Annual Plan
Fiscal Year 2020

OIG-CA-20-008

Office of Inspector General
Department of the Treasury

Foreword

This annual plan outlines the fiscal year (FY) 2020 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 2018–2022.*

As this plan illustrates, we have prioritized our resources to provide oversight of the most significant and highest-risk Treasury programs and operations across our jurisdictional boundaries. For FY 2020, our oversight efforts will place top priority on: (1) operating in an uncertain environment; (2) cyber threats, (3) anti-money laundering/terrorist financing and Bank Secrecy Act enforcement, (4) efforts to promote spending transparency and to prevent and detect improper payments, and (5) information technology acquisition and project management.

Areas of emphasis for FY 2020 include oversight mandated by law such as the Inspector General Act of 1978, as amended, the Government Management Reform Act of 1994, the Federal Information Security Modernization Act of 2014, the Federal Deposit Insurance Act, and the Improper Payments Elimination and Recovery Act of 2010. Additionally, we will continue to perform audit work related to Treasury's responsibilities under the Digital Accountability and Transparency Act of 2014.

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

October 2019

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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

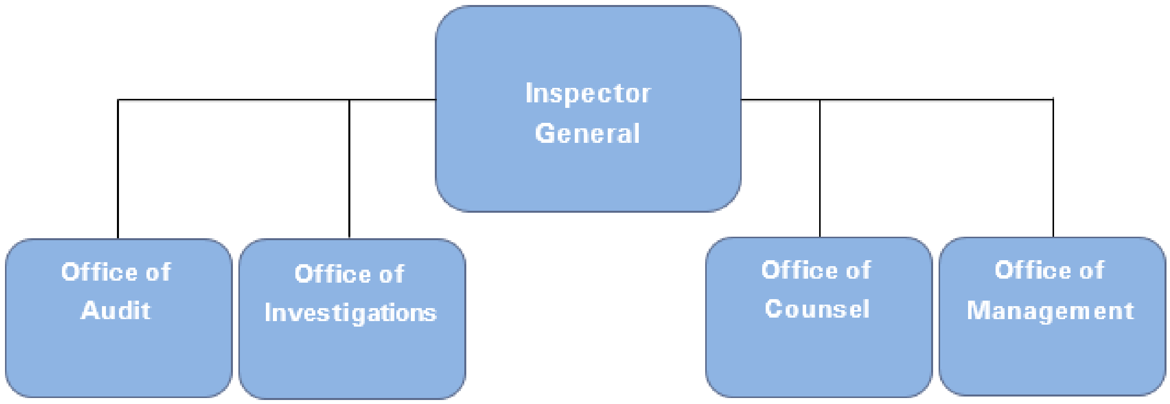
In 1989, the Secretary of the Treasury established the OIG in accordance with 1988 amendments to the Inspector General Act. Treasury OIG has the following responsibilities:

- Conduct and supervise audits and investigations of Treasury programs and operations except for the Internal Revenue Service, which operates under the jurisdictional oversight of the Treasury Inspector General for Tax Administration, and the Troubled Asset Relief Program, which operates 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.

Treasury OIG also has audit and investigative oversight for both the Gulf Coast Ecosystem Restoration Council (Council), an independent Federal entity, and the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program), which is administered by the National Oceanic and Atmospheric Administration under the U.S. Department of Commerce.

Organizational Structure and Fiscal Resources

Treasury OIG is headed by an Inspector General appointed by the President with the advice and consent of the Senate. As shown below, Treasury OIG's organization includes four offices headquartered in Washington, DC; an audit field office in Boston, Massachusetts; and investigative offices in Greensboro,



For fiscal year (FY) 2020, the President requested approximately $37.0 million in direct appropriations for Treasury OIG. Up to $2.8 million of that total is to be available for audits and investigations conducted pursuant to Section 1608 of 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) are funded on a reimbursable basis by the SBLF program office. Annual financial statement audits of Treasury and certain components are funded by the annual salaries and expenses appropriation for Treasury's Departmental Offices.

Performance Measures

Treasury OIG established the following FY 2020 performance measures for the Offices of Audit and Investigations:

Office of Audit Performance Measures

- Complete 74 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 (1) for civil or criminal prosecution or (2) administratively to a Treasury bureau or office for appropriate action.

Fiscal Year 2020 Priorities

Audit Priorities

Treasury OIG established three audit priorities for FY 2020:

Priority 1 Audit Products Mandated by Law

Treasury OIG allocates significant resources to meet mandated audit requirements, which include (1) audited financial statements and financial-related review work; (2) information systems security; (3) Treasury programs authorized by the Small Business Jobs Act of 2010; (4) bank failures, pursuant to requirements in the Federal Deposit Insurance Act; (5) responsibilities under the Digital Accountability and Transparency Act of 2014 (DATA Act); and (6) the effectiveness of measures taken by Customs and Border Protection to protect revenue as required under Section 112 of the Trade Facilitation and Trade Enforcement Act of 2015.

