.

Bill and Coin Manufacturing, Marketing, and Distribution

Background

BEP produces U.S. currency and other security documents issued by the Federal Government. Its primary mission is to print Federal Reserve Notes for delivery to the Federal Reserve System, the nation's central bank. To meet its primary mission, BEP has production facilities in Washington, D.C., and Fort Worth, Texas. BEP also processes claims for the redemption of mutilated paper currency and provides technical assistance and advice to other Federal agencies on the design and production of documents requiring deterrence against counterfeiting.

In FY 2014, BEP delivered 6.2 billion Federal Reserve notes to FRB, slightly below the FY 2013 delivery of 6.6 billion notes. BEP expects production volumes in 2015 to increase to 7.2 billion notes.

The Mint's principal mission is to produce the nation's circulation coinage for trade and commerce. The Mint also produces commemorative and investment products for collectors and investors. In addition to its headquarters in Washington, D.C., the Mint has four production facilities located in Philadelphia, Pennsylvania; West Point, New York; Denver, Colorado; and San Francisco, California. It also maintains the U.S. bullion depository at Fort Knox, Kentucky.

The Mint expects FY 2016 production volumes for circulating coins to increase to 16.25 billion coins. In FY 2015, the Mint produced 16 billion coins for circulation, an increase of 23 percent from the approximately 13 billion coins produced in FY 2014.

In FY 1996, the Mint Public Enterprise Fund was created to enable the Mint to operate as a revolving fund. All receipts deposited into the fund are available for operating the Mint and safeguarding Federal Government assets in the Mint's custody, without fiscal-year limitations. Even though the Mint is not dependent on appropriated funds, Congress approves its spending authority each year. The Secretary of the Treasury must determine the excess amount in the fund not needed for Mint operations in the coming year and have that amount transferred to the Treasury General Fund. For FY 2014, the Mint transferred \$272 million to the Treasury General Fund. This amount is lower than FY 2013, when the Mint transferred \$392 million to the fund. A continuing challenge facing the Mint is the rising cost of metals. For the past 9 years, the cost to produce the penny and nickel continue exceed the coins' face value.

Potential Weaknesses

Because their operations are financed through revolving funds, BEP and the Mint may be subject to less Congressional scrutiny through the budget process than annual appropriated agencies. The Mint also has greater flexibility in conducting its procurement activities because it is exempt from the Federal Acquisition Regulation. Prudent use by the Mint of its flexible funding authorities is necessary to ensure a maximum return to the Treasury General Fund.

Continuing Issue with BEP Concerning Currency Products that Cannot Be Readily Recognized by Blind and Visually Impaired Individuals

In 2006, a Federal judge ruled that Treasury's failure to design, produce, and issue paper currency that is readily distinguishable to blind and visually impaired individuals violates Federal law. Two (2) years later, a Federal appeals court ruled that the United States discriminates against blind and visually impaired individuals by producing currency that they cannot recognize without the assistance of others. Following the appellate ruling, the District Court ordered the government to provide the blind and visually impaired with meaningful access to currency for all notes other than the \$1 note, not later than the next redesign of currency. The Court did not order any particular form of relief, but instead gave BEP the discretion to explore various means of providing meaningful access to the blind and visually impaired.

GAO issued an opinion that BEP may use appropriated funds to purchase and give currency readers to blind and visually impaired individuals as part of its compliance with the Federal district court order to provide such individuals with meaningful access to U.S. currency. In 2015, BEP began accepting and processing applications to provide blind and visually impaired individuals with a free currency reader called the iBill Currency Identifier. BEP also developed a smartphone app, called EyeNote, in 2011 to assist individuals in recognizing U.S. currency denominations. In the long term, BEP plans to include tactile features in the next redesign of notes, starting with the new design \$10 note approved for production in 2020.

Potential Integrity Risks

Past work by our office has identified various weaknesses in BEP's and Mint's physical security. As noted in the most recent OIG report, *Bill and Coin Manufacturing: Improved Security Over the NexGen \$100 Notes Is Necessary*, (OIG-11-068; May 13, 2011), management took corrective action on a serious weakness found by our auditors in the security over approximately 1.4 billion NexGen \$100 finished notes and work-in-process sheets at both BEP's Eastern

Currency Facility and Western Currency Facility. Those notes have not yet been accepted by FRB and remain in BEP vaults. Past audits and investigations have identified control weaknesses which jeopardizes the integrity of the operations.

In Progress and Planned FY 2016 Projects

BEP's Project Management of the BEN Enterprise (In Progress)

The BEP Enterprise (BEN) project is intended to simplify and standardize procedures, increase efficiency, and eliminate unnecessary processes at BEP to increase product quality, reduce spoilage, and improve accountability.

We plan to determine whether (1) the BEN project business case is based on appropriate and supportable assumptions and cost/benefit estimates; (2) sound project management principles are followed in carrying out BEN; and (3) Federal regulations and guidance, Treasury directives, and BEP policies and procedures are followed in conjunction with the project.

Physical Security at Mint Facilities (In Progress)

Because Mint facilities house precious metals (gold, silver and platinum), investment grade bullion products, and billions of circulating coins, it is imperative that these products be protected from theft and other unauthorized access.

We plan to (1) assess the Mint's physical security policies and procedures and (2) determine whether the facilities' physical security conforms to those policies and procedures.

Mint Controls over the Sales of Limited-Production, Investment-grade Products (In Progress)

In addition to manufacturing circulating coins and numismatic products made available to the public, the Mint also sells precious metal (gold, silver, and platinum) investment grade bullion coins to pre-qualified authorized purchasers for resale to the public.

We plan to determine whether the Mint has adequate controls to ensure the broadest and most fair access to its products.

Mint's Pitney Bowes Contract (In Progress)

The Mint uses Pitney Bowes to perform order fulfillment of precious metals (gold, silver, and platinum), investment grade bullion, and commemorative products at a non-Mint location.

We plan to assess controls at the contractor's facility operations.

BEP's Production Process for the NexGen \$100 Notes (In Progress)

In response to significant problems encountered by BEP in the production process, and at the request of the Department, we plan to assess BEP's (1) planning and implementation of the NexGen \$100 Notes production process and the events that lead to the problems in the production process, (2) ongoing physical security over the notes that have been produced, (3) plans for the disposition of those notes, and (4) actions taken and planned, to address the production problems. In May 2011, we issued the first report on our observations regarding physical security over the NexGen \$100 notes, *Bill Manufacturing: Improved Security Over the NexGen \$100 Notes Is Necessary* (OIG-11-068). In January 2012, we issued a second report detailing findings and recommendations regarding BEP's project management, *Bill Manufacturing: Improved Planning and Production Oversight Over the NexGen \$100 Note Is Critical* (OIG-12-038).

We plan to issue a third report during FY 2016 related to physical security as a follow-up to our first report.

Mint Human Resources Practices (In Progress)

We plan to determine whether the Mint conduct the human resources activities with respect to hiring senior-level positions in accordance with Federal and Treasury requirements, and the Mint's policies and procedures.

BEP Human Resource Practices

We plan to determine whether BEP conducts the human resources activities with respect to hiring senior-level positions in accordance with Federal and Treasury requirements, and BEP's policies and procedures.

BEP and Mint Strategic Planning: Impact of Electronic Payments

We plan to assess efforts to strategically analyze currency and coin needs based on consumer usage preferences, and to determine how BEP and the Mint incorporate changing payment trends (cash vs. electronic payments) into their long-range planning activities.

Mint Production Costs Studies

Coin Modernization, Oversight, and Continuity Act of 2010 authorized Treasury, among other things, to conduct research and development on circulating coin compositions to reduce production costs. For FY 2014, the Mint's per coin cost for

the penny was \$0.017 and for the nickel was \$0.081 which exceeded the coins' face value for the ninth consecutive fiscal year. For the fiscal year, the two denominations were produced at approximately \$90.5 million less than their combined face values. Between fiscal years 2006 and 2014, the penny and nickel production has generated negative receipt of \$664 million.