We also perform work in response to congressional directives and support the Council of Inspectors General on Financial Oversight (CIGFO)[1] by leading or participating on working groups established to evaluate the effectiveness and internal operations of the Financial Stability Oversight Council.

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

Treasury OIG typically receives four or five requests each year from Treasury management or Congress to perform specific work. Often a subject already provided for in our plan, the requested work requires only that we adjust the schedule or scope. If the request pertains to 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 2020, our self-directed work focuses on Treasury's responsibilities for cybersecurity, anti-money laundering/terrorist financing programs, efforts to promote spending

[1] CIGFO derives its authorities from the Dodd-Frank Wall Street Reform and Consumer Protection Act.

transparency and to prevent and detect improper payments, and information technology (IT) acquisition and project management.

For details of planned FY 2020 Treasury Office of Audit resource allocation, by audit priority, see appendix A.

Treasury OIG Strategic Plan

Treasury OIG aligned its *Strategic Plan for Fiscal Years 2018–2022* 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 managing U.S. Government finances and resources effectively. Treasury OIG works to promote the integrity, efficiency, and effectiveness of programs and operations across its jurisdictional boundaries. We accomplish our mission through four strategic goals:

- Promote program and operation integrity, efficiency and effectiveness 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 Treasury OIG's 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 2018 - FY 2022. Treasury OIG will focus its FY 2020 work on 12 issue areas, shown in the table below, as they relate to Treasury's strategic goals.

Treasury's Strategic Goals and Related Issue Areas for FY 2018-2022

Treasury Strategic Goal	Treasury OIG Issue Area
Boost U.S. Economic Growth	• Financial Regulation and Oversight • Domestic and International Assistance Programs

Treasury's Strategic Goals and Related Issue Areas for FY 2018-2022

Treasury Strategic Goal	Treasury OIG Issue Area
	• Bill and Coin Manufacturing • Gulf Coast Restoration • Alcohol and Tobacco Revenue Collection and Industry Regulation • Small Business Lending Fund Program
Promote Financial Stability	• Domestic and International Assistance Programs • Gulf Coast Restoration • Financial Regulation and Oversight • Cybersecurity/Information Technology • Financial Management • Anti-Money Laundering/Terrorist Financing and Foreign Assets Control
Enhance National Security	• Cybersecurity/Information Technology • Anti-Money Laundering/Terrorist Financing and Foreign Assets Control • Domestic and International Assistance Programs
Transform Government-wide Financial Stewardship	• Financial Management • Government-wide Financial Services and Debt Management • Alcohol and Tobacco Revenue Collection and Industry Regulation • Domestic and International Assistance Programs • Resource Management • Procurement

Treasury's Strategic Goals and Related Issue Areas for FY 2018-2022

Treasury Strategic Goal	Treasury OIG Issue Area
Achieve Operational Excellence	• Resource Management • Procurement • Government-wide Financial Services and Debt Management • Cybersecurity/Information Technology • Bill and Coin Manufacturing

Office of Audit Initiatives

The Office of Audit plans to start 66 projects in FY 2020 and complete 66 projects started in prior years. We have identified 218 high-priority projects that must be deferred beyond FY 2020. For descriptions of our in progress and planned work, as well as projects for future consideration, see the In Progress and Planned Projects by Treasury OIG Issue Area section herein.

Office of Investigations Initiatives

Treasury OIG established eight investigative priorities for FY 2020.

Priority 1 Threats Against Treasury Employees and Facilities

Our highest priority is investigating threats against Treasury employees and facilities. These efforts are critical in ensuring safety for the Department and require prompt attention and coordination with Federal, State, and local authorities. We also have responsibilities in connection with the Department's Continuity Of Operations Plan.

Priority 2 Criminal and Serious Treasury Employee Misconduct

We investigate complaints involving alleged criminal and other serious misconduct by Treasury employees. We investigate 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 we investigate complaints of alleged violations of these rules and regulations.

Priority 3 Fraud Involving Treasury Contracts, Grants, Guarantees, and Federal 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 provide or seek 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. We also investigate criminal activity associated with improper payments made due to false claims to the Treasury in relation to grant programs, such as the American Recovery and Reinvestment Act of 2009.

Priority 4 Treasury Financial Programs and Operations Crime

We conduct and supervise criminal investigations related to Treasury financial programs and operations, including the issuance of licenses, payments and benefits, and oversight of U.S. financial institutions. We investigate criminal activity associated with improper payments made due to false claims to the Treasury and stolen, altered, counterfeit, and fraudulently obtained and/or redirected Treasury payments. We also investigate financial institution employee obstruction of the examination process and bank fraud, wire fraud, embezzlement, and other crimes affecting the oversight of Office of the Comptroller of the Currency (OCC) regulated financial institutions as well as the Bank Secrecy Act/Anti-Money Laundering program overseen by OCC and the Financial Crimes Enforcement Network.

Priority 5 Cyber Threats Against Treasury Systems and Cyber Enabled Financial Crimes Fraud

We conduct investigations into the illicit removal of Treasury-protected information from Treasury systems, and cyber-enabled criminal activity impacting Treasury programs and operations, such as Business Email Compromise, Personal Email Compromise, and other schemes.

Priority 6 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 7 Investigating Fraud Related to Persons Representing Themselves as "Sovereign Citizens" Submitting Fictitious Financial Instruments to Treasury, Financial Institutions, Private Companies, and Citizens

We conduct investigations into criminal activity associated with individuals who attempt to scam the Treasury, financial institutions, private companies, and citizens by submitting fictitious financial instruments purporting to be issued by or drawn on the Treasury, or other counterfeit documents, to perpetrate a variety of fraud schemes. These matters have become more prevalent and require prompt coordination with Federal, State, and local authorities to protect the targets from these scams.

Priority 8 Identifying and Investigating Fraud Related to the RESTORE Act

We will investigate waste, fraud, and abuse related to the RESTORE Act, which commits 80 percent of all administrative and civil penalties related to the Deepwater Horizon oil spill to the Gulf Coast Restoration Trust Fund (Trust Fund). It also 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.

Office of Counsel Initiatives

The Office of Counsel supports Treasury OIG investigative and audit 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, it provides timely responses to Freedom of Information Act (FOIA) requests as well as media and congressional inquiries. The office also carries out litigation responsibilities in cases related to the Merit Systems Protection Board and Equal Employment Opportunity Commission.

Based on experience, the Office of Counsel expects to process 40 initial FOIA/Privacy Act requests and 2 appeals from those initial responses in FY 2020. With regard to the Electronic Freedom of Information Act, the Office of Counsel expects to review approximately 90 audit, evaluation, and oversight reports posted on Treasury OIG's website and oversight.gov. The Office of Counsel also fulfills these additional roles and responsibilities:

- Provides ethics and standards of conduct training for all employees and timely review of all required confidential and public financial disclosure reports.
- Reviews and updates, as needed, Privacy and Civil Liberties Impact Assessments for all Treasury OIG operations and provides procedural review and training services.
- Responds to *Giglio*[2] requests, coordinates responses to document requests from Congress, responds to media inquiries, and responds to discovery requests arising from litigation involving the Department and its bureaus.
- Provides training on the Inspector General Act and other subjects for new employee orientation and in-service training.
- Serves as Whistleblower Program Coordinator, as defined in the Whistleblower Protection Enhancement Act.
- Reviews, as statutorily mandated, legislative and regulatory proposals and coordinates comments; reviews all allegations of misuse of the Treasury seal, name, and identification; and prepares cease-and-desist orders and penalty assessments necessary for Treasury OIG to enforce 31 USC 333 (prohibition of misuse of Treasury names, symbols, etc.)
- Conducts, manages, and advises on inquiries and activities related to Treasury programs and operations undertaken at the request of Congress, the Office of Special Counsel, and other stakeholders concerning Treasury programs and operations.

Office of Management Initiatives

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

The Office of Management's administrative services component manages the purchase card program, the travel program, and all contracts valued at more than

[2] Giglio refers to information that may call into question the character or testimony of a prosecution witness in a criminal trial.

$10,000. This component also administers the public transit program and oversees security and safety initiatives. Administrative services will continue to maintain an active program for the economical and efficient management of Treasury OIG records, including implementing presidential directives for electronic records management. In addition, during FY 2020, 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 1970.

During FY 2020, the Office of Management's security services component will continue to manage the Personal Identity Verification Data Synchronization business process map, which shows linkages to HRConnect and USAccess for employee sponsorship and personal identity verification card issuance. Security services will also continue to design and execute measures to prevent unauthorized access to Treasury OIG facilities, equipment, and resources to ensure the protection of personnel and property from damage or harm, including:

- 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's procurement component will continue to assist Treasury OIG operations in ensuring that quality goods and services are delivered on time to support the mission. Procurement will continue to carry out the following responsibilities:

- Overseeing Treasury OIG's purchase card program.
- Implementing procurement policy recommendations and guidance.
- Administering adherence to Departmental small business goals.
- Coordinating appropriate training for Treasury OIG contracting officer representatives and OIG staff.