In response to the Act, the Mint established a research and development laboratory at the Philadelphia Mint and hired a contractor to perform research and development on the metallic compositions for all circulating coins.

In a 2014 report to Congress, the Mint stated that there are several possible options to alter the metallic compositions that would lower the costs of United States coins, but the Mint does not recommend adopting any of these options until ongoing research is completed. The Mint planned to continue this research in 2015.

We plan to assess the actions by the Mint to comply with the intent of the Coin Modernization, Oversight, and Continuity Act of 2010.

BEP's Facilities Studies and Continuity-of-Operations Planning

In early 2012, BEP completed a study of the infrastructure and repairs needs of the Eastern Currency Facility, which was built in the early 1900's. Within the next several years, BEP plans to coordinate with FRB to decide whether to upgrade its current facility, procure a new facility, or do both.

We plan to determine whether BEP's facilities study and resulting investment decisions are based on appropriate and supportable assumptions and cost/benefit estimates. We also plan to determine whether BEP comprehensively developed and tested continuity-of-operations plans for currency production should a major disruption occur at one or both its production facilities.

Projects under Consideration for Future Fiscal Years

BEP Efforts to Provide Meaningful Access to U.S. Currency

We plan to assess BEP's plan to provide meaningful access to U.S. currency for blind and visually impaired individuals.

Corrective Action Verification – Bill Manufacturing: Improved Planning and Production Oversight Over NexGen \$100 Note Is Critical

We plan to assess whether management took corrective action responsive to our recommendations in audit report, *Bill Manufacturing: Improved Planning and*

Production Oversight Over NexGen \$100 Note Is Critical, (OIG-12-038; issued January 24, 2012).

Mint Commemorative Coin Programs

Congress authorizes commemorative coins that celebrate and honor American people, places, events, and institutions. Although these coins are legal tender, they are not intended for general circulation. The Mint produces limited quantities of commemorative coins and makes them available for a short period of time.

We plan to assess the Mint's management of the commemorative coin programs and related surcharges.

BEP and Mint Employee Safety

We plan to assess (1) BEP and Mint efforts to ensure safe working conditions in their production facilities and (2) determine whether the workers' compensation claims by individuals suffering work-related injuries are processed in an appropriate and timely manner. Separate audits are planned for BEP and the Mint.

BEP's Capital Investment Program

We plan to determine whether BEP's capital investment program ensures that all capital needs are identified and that sufficient funds are allocated and set aside to meet current and future capital needs.

Mint Order Fulfillment

We plan to determine whether the Mint implemented adequate controls for its customer service and order fulfillment processes to ensure adequate customer service is provided and costs are controlled.

Mint Sales General and Administrative Expense Allocation

In 2011, the Mint reported a change to its sales, general, and administrative expenses allocation methodology intended to more accurately represent costs incurred for each coin denomination.

We plan to determine whether the Mint's recent changes to the allocation of selling, general, and administrative expenses are consistent with managerial cost-accounting principles.

Domestic and International Assistance Programs

Background

Treasury plays an important role in a number of domestic and international assistance programs that have a significant impact on the economy. Domestic programs range from those that enhance the availability of financial education, credit, investment capital, and financial services to communities around the United States, to programs that assist in coping with the effects of current economic conditions. Treasury's role in these areas expanded under HERA, EESA (which created TARP), the Recovery Act, and the Small Business Jobs Act of 2010.

International programs address the role of international financial institutions and promote economic stability and growth in other countries.

Housing and Economic Recovery Act of 2008

The purpose of HERA was to address problems and concerns in the mortgage and banking industries. Among other things, the act established the Federal Housing Finance Agency as an independent agency to oversee Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. The act also established the Federal Housing Finance Oversight Board to advise the agency on overall strategies and policies for carrying out its responsibilities. The Secretary of the Treasury is a member of this board. The act assigned Treasury new authorities and responsibilities. Although certain Treasury purchase authorities under HERA expired in December 2009, Treasury maintains a sizeable investment in Fannie Mae and Freddie Mac.

- **Government Sponsored Enterprises.** In connection with the increased Federal regulatory oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, the act increased Treasury's authority over existing lines of credit to the entities and gave the Secretary of the Treasury standby, unlimited authority to buy stock or debt in them. To do so, the Secretary made an emergency determination required by the act that use of the authority was necessary to stabilize markets, prevent disruptions in mortgage availability, and protect the taxpayer. Through Senior Preferred Stock Purchase Agreements, Treasury has provided financial support to Fannie Mae and Freddie Mac after any quarter that the entities report deficiencies in net worth. In exchange, the liquidation preference of Treasury-owned senior preferred stock is increased. In August 2012, Treasury announced a set of modifications to the Senior Preferred Stock Purchase Agreements to facilitate the wind down of Fannie Mae and Freddie

Mac and support the continued flow of mortgage credit toward a responsible transition to a reformed housing finance market. The modified agreements required Fannie Mae and Freddie Mac to accelerate the reduction of their investment portfolios – increasing the reduction rate from 10 percent annually to 15 percent annually. As a result of this change, the Government Sponsored Enterprises' investment portfolios are to be reduced to the \$250 billion target set in the previous agreements 4 years earlier than previously scheduled. The modified agreements also require each Government Sponsored Enterprise to submit an annual plan to Treasury on its strategy to reduce financial and operational risk, as well as an assessment of its performance relative to its prior year's plan. Furthermore, the modified agreements replaced the 10 percent dividend payments made to Treasury on its preferred stock investments in Fannie Mae and Freddie Mac with a quarterly sweep of the net worth amount less a capital reserve amount, which begins at \$3 billion and reduces annually by an equal amount until it reaches zero, beginning January 1, 2018. As of June 30, 2015, Treasury reported investments totaling \$187 billion in senior preferred stock of the two Government Sponsored Enterprises.

- **Housing Finance Agencies Initiative.** Treasury implemented the Housing Finance Agencies Initiative with two programs to support state and local Housing Finance Agencies. Through those programs, Treasury purchased securities from Fannie Mae and Freddie Mac backed by state and local Housing Finance Agency bonds (New Issue Bond Program) and participation interests in liquidity facilities provided to the Housing Finance Agencies by Fannie Mae and Freddie Mac (Temporary Credit and Liquidity Program). As of July 31, 2015, Treasury owned \$7.9 billion of Fannie Mae and Freddie Mac securities supporting the New Issue Bond Program and the Temporary Credit and Liquidity Program is now at zero.
- **Capital Magnet Fund.** HERA authorized a new program for the CDFI Fund to administer, the Capital Magnet Fund, which is intended to create a new source of grants for rental and for-sale housing, as well as community and economic development. The program is supposed to increase the flow of capital to organizations that will engage in housing-related investments. The Capital Magnet Fund is a competitive grant program expected to attract private capital. There are two types of eligible grantees under the fund: (1) CDFIs that have been certified by the CDFI Fund and (2) nonprofit organizations with a principal purpose developing or managing affordable housing. The eligible grant activities and entities eligible to receive grants through the Capital Magnet Fund represent a significant expansion for the CDFI Fund's core programs. For its inaugural

award round, the Capital Magnet Fund was appropriated \$80 million FY 2010. Since then, Treasury has not requested funding for the fund. Under HERA, the Capital Magnet Fund was to be financed through appropriations and transfers from Fannie Mae and Freddie Mac. Funding from Fannie Mae and Freddie Mac is due to begin in February 2016.

Recovery Act

The purpose of the Recovery Act was to provide relief during the economic downturn by expanding tax, bond, and cash assistance to segments of the economy most affected. Treasury is responsible for overseeing an estimated \$150 billion provided through tax relief and Recovery Act funding. An estimated \$25 billion in Recovery Act Funds, administered by Departmental Offices through two tax credit exchange programs, provide payments in lieu of tax credits for specified energy properties and payments to the states in lieu of tax credits for rehabilitation and development of low-income housing projects.

Other Domestic Assistance

Treasury provides assistance to promote economic growth and raise the standard of living in distressed communities in the United States by increasing the availability of business capital and financial services. The CDFI Fund, for example, promotes access to capital and local economic growth by (1) directly investing in, supporting, and training CDFIs that provide loans, investments, financial services, and technical assistance to underserved populations and communities; (2) providing incentives to banks to invest in their communities and in other CDFIs; and (3) providing financial and other assistance to Native CDFIs and other Native entities proposing to become or create Native CDFIs through its Native Initiatives. The New Markets Tax Credit (NMTC) Program provides investors with a tax credit for investing in communities that are economically distressed or comprise low-income populations. The CDFI Fund is authorized to allocate tax credit authority under the program to community development entities, which manage the program's investments in low-income community development projects. In return for a tax credit, investors supply capital to Community Development Entities.

The CDFI Fund's activities have been affected by recent economic events, resulting in significant funding increases and new program initiatives during FY 2009 to FY 2015. Funding for the competitive grant programs doubled in FY 2009, with a \$100 million increase provided through the Recovery Act. CDFI Fund programs were supported with funding levels of \$226 million FY 2014 and \$230 million in FY

2015. The NMTC Program was also expanded, with additional allocation authority provided through the Recovery Act that increased the 2008 and 2009 allocation rounds to \$5 billion each. In FY 2010 - 2014, the program received \$3.5 billion of allocation authority a year; permanent authority of \$5 billion per year beginning in FY 2015 has been requested. Since the program's inception in 2000, the CDFI Fund has awarded \$40 billion of tax credit allocations to Community Development Entities. The FY 2016 budget proposes to permanently extend the NMTC Program and provides annual allocation authority of \$5 billion.

The Small Business Jobs Act of 2010 authorized Treasury to guarantee the full amounts of notes and bonds issued by CDFIs that make investments in eligible community and economic development opportunities. Guarantees in total may not exceed \$1 billion in any fiscal year and are available through September 30, 2015. As administrator, the CDFI Fund was required to establish the program's regulations by September 2011, 1 year after the law's enactment date, and implement the program by September 2012. The CDFI Fund did not meet the mandated deadlines and established the program in June 2013 after receiving budgetary authority to guarantee bonds. A key component of the CDFI Bond Guarantee Program is the financing vehicle used by CDFIs issuing bonds and notes that are 100 percent guaranteed by the Federal Government. Consistent with Federal credit policy contained in the OMB's Circular No. A-129, the Federal Financing Bank is to purchase the CDFIs' 100 percent guaranteed issues. The CDFI Fund committed to guarantee \$325 million in bonds for FY 2013, \$200 million for FY 2014, and \$327 million for FY 2015 bringing the total guaranteed to \$852 million.

International Assistance

A prosperous world economy serves the United States in many ways, including creating markets for U.S. goods and services and promoting stability and cooperation among nations. Treasury focuses on preventing crises and minimizing the impact of those that occur. International financial institutions, such as the International Monetary Fund and the multilateral development banks, including the World Bank, play a key role in enabling global economic growth and stability. Recent focus has been to resolve and prevent further spread of the financial crisis worldwide.

Treasury's Office of International Affairs oversees U.S. interests in international financial institutions. The United States participates in these institutions to support poverty reduction, private-sector development, the transition to market economies, and sustainable economic growth and development to advance U.S. economic,

political, and commercial interests abroad. Treasury has the responsibility for reviewing how these institutions invest the resources contributed by the United States to ensure they are used appropriately. Improving the effectiveness of the multilateral development banks has been a high priority for the Administration. Accordingly, Treasury has been pursuing a reform agenda that emphasizes raising living standards and reducing poverty; measuring the results of U.S. contributions; and strengthening efforts to stimulate private-sector investment, promote good government and the rule of law, and fight corruption.

Exchange Stabilization Fund

The Gold Reserve Act of 1934 established the Exchange Stabilization Fund, a fund to be operated by the Secretary of the Treasury, with the approval of the President. The act authorized the Exchange Stabilization Fund to use its assets to deal in gold and foreign exchange to stabilize the exchange value of the dollar. The fund is used to implement U.S. international monetary and financial policy, including exchange market intervention policy. The fund mainly comprises three types of assets: U.S. Government securities, foreign currency assets, and Special Drawing Rights.⁸

To ensure the highest degree of confidence in the underlying securities, the Exchange Stabilization Fund investment guidelines require that the fund's investments be limited to claims on respective central banks, the Bank for International Settlements, and sovereign governments and their agencies.⁹ The Exchange Stabilization Fund's foreign currency holdings are to be invested so as to ensure that adequate liquidity is maintained to meet anticipated intervention financing needs. Investment maturities are to be timed such that substantial funds come available on a regular basis to meet potential intervention financing needs. In addition, the investment objective of the fund's portfolio is to seek the highest possible rate of return on each of its currency components over a full interest rate cycle.

⁸ Special Drawing Rights is an international reserve asset created by the International Monetary Fund to supplement existing reserve assets. In addition to its role as a supplementary reserve asset, the Special Drawing Rights serves as a means of payment within the International Monetary Fund, as well as a unit of account for the fund and several other international organizations.

⁹ The Bank for International Settlements is an international central bank whose mission is to serve central banks in their pursuit of monetary and financial stability and to foster international cooperation in those areas.

Office of Technical Assistance

The Office of Technical Assistance provides technical assistance to developing and/or transitional countries to help strengthen their financial management capacities as authorized under Section 129 of the Foreign Assistance Act of 1961. The office focuses on five core development program areas: (1) budget and financial accountability, (2) Government debt issuance and management, (3) banking and finance services, (4) revenue policy and administration, and (5) economic crimes. Treasury provides on-site resident advisors, as well as temporary advisors, to work with finance ministries and central banks in developing countries to strengthen their capacity to manage public financial resources. The office's staff also monitors and evaluates projects in each developing and transitional country selected to receive assistance under one or more of Treasury's five core development areas.

Committee on Foreign Investment in the United States

The Committee on Foreign Investment in the United States was delegated the presidential function, authorized by Section 721 of the Defense Production Act of 1950, to investigate for national security implications, the merger or acquisition of U.S. companies by foreign persons. The Secretary of the Treasury chairs the committee, and the Office of International Affairs manages this function on the Secretary's behalf. The committee is required to report annually on (1) whether there is credible evidence of a coordinated strategy by one or more countries or companies to acquire United States companies involved in research, development, or production of critical technologies for which the U.S. is a leading producer and (2) whether there are industrial espionage activities directed or directly assisted by foreign governments against private U.S. companies aimed at obtaining commercial secrets related to critical technologies.

Potential Integrity Risks

Integrity risks for domestic and international assistance programs include the potential for (1) unauthorized release of sensitive or classified data; (2) falsification of applications or statements; (3) misuse or mismanagement of Federal funds, including irregularities in the award of contracts and misallocation of grant proceeds, payments in lieu of tax credits, or Federal tax credits; and (4) failure by assisted entities to deliver on promised services. Of particular concern would be contracts, grants, tax credits, or cash payments in lieu of tax credits that may be awarded, without following standard operating procedures that include appropriate monitoring of funded activities. In addition, program risks include the potential failure to

promote economic growth within financially underserved areas of the United States or to foster economic stability in other nations. There may also be a corresponding loss of credibility with taxpayers in this country or a loss of U.S. credibility on an international level if these Treasury programs do not function as intended, or with the appropriate transparency.

In Progress and Planned FY 2016 Projects

Payments in Lieu of Tax Credits for Specified Energy Properties (In Progress)

We plan to assess Treasury's continued administration of the specified energy program to ensure proper awarding and compliance monitoring of payments in lieu of tax credits for specified energy properties under the Recovery Act. Audit work for this project began in April 2009 and will continue in FY 2016 focusing on audits of awards made to selected recipients.

Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credit

We plan to assess Treasury's administration and monitoring of payments to the states in lieu of tax credits for low-income housing projects under the Recovery Act. Specifically, for selected states, we will assess (1) the eligibility of grant applicants at both the state and sub-award level, (2) sub-awardees' compliance with award requirements, and (3) internal control procedures to determine whether sub-awardees are receiving both tax credits and payments. Audit work for this project began in April 2009 and will continue in FY 2016. We will coordinate with TIGTA to determine whether sub-awardees are receiving both Recovery Act funds and low-income housing credits for the same properties.

Senior Preferred Stock Purchase Agreements (In Progress)

We plan to evaluate Treasury's process for providing solvency to Fannie Mae and Freddie Mac through the purchases of senior preferred stock of the entities. Given the size of Treasury's investment in Fannie Mae and Freddie Mac and Treasury's continued support of them, we plan future work in this area to evaluate Treasury's monitoring of its investment and the housing market.

CDFI Fund's Administration of the Healthy Foods Financing Initiative (In Progress)

We plan to evaluate the CDFI Fund's program activities for carrying out its responsibility to administer the Healthy Food Financing Initiative. Specifically, we plan to (1) determine whether the CDFI Fund awarded funds to eligible recipients in accordance with applicable laws and regulations, (2) ensure that the CDFI Fund has

established and maintained proper internal control procedures and oversight over grants to determine whether program recipients meet eligibility requirements and properly comply with award agreements, and (3) assess the CDFI Fund's process for measuring the Healthy Food Financing Initiative's performance outcomes to ensure that program objectives are achieved.

ASI Federal Credit Union's Awards under the CDFI Fund Program (In Progress)

We plan to assess ASI Federal Credit Union's award eligibility under the CDFI Fund Program and use of grant funds for meeting its target markets in accordance with its assistance agreements.

Awardee Compliance under the CDFI Fund's Technical Assistance Awards (In Progress)

We plan to assess whether awardees are meeting CDFI Fund's certification requirements outlined in their assistance agreements and CDFI Fund's monitoring activities for ensuring awardees' overall compliance.

CDFI Bond Guarantee Program

We plan to assess the CDFI Fund's program activities to carry out its responsibility to administer the CDFI Bond Guarantee Program as required by the Small Business Jobs Act of 2010.

Corrective Action Verification on CDFI Fund Recovery Act Report

We plan to determine whether CDFI Fund management took corrective action responsive to our recommendations in audit report *Recovery Act: The Community Development Financial Institutions Fund Needs to Improve Its Process for Awarding Assistance to Applicants* (OIG-11-079; issued July 8, 2011).

CDFI Fund's Closeout of Recovery Act Grants

We plan to evaluate the CDFI Fund's activities for the closeout of grants issued using Recovery Act funding.

Projects under Consideration for Future Fiscal Years

CDFI Program's Grant Administration

We plan to assess the CDFI Fund's overall administration of grants awarded under the CDFI Program. Specifically, we plan to evaluate the CDFI Fund's process for awarding grants and the effectiveness of internal control over grant awards to ensure recipient compliance with award agreements.

CDFI Fund's Recertification Process

We plan to assess the CDFI Fund's process for re-certifying CDFIs to ensure entities remain eligible to receive funding under the CDFI Fund's financial assistance and Native Initiative grant programs.

Corrective Action Verification – CDFI Fund New Markets Tax Credit Program Policies and Procedures

We plan determine whether CDFI Fund management took corrective action responsive to our recommendations in audit report *Recovery Act: The Community Development Financial Institutions Fund Should Revise Policies and Procedures to Clarify Eligibility Reviews Under the New Markets Tax Credit Program* (OIG-12-065; issued August 3, 2012).

New Markets Tax Credit Program Award Process and Compliance Monitoring

We plan to assess the effectiveness of the NMTC Program's (1) application and tax credit allocation process, (2) assessment of the eligibility of potential award recipients, (3) internal control over and monitoring of program tax allocations, and (4) process for ensuring recipient compliance with tax credit allocation agreements. As part of this audit, we will follow up on issues identified in GAO's 2010 report *New Markets Tax Credit: The Credit Helps Fund a Variety of Projects in Low-Income Communities, but Could Be Simplified* (GAO-10-334; issued January 29, 2010).

Corrective Action Verification – EcoGrove LLC Payment under 1603 Program

We plan to determine whether Treasury management took corrective action responsive to our recommendations in audit report *Recovery Act: Audit of EcoGrove LLC Payment Under 1603 Program* (OIG-11-103; issued September 11, 2011).

Corrective Action Verification – Treasury's Oversight of the Housing Finance Agency Initiative

We plan to determine whether Treasury management took corrective action responsive to our recommendations in the audit report *Treasury Needs Written Policies and Procedures for Its Oversight of the Housing Finance Agency Initiative* (OIG-13-040; issued May 30, 2013).

Treasury's Tribal Policy

On behalf of Treasury, the Office of Economic Policy is responsible for implementing E.O. 13175, "Consultation and Coordination with Indian Tribal Governments" (November 2000). The order requires meaningful consultation and collaboration

with tribal officials in the development of Federal policies having tribal implications. The order is also meant to strengthen the U.S. relationship with tribal governments and reduce the imposition of unfunded mandates on Indian tribes. In 2009, the President issued a memorandum directing department and agency heads to submit to OMB a detailed plan of action for carrying out the requirements of the order.

We plan to assess Treasury's process for carrying out the Administrations' policy to consult and collaborate with tribal governments and officials when developing Federal legislation, regulation, and policy having tribal implications and resolving any issues and concerns raised by tribal officials.

Treasury's Monitoring of Government Sponsored Enterprises

We plan to evaluate Treasury's continued monitoring of its investment in the Government Sponsored Enterprises and the overall housing finance market.

Treasury's Monitoring of the Housing Finance Agency Initiative's Performance

We plan to assess Treasury's monitoring of housing-finance market indicators to assess the health of the housing-finance agencies participating in the Housing Finance Agencies Initiative.

CDFI Fund Administration of the Capital Magnet Fund

We plan to determine whether the CDFI Fund established adequate controls for awarding and administering the Capital Magnet Fund grant activities. Specifically, we plan to assess the CDFI Fund's processes to (1) review whether funds were awarded to eligible recipients properly and in a timely manner and (2) determine awardee compliance with program requirements, including leveraging award dollars intended to provide a dedicated source of funding. We also plan to assess the programs resulting from any future funding from Fannie Mae and Freddie Mac.

Corrective Action Verification – CDFI Fund Program Administration

We plan to assess whether CDFI Fund management took corrective action responsive to our recommendations in audit report *Awards Made to OneUnited Bank Were Consistent with Requirements But Certain Aspects of CDFI Fund Program Administration Need to be Revisited* (OIG-11-091; August 3, 2011).

Survey of the Committee on Foreign Investment in the United States

We plan to assess how Treasury supports the Committee on Foreign Investment in the United States in identifying and addressing national security concerns arising from covered transactions with foreign investors. We will also assess whether

measures have been implemented to identify foreign investors who have not filed with the committee.

Office of Technical Assistance Programs

We plan to assess Treasury's Office of Technical Assistance administration of programs established to provide technical assistance to foreign governments and foreign central banks in developing and transitional countries. As part of this audit, we plan to evaluate the office's process for selecting foreign governments and foreign central banks for receiving assistance under the office's five technical assistance programs, as well as for selecting technical experts. We also plan to assess the office's monitoring of its program projects.

Transfer of Funds under the Foreign Assistance Act of 1961

The U.S. Agency for International Development transferred \$66.6 million to Treasury in FY 2010 for contributions to the Global Agriculture and Food Security Program Trust Fund. The agency transferred another \$125 million in FY 2011 funds to Treasury for contributions to the Haiti Reconstruction Fund. Under memoranda of understanding between the U.S. Agency for International Development and Treasury, we are responsible for performing periodic program and financial audits of the use of the transferred funds, and the cost of the audits may be paid from transferred funds.