The Office of Management's budget and finance component will work with ARC to increase the timeliness of financial information and accuracy of budget projections while adapting to the uncertainties of the Federal budgeting process. Budget and finance will continue to carry out these responsibilities:

- Efficiently and effectively reconcile financial transactions.

- Provide monitoring and oversight of billing and invoice approvals to ensure full compliance with reporting required by the DATA Act and the Prompt Payment Act's Do Not Pay list procedures, issued by the Office of Management and Budget.
- Prepare and execute interagency agreements for services provided or rendered.
- Respond to budget data calls.
- Interact with ARC for any system changes that affect Treasury 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 HR component will continue to assist hiring managers to recruit, hire, and retain employees within existing budget constraints and to address employee relations issues. Other plans include updating HR policies and supervisory training.

The Office of Management's IT component will continue to seek efficiencies through virtualization, cloud computing, and service consolidation. Efforts continue to enhance Treasury OIG's general support system; improve the ability of Treasury 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. The IT component will deploy electronic records management tools to support Treasury OIG's records management initiatives and provide information management tools to ensure personnel have the resources and ability to access Treasury OIG information to make timely decisions.

Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000, the Department of the Treasury (Treasury or the Department) Inspector General provides perspective each year on the most serious management and performance challenges facing the programs and operations across the OIG's jurisdictional boundaries. The Inspector General's annual Management and Performance Challenges Letters are available on OIG's website.

Treasury

In an October 15, 2019, memorandum to Secretary of the Treasury Steven Mnuchin, Acting Inspector General Richard Delmar reported the following four challenges facing the Department that were repeated from the prior year.

- Operating in an Uncertain Environment (Repeat)
- Cyber Threats (Repeat)
- Anti-Money Laundering/ Terrorist Financing and Bank Secrecy Act Enforcement (Repeat)
- Efforts To Promote Spending Transparency and To Prevent and Detect Improper Payments (Repeat)

We also reported a new challenge related to information technology acquisition and project management.

Gulf Coast Ecosystem Restoration Council

In an October 1, 2019, letter to the Honorable Andrew Wheeler, Administrator of the Environmental Protection Agency, as Chairperson of the Council, Acting Inspector General Delmar reported two management and performance challenges that were repeated from the prior year.

- Federal Statutory and Regulatory Compliance
- Grant and Interagency Agreement Compliance Monitoring

In Progress and Planned Projects by Treasury OIG Issue Area

Treasury General Management and Infrastructure Support: Financial Management

Background

Mandates

Financial audits of the Department of the Treasury (Treasury or the Department) and certain component entities are conducted pursuant to various statutes and other reporting requirements. For example, the Government Management Reform Act requires an annual audit of the Treasury consolidated financial statements. Office of Management and Budget (OMB) or other laws require the following Treasury components to issue stand-alone audited financial statements:

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

Audits of the financial statements for the Office of the Comptroller of the Currency (OCC), the Exchange Stabilization Fund (ESF), and the Alcohol and Tobacco Tax and Trade Bureau (TTB) are conducted as management initiatives.

Independent certified public accounting firms, under contracts supervised by Treasury OIG, audit the Department's consolidated financial statements and the financial statements of component entities, with some exceptions. The Government Accountability Office (GAO) audits the financial statements of the IRS and the Office of Financial Stability, as well as the Bureau of the Fiscal Service's (Fiscal Service) Schedule of Federal Debt and Schedule of the General Fund. Treasury 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 the Federal Reserve Banks. Independent certified public accounting firms, under contracts supervised by Treasury OIG, perform attestation engagements for service organizations within Fiscal Service and the Departmental Offices.

Program Responsibilities

Treasury also has responsibility for certain programs that will be reviewed as part of the audit of the fiscal year (FY) 2020 Department-wide financial statements, including programs established by the following acts:

- Housing and Economic Recovery Act of 2008 (HERA)
- Emergency Economic Stabilization Act of 2008
- American Recovery and Reinvestment Act of 2009 (Recovery Act)
- 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 Act to stabilize market disruptions that result from acts of terrorism. With a cap on annual liability for insured losses of $100 billion, the program is in place to pay 80 percent of the insured losses arising from acts of terrorism above insurers' deductibles until it expires on December 31, 2020. For discussion of other programs established by the acts listed above, see the Domestic and International Assistance Programs and the Small Business Lending Fund (SBLF) Program sections herein.