We plan to assess whether Treasury administered funds transferred from the U.S. Agency for International Development in accordance with applicable laws.

Single Audits

We plan to perform quality control reviews to determine whether select audits obtained by CDFIs were performed in accordance with the Single Audit requirements and applicable professional standards, and whether those audits may be relied upon for ensuring accountability of CDFI Fund awards.

Bank Enterprise Awards

We plan to assess the CDFI Fund's process for awarding and monitoring awards made through the Bank Enterprise Awards Program. Specifically, we plan to (1) determine whether CDFI Fund awarded the appropriated funds to eligible recipients based on qualified activities in accordance with applicable laws and regulations; (2) determine whether the CDFI Fund established and maintained proper internal control procedures and oversight over program awards, and (3) assess the

CDFI Fund's process for measuring the Bank Enterprise Award program's performance outcomes to ensure that the program objectives are achieved.

CDFI Fund's Tracking of Awardees across Multiple Assistance Programs

We plan to assess the effectiveness of the CDFI Fund's coordination for the tracking of awardees benefitting from multiple program awards to determine whether funds are used appropriately in target markets.

CDFI Program Evaluation Project

We plan to assess the CDFI Fund's progress in evaluating how and to what extent investments in CDFIs have benefitted and contributed to developing underserved communities.

Survey of the Federal Financing Bank

Created by Congress in 1973, the Federal Financing Bank is a Government corporation under the general supervision of the Secretary of the Treasury. Its mission is to reduce the costs of Federal and federally assisted borrowings, to coordinate those borrowings with Federal fiscal policy, and to ensure that those borrowings are done in ways least disruptive to private markets. To accomplish this mission, the Federal Financing Bank has broad statutory authority to purchase obligations issued, sold, or guaranteed by Federal agencies.

We plan to perform a survey of the Federal Financing Bank to identify and assess areas of high risk that should be audited in more depth.

Survey of Treasury's Participation in the International Monetary Fund

We plan to gain an understanding of Treasury's role for promoting U.S. policy with respect to the International Monetary Fund in order to identify potential risks related to the U.S. financial system.

Survey of Multilateral Development Banks

We plan to gain an understanding of Treasury's process for ensuring U.S. policy is carried out through the multilateral development banks. As part of this project, we plan to assess Treasury's participation, role, and risk exposure associated with respect to global initiatives.

Survey of Treasury's Global Agriculture and Food Security Program

We plan to gain an understanding of Treasury's role in the Global Agriculture and Food Security Program and Climate Investment Funds, including how funds are

granted in accordance with applicable guidance and collectively how funds are used to improve impoverished nations.

Debt Relief Programs

We plan to gain an understanding and perform appropriate independent oversight of Treasury's role in debt reduction programs with nations indebted to the United States, its process to ensure indebted nations meet eligibility requirements for relief, and the risks associated with these programs.

Treasury's Role in the Middle East and North Africa Transition Fund

In the President's FY 2015 budget, Treasury requested \$5 million for the Middle East and North Africa Transition Fund, a multi-donor trust fund administered by the World Bank to assist members of the Deauville Partnership with Arab Countries in Transition (currently Egypt, Tunisia, Jordan, Morocco, Libya, and Yemen). The fund helps to promote a broad reform agenda and support inclusive development for countries as they transform to address their diverse economic challenges. The Transition Fund provides small grants to help countries put in place economic policies and government reforms that will allow the countries to attract greater flows of capital while they address diverse economic challenges during their political transition. The agreed contribution from the United States is 20 percent of total donor contributions to the Transition Fund, or up to \$50 million of an anticipated \$250 million, over several years. The Deauville Partnership officially launched the Transition Fund on October 12, 2012. Several donors, including the United Kingdom, France, and Canada, immediately provided contributions.

We plan to gain an understanding of Treasury's role in the Middle East and North Africa Transition Fund for providing grants and technical assistance to Arab countries in political transition and to identify the risks to Treasury's investment.

Treaties and International Agreements

We plan to gain an understanding of the treaties and international agreements with foreign governments Treasury entered into on behalf of the U.S. Government and Treasury's coordination and consultation with the Department of State in connection with those agreements.

Exchange Stabilization Fund Investment Portfolio

We plan to (1) gain an understanding of the policy for the Exchange Stabilization Fund's investments in securities and foreign-currency-denominated assets and the factors considered in implementing the investment policy and (2) determine whether

Planned Projects by OIG Issue Area

the Fund complied with the investment policy on its purchases, management, and sales of investments and foreign-currency-denominated assets.

Small Business Lending Fund and State Small Business Credit Initiative Programs

Background

The Small Business Jobs Act of 2010 established the SBLF and SSBCI programs. The act also provided for the Inspector General to appoint a Special Deputy Inspector General for SBLF Program Oversight; the functions of that position are assigned to the Assistant Inspector General for Audit who reports directly to the Inspector General. The OIG is to report at least twice a year to the Secretary of the Treasury and Congress on the results of oversight activities involving the SBLF Program. We also perform audits of participating states' use of SSBCI funds to identify instances of intentional or reckless misuse of those funds.

SBLF Program

The SBLF Program was created to provide capital to community banks and community development loan funds (CDLFs) so that those institutions can increase small-business lending. For banks, the program is structured to encourage small-business lending through a dividend or interest-rate incentive structure. The more banks increase lending over a baseline level, the lower the interest or dividend rate they pay to Treasury. CDLFs are required to pay a fixed interest rate, regardless of small-business lending levels. Generally, the SBLF Program was open only to institutions with aggregate assets less than \$10 billion. The SBLF Program also provided an option for community banks to refinance preferred stock issued to Treasury through the TARP Capital Purchase Plan or the Community Development Capital Initiative if the banks had not missed more than one dividend payment under either of these two programs. Under the SBLF Program, institutions may not make loans to entities with more than \$50 million in revenues or in amounts over \$10 million.

Treasury invested more than \$4 billion in 332 financial institutions across the country. Treasury reported that, as of March 2015, institutions participating in SBLF had increased their small-business lending by \$15.4 billion over a \$31.3 billion baseline and that 94 percent of the SBLF participants had increased their small-business lending by 10 percent or more over the baseline. Treasury also reported that, as of June 2015, 63 of the 332 institutions with aggregate investments of \$1 billion had fully redeemed their SBLF securities and exited the program, and 30

institutions had partially redeemed \$300 million of their securities though they continued to participate in the program.

Under the terms of the authorizing legislation, the SBLF funds were intended to stimulate lending to small businesses, but participating institutions have no obligation to increase their small-business lending activity or report how they used Treasury's investments. Further, because the SBLF Program is a capital investment program and not a direct-lending program, the capital invested in banks is leveraged and not traceable to individual loans. As a result, the direct impact that SBLF funds have had on small business lending cannot be isolated from other factors.

Although the direct impact of the SBLF Program is not measurable, Treasury evaluates program outcomes based on the small business lending gains reported quarterly by participants, in accordance with the calculation method prescribed by the act.

Treasury's investments in some banks are in the form of non-cumulative preferred stocks. For these investments, institutions are under no obligation to pay previously missed payments before exiting the program. According to Treasury, when dividend payments are missed, additional measures ranging from requiring an explanation for the missed payment to naming an observer to an institution's board of directors may be taken. However, these measures are less effective if an institution's regulator has already restricted it from making dividend payments.

It should also be noted that some institutions may be unable to redeem their SBLF securities and thereby unable to exit the program. Dividend and interest rates automatically rise to 9 percent for C-Corporations and 13.8 percent for S-Corporations and Mutual Institution in the program for 4.5 years, which will occur in late 2015/early 2016. Interest-rates for CDLFs rise to 9 percent after 8 years in the program. These rate increases have already prompted some institutions to redeem their securities; however, Treasury will need to prepare for the possibility that some institutions may be unable to redeem or pay the higher dividend rate.