Improper Payments

The Improper Payments Information Act of 2002 requires Federal agencies to annually review and identify programs and activities susceptible to improper payments. Agencies must report estimates of improper payments to Congress along with actions to reduce estimated improper payments that exceeded $10 million. Executive Order (EO) 13520, "Reducing Improper Payments and Eliminating Waste in Federal Programs" (November 23, 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 the Improper Payments Information Act of 2002 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 program is found to be susceptible to significant improper payments, the agency must (1) estimate the amount of the improper payments, (2) report on actions being taken to reduce improper payments, (3) report on actions being taken to recover improper payments, and (4) include improper payments information in materials accompanying the annual financial statements. IPERA also requires agencies to conduct recovery audits, if not prohibited by law and if considered to be cost-effective, of each program and activity that expends more than $1 million annually. The inspectors general must determine whether their agencies comply with IPERA each year.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) further expanded agency requirements to foster greater accountability for improper payments. Similar to EO 13520, IPERIA requires the OMB Director to identify high-priority programs and coordinate with agencies to establish annual targets and semiannual or quarterly actions for reducing improper payments. Agencies must submit an annual report to their inspectors general on actions taken or planned (1) to recover improper payments and (2) to prevent future improper payments. The report is required to be available to the public on a central website, and be included in the Agency Financial Report.

Known Weaknesses

The Department received an unmodified audit opinion on its FY 2018 consolidated financial statements. However, the independent certified public accounting firm's audit report disclosed the following internal control deficiencies:

- a significant deficiency in internal control over cash management information systems and a significant deficiency in internal control over Federal debt information systems at Fiscal Service, collectively representing a significant deficiency for Treasury as a whole (repeat condition)
- a significant deficiency in internal control over unpaid tax assessments and a significant deficiency in internal control over financial reporting systems at the IRS, collectively representing a significant deficiency for Treasury as a whole (repeat condition)

The auditors also reported two Anti-deficiency Act violations where the Treasury Departmental Offices expended amounts that were in excess of the available fund balance in FY 2015 and a finding that the Department's financial management systems did not comply with certain requirements of the Federal Financial Management Improvement Act of 1996 related to Federal financial management system requirements.

In Progress and Planned FY 2020 Projects

Audits of Treasury Financial Statements and of Financial Statements or Schedules for Component Entities and Activities, and Attestation Engagements for Certain Service Organizations (In Progress)

During FY 2020, we will complete audit work for the FY 2019 financial statements and schedules and begin audit work for the FY 2020 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. We plan to complete 18 financial statement audits, attestations, and other related products in FY 2020.

Improper Payments

We plan to assess Treasury compliance with IPERA and other improper payment reporting requirements for FY 2019 included in EO 13520 and IPERIA. We plan to work with the Treasury Inspector General for Tax Administration (TIGTA) to provide an overall assessment of Treasury's compliance and identify high-priority Treasury programs for review as well as Treasury programs susceptible to improper payments. We plan to complete one improper payment audit in FY 2020.

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 $738 million in FY 2018. In prior years, the auditors identified errors in annuitant benefit payments. 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.

Managerial Cost Accounting

Managerial cost accounting should be a fundamental part of a financial performance management system. It involves the accumulation and analyses of financial and nonfinancial data, resulting in the allocation of costs to organizational pursuits, such as performance goals, programs, activities, and outputs. Our office and GAO have reported the need for Treasury to more effectively implement managerial cost accounting and revise policy to improve accounting practices to promote consistency throughout Treasury.

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

Fiscal Service 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). TMA consist of deposit funds, receipt accounts, and appropriated accounts requiring functions such as the issuance of payments, deposits, and collections. As of September 30, 2018, TMA revenue totaled $76.2 billion and TMA costs or payments totaled $12.9 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 General Management and Infrastructure Support: Cybersecurity/Information Technology

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 for greater convenience and accessibility but render information and information systems more vulnerable. 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, interrupted or that sensitive information could be stolen or compromised.

Mounting cyber threats from foreign intelligence services, terrorists, organized groups, hacktivists, and hackers pose significant risks to the confidentiality, integrity, and availability of Treasury's information and infrastructure and to the nation's financial sector that it oversees. Insider threats pose further significant risks to Treasury's mission and operations. Insiders have institutional knowledge and a level of trust associated with their authorized access to Treasury's critical systems and sensitive information. A successful cyberattack could result in:

- disruption of key Treasury functions (such as collecting revenues, issuing payments, managing the Government's cash and debt, producing coins and currency, and preventing financial crimes)
- compromise of classified or sensitive Treasury information
- disclosure of information on private citizens
- destruction or alteration of information needed to accomplish Treasury's mission
- theft of valuable equipment or technology
- inappropriate use of Treasury resources

Accordingly, cyber threats continue to be reported as one of Treasury's top management and performance challenges in the Inspector General's annual memorandum to the Secretary. Since 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 system security program and practices and to report the results of the evaluations to OMB. An independent certified public accounting firm, under a contract supervised by Treasury OIG, performs the annual FISMA audits of Treasury's security program and practices for its unclassified systems and collateral national security systems, except information systems operated by the IRS. TIGTA conducts the evaluation of IRS' information security program and practices. Currently, our office conducts the FISMA audit of Treasury's security program and practices for its intelligence systems.

On December 18, 2015, the President signed into law the Cybersecurity Act of 2015 (Public Law (P.L.) 114-113, December 18, 2015). Under Division N, Title I, cited as the Cybersecurity Information Sharing Act of 2015 (CISA), Section 107 directs the inspectors general, in consultation with the Inspector General of the Intelligence Community (IC) and the Council of Inspectors General on Financial Oversight (CIGFO), to submit a biennial joint interagency report to Congress on the actions of the executive branch of the Federal Government to implement cyber security information sharing. The second and third biennial reports are due on December 18 of 2019 and 2021, respectively.

Cross-agency Priority Goals

The Government Performance and Results (GPRA) Modernization Act of 2010 requires the Federal Government to set the following cross-agency priority goals:

- outcome-oriented goals that cover a limited number of crosscutting policy areas
- management improvements across the Federal Government in information technology (IT), finance, human resources (HR), and real property

As of the second quarter of FY 2019, cross-agency priority goals included the following as key cybersecurity and modernization priorities:

- **Authorization management** – no less than 100 percent of systems with an overall security rating of "High" or "Moderate" have a valid security authorization to operate
- **Mobile device management** – at least 95 percent of mobile devices can be remotely wiped of its contents if the device is lost or compromised

- **Cloud email adoption** – at least 95 percent of email inboxes are serviced by cloud-based solutions

Continuous Monitoring

OMB Memorandum M-14-03, "Enhancing the Security of Federal Information and Information Systems" (November 18, 2013) required agencies to implement continuous monitoring of security controls. This guidance has been superseded by OMB M-19-02, "Fiscal Year 2018-2019 Guidance on Federal Information Security and Privacy Management Requirements" (October 25, 2018), which requires agencies to integrate information from their Continuous Diagnostics and Mitigation (CDM) programs into the Federal IT Dashboard to meet reporting requirements as set by the Department of Homeland Security (DHS). Additionally, agencies are encouraged to leverage the CDM Program Management Office to obtain any additional tools needed to support their CDM programs. The CDM program was developed by DHS to provide agencies with the capabilities and tools to identify cybersecurity risks on an ongoing basis, prioritize these risks based on potential impacts, and enable cybersecurity personnel to mitigate the most significant problems first. Treasury participates in this program.

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—particularly the financial sector. In response to this threat, EO 13636, "Improving Critical Infrastructure Cybersecurity" (February 12, 2013), and Presidential Policy Directive 21, "Critical Infrastructure Security and Resilience" (February 12, 2013), were issued to promote a cybersecurity partnership between the Federal Government and private companies that oversee U.S. critical infrastructure. The directive requires Treasury to collaborate with DHS and financial sector organizations to identify and protect critical cyber infrastructure. EO 13694, "Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities" (April 1, 2015) gave Treasury the authority to impose sanctions on individuals or entities behind cyberattacks and cyber espionage. On March 26, 2019, this EO was again extended for one year.

Effective public-private coordination will be required to address the growing threat of cyberattacks against the nation's critical infrastructure. Treasury interconnected systems are critical to the core functions of the 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 the Department must be prepared to provide leadership to defend against cyber threats to the nation's financial institutions.

In Progress and Planned FY 2020 Projects

FISMA Audit–Intelligence National Security Systems (Mandated) (In Progress)

We plan to assess the effectiveness of Treasury's information system security program and practices for its intelligence national security systems and assess 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 weaknesses cited in our prior year report. During FY 2020, audit work for FY 2019 will be completed and work will begin on the FY 2020 audit.

FISMA Audit–Unclassified Systems (Mandated) (In Progress)

An independent certified public accounting firm, under a contract supervised by Treasury OIG, will assess the effectiveness of the Treasury's information system security program and practices for its unclassified systems, as well as compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines. As part of its audit, the contractor will follow up on Treasury's progress in resolving previously reported FISMA weaknesses. During FY 2020, audit work for FY 2019 will be completed and work will begin for the FY 2020 audit.

FISMA Audit–Collateral National Security Systems (Mandated) (In Progress)

An independent certified public accounting firm, under a contract supervised by Treasury OIG, will assess the effectiveness of Treasury's information system security program and practices for its collateral national security systems and compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines. As part of its audit, the contractor will follow up on Treasury's progress in resolving previously reported FISMA weaknesses. During FY 2020, audit work will be completed for FY 2019 and work will begin for the FY 2020 audit.