In Progress and Planned FY 2016 Projects

Accuracy of Dividend Rates Set for the Fixed Rate Period (In Progress)

We plan to determine the accuracy of small-business lending activity reported by SBLF participants for the third quarter of 2013, which will determine the fixed dividend rates to be applied for the subsequent 2 years.

Corrective Action Verification – Treasury Effectively Monitored Small Business Lending Fund Participants’ Compliance with Program Requirements (In Progress)

We plan to assess whether management took corrective action responsive to our recommendations in audit report, *Treasury Effectively Monitored Small Business Lending Participants’ Compliance with Program Requirements* (OIG-SBLF-15-002; issued December 23, 2014).

SBLF Asset Management and Consultant Fees

We plan to (1) determine and assess the process used to procure services from Asset Manager and other consultants and (2) determine whether services provided were consistent with contractual terms and whether fees paid to the providers were reasonable.

Projects under Consideration for Future Fiscal Years

Impact of the Dividend Rate Increase

We plan to evaluate the impact of the mandatory dividend rate increase to 9 percent on community banks and CDLFs, including determining how many institutions have redeemed their securities and whether Treasury is collecting the additional dividends from institutions remaining in the program.

The SBLF Program Exit Process

We plan to determine (1) whether institutions that exited SBLF were in compliance with program requirements, including repayment of funds to Treasury and (2) what plans Treasury has for winding down the program.

SSBCI Program

SSBCI is a \$1.5 billion initiative that provides participating states, territories, and eligible municipalities with funding to support state programs that provide lending to, and investment in, small businesses. SSBCI builds on new and existing models for state small-business programs, including those that finance loan loss reserves and provide loan insurance, loan guaranties, venture capital funds, and collateral support. Under the program, Treasury awarded 57 states, territories, and municipalities all \$1.5 billion in available SSBCI funding and, as of June 30, 2015, had disbursed approximately \$1.2 billion of the funds awarded. Funds are disbursed to the participating states in three increments and are to be used for the programs and activities approved by Treasury in each state’s Allocation Agreement.

Participating states must report quarterly on their use of SSBCI funds and provide Treasury an annual report, no later than March 31 of each year, with transaction-level data for each loan or investment made with SSBCI funds.

According to Treasury, primary oversight of the use of SSBCI funds is the responsibility of each participating state. Beginning in April 2011 and as recently as July 2014, Treasury issued and amended policy guidelines, standards, and Frequently Asked Questions for states to carry out their oversight responsibilities. It is imperative that participating states keep up with these guidelines, especially in areas where the guidance has significantly changed. For example, effective July 2014, the rules governing conflict of interest in state venture-capital programs prohibit SSBCI funds from being used to make or support investments in a company or venture-capital fund when an SSBCI insider, or a family member or a business partner of an insider, has a personal financial interest in that company or venture-capital fund. Treasury reported that, as of December 31, 2014, \$452 million, or nearly one-third of the total \$1.5 billion allocated, had been allocated to state venture-capital programs.

Treasury monitors participating states' compliance with the program by verifying annual report data against loan or investment documentation. Treasury also requires states to certify quarterly to their compliance. In a few instances, Treasury requested that OIG review specific transactions to identify reckless or intentional misuse and OIG audits have identified instances where states made inaccurate or lacked compliance certifications.

In Progress and Planned FY 2016 Projects and Projects under Consideration for Future Fiscal Years

Audits of States Participating in SSBCI (In Progress)

We have several ongoing and planned audits of participating states' use of SSBCI funds. These audits, whether self-initiated or initiated at the request of Treasury, test participant compliance with program requirements and prohibitions to identify intentional or reckless misuses of SSBCI funds, which, by law, Treasury is required to recoup. We have audits in progress of Arkansas, New Hampshire, New York, Oregon, and Rhode Island.

Gulf Coast Restoration Trust Fund Oversight

Background

The RESTORE Act established the Gulf Coast Restoration Trust Fund (Trust Fund) within Treasury to provide funds for environmental and economic restoration of the Gulf Coast region that was damaged by the 2010 Deepwater Horizon oil spill. Deposits into the Trust Fund will be comprised of 80 percent of all civil and administrative penalties paid after July 6, 2012, under the Federal Water Pollution Control Act. As of February 2015, the Trust Fund had received approximately \$816 million as a result of the Federal government's settlement with the Transocean defendants. In July 2015, BP Exploration and Production Inc. agreed to settle with the Federal government and the Gulf Coast States for \$18.7 billion, of which approximately \$5.5 billion plus interest relates to civil and administrative penalties under the Federal Water Pollution Control Act. Of this amount, \$4.4 billion is expected to be deposited into the Trust Fund over 15 years. On October 5, 2015, the Department of Justice published the settlement in a proposed consent decree for a 60 day comment period ending on December 4, 2015. After considering comments, the Federal government and the Gulf Coast States will determine whether to seek court approval of the consent decree.

The RESTORE Act also established the Gulf Coast Ecosystem Restoration Council, a new independent entity within the Federal Government, comprised of the governors from the five affected Gulf Coast States (Alabama, Florida, Louisiana, Mississippi, and Texas); the Secretaries from the U.S. Departments of the Interior, Commerce, and Agriculture; the head of the department housing the Coast Guard (currently the Secretary of the Department of Homeland Security); the Secretary of the Army; and the Administrator of the U.S. Environmental Protection Agency.

The RESTORE Act allocates money in the Trust Fund to the following 5 components: (1) 35 percent will be made available to the Gulf Coast States in equal shares under the Direct Component; (2) 30 percent plus 50 percent of interest earned on the Trust Fund will be made available for grants under the Council-Selected Restoration Component; (3) 30 percent will be made available for grants under the Spill Impact Component; (4) 2.5 percent plus 25 percent of interest earned on the Trust Fund will be made available to the Centers of Excellence Component; and (5) 2.5 percent plus 25 percent of interest earned on the Trust Fund will be made available to the Science Program Component. Treasury is responsible for administering the Direct Component and the Centers of Excellence

Component. The Gulf Coast Ecosystem Restoration Council is responsible for administering the Council-Selected Restoration Component and the Spill Impact Component. The National Oceanic and Atmospheric Administration is responsible for administering the Science Program Component.

Treasury's authority to administer the Trust Fund terminates on the date all amounts are expended from the Trust Fund. The RESTORE Act provides Treasury with remedies for a state's noncompliance with the conditions of the trust fund. Specifically, Treasury may cut off funding to a state until the state either repays the trust fund or the state substitutes an ineligible activity with an eligible activity.

The RESTORE Act authorized Treasury OIG to conduct, supervise, and coordinate audits and investigations of projects, programs, and activities funded under the act.

Potential Integrity Risks

The integrity risks for the Gulf Coast Restoration projects, programs, and activities include the potential (1) falsification of applications or statements; (2) failure by grantees or contractors to deliver on promised goods or services; (3) misuse or mismanagement of Trust Funds, including irregularities in the award of contracts, misallocation of grant proceeds, and duplication of funding for projects or programs; (4) award of grants or contracts without following laws, regulations, or standard operating procedures; (5) failure to properly monitor funded activities; and (6) funding of programs that fail to promote the restoration of the Gulf Coast region.

In Progress and Planned FY 2016 Projects

Audit of Financial Statements of the Gulf Coast Ecosystem Restoration Council (In Progress)

During FY 2016, an independent public accounting firm under our supervision will complete audit work for the Council's FY 2015 financial statements and begin audit work for the FY 2016 financial statements. These audits will determine whether the financial statements are fairly presented in all material respects and will report on internal control and on compliance with laws and regulations that could have a direct and material effect on the financial statements.