Treasury's Compliance With Information Sharing Requirements of CISA (Mandated) (In Progress)

We plan to assess whether Treasury has taken appropriate actions for sharing of cyber threat indicators or defensive measures. As required by Section 107 of CISA, the next biennial joint interagency reports to Congress on the actions of the executive branch of the Federal Government to implement cyber security information sharing will be due in December of 2019 and 2021, respectively.

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 bureau 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 intrusion 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). This audit will include a coordinated network security test involving automated and manual vulnerability assessments and exploitation. We plan to select a Treasury bureau to initiate a vulnerability assessment and penetration testing and conclude our assessment at TTB in FY 2020.

Projects Under Consideration for Future Fiscal Years

Disaster Recovery Exercises

We plan to determine whether Treasury's offices and bureaus provide adequate contingency planning controls and successfully perform disaster recovery exercises to regain operations in the event of a disaster (such as terrorist attacks, severe weather events, and pandemics).

Protection of Treasury's Designated Cyber Critical Infrastructure

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

Continuous Diagnostics and Monitoring

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

Intrusion Detection and Incident Response

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

Public Web Server Security

We plan to determine whether Treasury and bureaus ensure effective management practices and controls over public facing web servers.

Data Loss Prevention

We plan to determine whether controls over data loss prevention and data exfiltration are in place and operating effectively.

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.

Mobile Device Security

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

Equipment Sanitization and Disposal

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

Management of Cloud Computing Services

We plan to determine whether Treasury ensures effective management of cloud computing services.

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.

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.

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.

Social Media

We plan to determine whether Treasury's social media sites comply with policy guidance and applicable laws.

Security Controls Over Treasury's Industrial Control Systems

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

Rogue Device Detection and Prevention

We plan to determine whether Treasury's offices and bureaus prevent rogue devices from gaining access to Treasury's network and systems.

Software License Management

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

Open Source Software Risk Assessment and Mitigation

We plan to determine whether sufficient protections exist to minimize risk associated with Treasury's use of open source software.

Treasury General Management and Infrastructure Support: Resource Management

Background

Treasury OIG's General Management and Infrastructure Support: Resource Management 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.

IT Investment Acquisition and Project Management

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 and avoid the following risks:

- inadvertent development or acquisition of duplicate or incompatible systems
- missed discounts associated with buying commercial off-the-shelf products in volume
- development of systems that do not address Treasury's needs or provide management with information needed to accomplish key missions
- unreasonable or higher-than-projected costs to develop, acquire, or maintain systems
- acquisition or development of systems that do not secure and protect Treasury's classified, confidential, or sensitive information
- implementation of systems that do not readily integrate with existing systems

As of the end of FY 2019, Treasury bureaus and offices other than IRS reported 23 major IT investments. Of these projects, the Treasury Chief Information Officer (CIO) reported the following four IT projects at Fiscal Service as having medium risk to accomplishing their goals:

- Invoice Processing Platform (IPP)
- Electronic Federal Tax Payment System (EFTPS)
- Post Payment Services (PPS)
- Wholesale Securities Services

Select projects within the IPP, EFTPS, and PPS were behind schedule and above budget, while Wholesale Securities Services had select projects that were behind schedule. Although projects identified with medium overall risk in cost and scheduling require special attention from the highest level of agency management, they are not necessarily at risk for failure.

Under the Clinger-Cohen Act of 1996, agencies are required to submit business plans for IT investments to OMB. Costs and progress are compared against the agency's plan to identify IT projects at risk for excess costs or schedule delays. In 2009, OMB launched the Federal IT Dashboard, which allowed OMB and the public to monitor IT investments across all agencies in the Federal Government. This website allows users to track the progress of IT projects over time. As a result of OMB's analysis of this information, in January 2010, the Federal CIO initiated the first OMB led "TechStat" reviews with agency CIOs and members of their leadership teams. The "TechStat" review is a face-to-face, evidence-based accountability review of an IT investment. This review 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.

In 2010, OMB launched a "25 Point Implementation Plan to Reform Federal Information Technology Management," including a requirement for Federal agencies to conduct ongoing "TechStats" reviews on troubled investments. In 2011, OMB took an additional step to support the rollout of the TechStat governance model to the agencies with the issuance of the Chief Information Officer Authorities Memorandum. OMB M-11-29, "Chief Information Officer Authorities" (August 8, 2011) 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, this 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 all the way through completion of the project. As noted in the memorandum, the goal of such reviews was to terminate or turn around "one-third of all underperforming IT investments by June 2012."