Risk Analysis of Gulf Coast State and Local Government's Internal Controls Related to Grants Management, Procurement, Financial Reporting, and Single Audit Act Reporting

We engaged a contractor, under our supervision, to assess Gulf Coast state and local government internal controls related to (1) grants management, (2) the

procurement function, (3) financial reporting, and (4) Single Audit Act reporting. This information will be used to assess overall risk of programs and activities funded by the Trust Fund and as a basis for determining the nature, timing, and extent of future audit work.

Technical Review of the Council’s Initial Comprehensive Plan and Related Programmatic Environmental Assessment (In Progress)

We engaged an external specialist, under our supervision, to perform technical assessments of the initial comprehensive plan and related programmatic environmental assessment under the Council-Selected Restoration Component.

Gulf Coast Ecosystem Restoration Council’s Project Selection under the Council-Selected Restoration Component (In Progress)

We engaged an external specialist, under our supervision, to assist us in assessing the Gulf Coast Ecosystem Restoration Council’s evaluation and selection of projects and programs under the Council-selected Restoration Component in accordance with the RESTORE Act and Treasury RESTORE Act regulations.

Texas Office of the Governor’s Establishment of a Centers of Excellence Research Grants Program (In Progress)

We plan to complete our assessment of the Texas Office of the Governor’s progress in establishing a Centers of Excellence Research Grants Program for conducting research in the Gulf Coast region in accordance with Section 1605 of the RESTORE Act.

Louisiana Coastal Protection and Restoration Authority’s Establishment of a Centers of Excellence Research Grants Program (In Progress)

We plan to complete our assessment of the Coastal Protection and Restoration Authority’s progress in establishing a Centers of Excellence Research Grants Program for conducting research in the Gulf Coast region in accordance with Section 1605 of the RESTORE Act.

Stand-up of the Gulf Coast Ecosystem Restoration Council (In Progress)

We plan to assess the Gulf Coast Ecosystem Restoration Council’s progress in establishing the capacity to oversee the restoration and economic recovery of the Gulf Coast region.

Environmental Compliance of RESTORE Act Programs (In Progress)

We plan to evaluate Treasury's assessment of its responsibility for environmental compliance of RESTORE Act programs and projects.

Capability Audits of RESTORE Act Fund Grant Applicants (In Progress)

We engaged a contractor, under our supervision, to assess selected grant applicant's readiness to receive, expend, and monitor funds in accordance with the RESTORE Act, applicable regulations, and policies and procedures. We have audits in progress of the State of Mississippi, Escambia and Santa Rosa Counties, and St. Bernard and Jefferson Parishes.

Gulf Coast Ecosystem Restoration Council's Information Security Program and Practices

We plan to assess the effectiveness of the Council's information security programs and practices, including compliance with Federal Information Security Modernization Act of 2014 requirements and related information security policies, procedures, standards, and guidelines.

Improper Payments

We plan to assess the Council's compliance with IPERA and other improper payment reporting requirements included in E.O. 13520 and IPERIA for FY 2015.

Gulf Coast Ecosystem Restoration Council's Evaluation of Gulf Coast State Expenditure Plans under the Spill Impact Component

We plan to engage an external specialist, under our supervision, to assess the Council's evaluation of each Gulf Coast State's expenditure plan submitted in conjunction with the Spill Impact Component.

Gulf Coast Ecosystem Restoration Council's Implementation of a Grants Management System for Administration and Oversight of Federal Awards

We plan to engage a contractor, under our supervision, to assess the Council's ability to administer and oversee grants for the council-selected and Spill Impact Components of the RESTORE Act, in accordance with the RESTORE Act, Federal grant regulations, and applicable policies and procedures.

Compliance Audits of RESTORE Act Projects, Programs, and Activities

For selected programs, projects, and activities, we plan to assess whether recipients of RESTORE Act funds have (1) internal controls in place to administer Federal awards in accordance with OMB's *Uniform Administrative Requirements, Cost*

Principles, and Audit Requirements for Federal Awards (December 2013), and agency implementing regulations; (2) properly used Federal awards and complied with applicable Federal statutes, regulations, and policies; and (3) complied with the Notice of Award, Grant Agreement, and any additional requirements as set forth by the issuing agency..

Gulf Coast Ecosystem Restoration Council’s Administration of Planning Grants under the Spill Impact Component

We plan to assess the Council’s administration of planning grants under the Spill Impact Component of the Trust Fund in accordance with the RESTORE Act, applicable laws and regulations, and council policies and procedures.

Treasury’s Review of “Best Available” Science to Support Projects and Activities under the Direct Component

We plan to assess Treasury’s process to review Direct Component grant applications for compliance with the “best available science” requirement for natural resource protection and restoration projects in accordance with the RESTORE Act, applicable laws and regulations, and program policies and procedures.

Florida’s Internal Controls over the Center of Excellence Research Grants Program

We plan to determine whether Florida has proper and sufficient internal controls in place over the Center of Excellence Research Grants Program in accordance with the RESTORE Act and applicable Federal and state regulations

Treasury, NOAA, and Gulf Coast Ecosystem Restoration Council’s Internal Controls to Eliminate Duplication of Funding for RESTORE Act Programs

We plan to assess whether Treasury, NOAA, and the Council implemented controls to prevent duplication of funding with the Oil Spill Liability Trust created under the Oil Pollution Act and other Gulf Coast restoration funding sources.

NOAA’s Administration of the Gulf Coast Ecosystem Restoration Science Program

We plan to assess whether NOAA is administering the Science Program Component of the Trust Fund in accordance with the RESTORE Act, applicable laws and regulations, and program policies and procedures.

Treasury's Administration of the Direct Component of the Gulf Coast Restoration Trust Fund

We plan to assess Treasury's administration of the Direct Component in accordance with the RESTORE Act, applicable grant laws and regulations, and Treasury policies and procedures.

Gulf Coast Ecosystem Restoration Council's Travel and Conference Expenditures

We plan to assess whether the Council's travel and conference expenditures are in accordance with Federal travel regulations and Council policies and procedures.

Corrective Action Verification – Gulf Coast Ecosystem Restoration Council's Challenges in Completing the Initial Comprehensive Plan

We plan to determine whether the Council took corrective action responsive to our recommendations in our audit report *Restore Act: Gulf Coast Ecosystem Restoration Council Faces Challenges in Completing Initial Comprehensive Plan* (OIG-14-003; issued October 25, 2013).

Projects under Consideration for Future Fiscal Years

Gulf Coast Ecosystem Restoration Council's Administrative Expenses

We plan to assess whether the Council has designed adequate internal controls for the Council-Selected Restoration Component to comply with the 3 percent administrative expense limitation outlined in the RESTORE Act, applicable regulations, policies and procedures.

NOAA's Administrative Expenses

We plan to assess whether NOAA has designed adequate internal controls for the Science Program Component to comply with the 3 percent administrative expense limitation outlined in the RESTORE Act, applicable regulations, policies and procedures.

Compliance of Federal, State, and Local Entities with RESTORE Act Public Input Requirements

We plan to determine whether the Federal, state, and local entities have complied with required public input requirements in accordance with the RESTORE Act and applicable Federal and state regulations.

Gulf Coast Ecosystem Restoration Council's Procurement Practices

We plan to assess the Council's ability to follow logical and prudent procurement practices that comply with the RESTORE Act and applicable Federal and state regulations.

Sub-recipient Monitoring Process of the Gulf Coast State and Local Governments Receiving RESTORE Act Funding

We plan to determine whether the state and local governments receiving RESTORE Act funding have subrecipient monitoring controls in place in accordance with applicable Federal law and regulations.

Bureau of the Fiscal Service's Compliance with the Investment Strategy for the Gulf Coast Restoration Trust Fund

We plan to determine whether Fiscal Service is investing the Trust Fund in accordance with the RESTORE Act and regulations and Treasury's *Gulf Coast Restoration Trust Fund Investment Strategy*.

Gulf Coast Ecosystem Restoration Council's Administration of the Spill Impact Component

We plan to assess the Council's administration of the Spill Impact Component of the Trust Fund in accordance with the RESTORE Act, applicable laws and regulations, and council policies and procedures.

Treasury, NOAA, and Gulf Coast Ecosystem Restoration Council's Internal Controls Related to Pre-award Review and Post-award Monitoring of Grantee Risk

We plan to assess whether Treasury, NOAA, and the Council established internal controls related to pre-award review and post-award monitoring of RESTORE Act grantee risk as required by OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (December 2013), and agency implementing regulations.

Gulf Coast Ecosystem Council's 5-Year Update of the Comprehensive Plan

We plan to assess whether the Council updated the Comprehensive Plan in a timely manner and in accordance with the requirements in the RESTORE Act and applicable regulations, policies, and procedures.

Quality Control Review of Single Audit Reports for the RESTORE Act Grants

We plan to perform quality control reviews to determine whether audits obtained by RESTORE Act grantees were performed in accordance with the Single Audit

requirements and applicable professional standards and may be relied on for ensuring accountability of RESTORE Act awards.

Gulf Coast Ecosystem Restoration Council's Administrative Activities

We plan to assess whether the Council's administrative activities are being managed in accordance with the RESTORE Act, applicable laws and regulations, and Council policies and procedures.

Gulf Coast State Entities' Internal Controls over the Centers of Excellence Research Grants Program

We plan to determine whether the Gulf Coast State entities have proper and sufficient internal controls in place over the Centers of Excellence Research Grants Program in accordance with the RESTORE Act and applicable Federal and state regulations.

Gulf Coast Ecosystem Restoration Council's Administration of the Council-selected Restoration Component of the Gulf Coast Restoration Trust Fund

We plan to assess the Council's administration of the Council-Selected Restoration Component of the Trust Fund to ensure it complies with the RESTORE Act, applicable regulations, and council policies and procedures.

Treasury's Administration of the Centers of Excellence Component of the Gulf Coast Restoration Trust Fund

We plan to assess Treasury's administration of the Centers for Excellence Component of the Trust Fund to ensure it complies with the RESTORE Act, applicable laws and regulations, and Treasury policies and procedures.

Survey of Gulf Coast State and Local Government's Information System Controls

We plan to gain an understanding of information system controls put in place by Gulf Coast state and local governments to administer Federal awards and determine whether any risks warrant further review.

Appendix A: Office of Audit FY 2016 Resource Allocation

The following table shows our planned OIG staff resource allocation for FY 2016, by priority areas.

Audit Priority	Percentage of Planned Audit Resources
Audit products mandated by law	16
Work requested by Congress or externally driven	6
Self-directed work in Treasury's highest risk areas	78
Total	100

The following table shows our planned OIG audit staff resource allocation for FY 2016, by OIG issue area.

OIG Issue Area	Percentage of Planned Audit Resources
Treasury General Management and Infrastructure Support:	
Financial Management	6
Information Security	8
General Management	5
Terrorist Financing, Money Laundering, and Foreign Assets Control	8
Government-Wide Financial Services and Debt Management	9
Safety, Soundness, and Accessibility of Financial Services	19
Revenue Collections and Industry Regulation	7
Bill and Coin Manufacturing, Marketing, and Distribution Operations	10
Domestic and International Assistance Programs	7

Appendix A: Office of Audit Fiscal Year 2016 Resource Allocation

OIG Issue Area	Percentage of Planned Audit Resources
Small Business Lending Fund and State Small Business Credit Initiative Operations	7
Gulf Coast Restoration Trust Fund Oversight	14
Total	100

The following table shows our planned OIG audit staff allocation for FY 2016, by Treasury headquarters operational component, Treasury bureaus, and other Federal and state entities.

Treasury Departmental Offices, Treasury Bureaus, and Other Federal and State Entities	Percentage of Planned Audit Resources
Treasury Departmental Offices:	
Domestic Finance	4
Office of the Assistant Secretary for Management and Chief Financial Officer	9
Small Business Lending Fund	3
State Small Business Credit Initiative	4
Community Development Financial Institutions Fund	4
Office of the Chief Information Officer	6
Office of Gulf Coast Restoration	7
Office of Terrorism and Financial Intelligence	3
Other Departmental Offices	1
Treasury Bureaus:	
Office of the Comptroller of the Currency	17
Bureau of the Fiscal Service	9
Financial Crimes Enforcement Network	4
Mint	4
Bureau of Engraving and Printing	7
Alcohol and Tobacco Tax and Trade Bureau	6

Appendix A: Office of Audit Fiscal Year 2016 Resource Allocation

Treasury Departmental Offices, Treasury Bureaus, and Other Federal and State Entities	Percentage of Planned Audit Resources
Multiple Bureaus	3
Other Federal Entities*	
Gulf Coast Ecosystem Restoration Council	7
Other	2
Total	100

* Treasury’s Office of Gulf Coast Restoration administers the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) grants programs for the Direct Component and the Centers of Excellence Component. The RESTORE Act authorizes Treasury OIG to conduct, supervise, and coordinate audits and investigations of projects, programs, and activities funded under the act, including Treasury and other Federal, state, and local government entities.

The RESTORE Act established the Gulf Coast Ecosystem Restoration Council, a new independent entity within the Federal Government, comprising governors from the five affected Gulf Coast States; the Secretaries from the U.S. Departments of the Interior, Commerce, and Agriculture; the head of the department housing the Coast Guard (currently the Secretary of the Department of Homeland Security); the Secretary of the Army; and the Administrator of the U.S. Environmental Protection Agency. In accordance with the RESTORE Act, our office performs audits of the National Oceanic and Atmospheric Administration’s Science Program Component and the Gulf Coast State and Local Government grantees.

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Abbreviations

ARC	Administrative Resource Center
BEN	Bureau of Engraving and Printing Enterprise
BEP	Bureau of Engraving and Printing
BSA	Bank Secrecy Act
CAMELS	capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk (rating)
CAP	Cross Agency Priority
CBP	Customs and Border Protection
CDFI	Community Development Financial Institutions
CDLF	Community Development Loan Fund
CHIPRA	Children’s Health Insurance Program Reauthorization Act of 2009
CIGFO	Council of Inspectors General on Financial Oversight
CIO	Chief Information Officer
COLA	Certificates of Label Approval
Concur	Concur Travel System
CSA	Controlled Substance Act
DATA Act	Digital Accountability and Transparency Act of 2014
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act
E.O.	Executive Order
Fannie Mae	Federal National Mortgage Association
FDIC	Federal Deposit Insurance Corporation
FinCEN	Financial Crimes Enforcement Network
FISMA	Federal Information Security Management Act
Fiscal Service	Bureau of the Fiscal Service
FMS	Financial Management Service
Freddie Mac	Federal Home Loan Mortgage Corporation
FRB	Board of Governors of the Federal Reserve System
FSOC	Financial Stability Oversight Council
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
HERA	Housing and Economic Recovery Act of 2008
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002

Abbreviations

IRS	Internal Revenue Service
ISIL	Islamic State of Iraq and the Levant
IT	information technology
MAP-21	Moving Ahead for Progress in the 21st Century Act
Mint	U.S. Mint
MSB	money services businesses
myRA	My Retirement Account
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Assets Control
OFR	Office of Financial Research
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Procurement Executive
OTS	Office of Thrift Supervision
PIV	personal identity verification
PPS	Post Payment System
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
SAR	Suspicious Activity Reports
SBLF	Small Business Lending Fund
SIGTARP	Special Inspector General for the Troubled Asset Relief Program
SSBCI	State Small Business Credit Initiative
SSP	Treasury Franchise Fund Shared Services Programs
TARP	Troubled Asset Relief Program
TEOAF	Treasury Executive Office for Asset Forfeiture
TFM	Treasury Financial Manual
TIC	Treasury International Capital
TIGTA	Treasury Inspector General for Tax Administration
TMA	Treasury Managed Accounts
TTB	Alcohol and Tobacco Tax and Trade Bureau