The Federal Information Technology Acquisition Reform Act (FITARA) requires the heads of Chief Financial Officers Act agencies to ensure that their CIOs have a significant role in IT decisions, including annual and multi-year planning, programming, budgeting, execution, reporting, management, governance, and oversight functions. FITARA, enacted in December 2014, is intended to improve how agencies acquire IT and enable Congress to monitor agencies' progress and hold them accountable for reducing duplication and achieving cost savings. FITARA includes specific requirements related to seven areas: the Federal data center consolidation initiative, enhanced transparency and improved risk management, agency CIO authority enhancements, portfolio review, expansion of training and use of IT acquisition cadres, government-wide software purchasing, and maximizing the benefit of the Federal strategic sourcing initiative.

Effective implementation of FITARA is central to making progress in the government-wide area relating to the management of IT acquisitions and operations. The House Oversight and Reform Committee worked with GAO to develop a scorecard to assess Federal agencies' efforts in implementing FITARA by assigning a grade from A to F based on self-reported data at the department level. This bipartisan scorecard has been issued biannually since November 2015. Treasury's overall FITARA scorecard improved just slightly from a D in November 2015 to a C minus in November 2017. However, in December 2018, Treasury's grade dropped to a D minus.

In a continuous effort to improve program and project management practices within the Federal Government, Congress enacted the Program Management Improvement Accountability Act (PMIAA) (P.L. 114-264, December 14, 2016). PMIAA requires agencies to: (1) designate a senior executive to implement program/project management policies and guidelines; (2) participate in annual OMB portfolio reviews of selected agency programs to assess the quality and effectiveness of program management; and (3) work with the Office Of Personnel Management (OPM) to identify key program/project management skills and competencies, establish and update related job series, and establish new career paths. PMIAA also requires that agencies conduct annual portfolio reviews of programs in coordination with OMB to ensure major programs are being managed effectively, and that OMB conducts reviews of areas identified by GAO as "high risk." The initial focus of the annual portfolio reviews, scheduled for spring 2019, were non-IT major acquisition programs.

In addition, according to the 2018 President's Management Agenda, the Federal Government will adopt Technology Business Management (TBM), an IT management framework, government-wide by FY 2022. The goal of TBM is to improve IT spending data accountability and transparency, and empower agency executive suite leadership from across the enterprise to drive mission value and improve customer experience through technology. This initiative will be led by OMB with the General Services Administration's (GSA) Office of Government-Wide Policy team and with Executive Councils. Agency specific implementation will require resources from across all executive agencies. In 2017, OMB guidance called on agencies to begin adopting elements of the TBM framework. Due to the required early use of TBM, the percentage of IT spending that could be clearly tracked to a specific cost category quadrupled.

The goal of the initiative is to: (1) improve business, financial, and acquisition outcomes; (2) enable Federal executives to make data-driven decisions and analyze trade-offs between cost, quality, and value of IT investments; (3) reduce agency burden for reporting IT budget, spend, and performance data by automating the use of authoritative data sources; and (4) enable IT benchmarking across Federal Government agencies and with other public and private sector organizations. It identifies three strategies agencies will focus on to improve outcomes through Federal IT spending transparency, including (1) increasing granularity in current IT budget and spend reporting through the Federal IT Dashboard; (2) developing government-wide implementation guidelines and enabling mechanisms; and (3) adopting and implementing TBM across the Federal enterprise.

Enterprise Risk Management

Enterprise Risk Management (ERM) is the practice of identifying and managing a risk portfolio that covers an entire organization. In a Federal agency, this portfolio allows leaders to see commonalities or relationships among risks in various programs and operations across the agency and in its partnerships with other agencies and organizations.

ERM is a process being used to support the President's Management Agenda, which states that the Administration will take action to ensure that by 2020 they will be able to say Federal agencies (1) are managing programs and delivering critical services more effectively; (2) are devoting a greater percentage of taxpayer dollars to mission achievement rather than costly, unproductive compliance activities; (3) are more effective and efficient in supporting program outcomes; and (4) have been held accountable for improving performance.

OMB's revised Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," requires agencies to develop an ERM capability to integrate strategic planning and review processes and internal control processes. OMB Circular No. A-11, Section 260, "Performance and Strategic Reviews," requires agencies to have an ERM function. Agencies were required to begin ERM implementation in FY 2017 by developing an ERM governance structure and an agency-wide initial risk profile, which is to be updated annually. This implementation requires close collaboration across all mission and mission support functions.

The Treasury Office of Risk Management (ORM) is charged with creating a robust risk management culture and overseeing the development and implementation of an integrated risk management framework for the Department. The ORM team advises Treasury leaders and their teams on policies and programs relating to the management of credit, market, liquidity, operational, and reputational risks within Treasury and throughout the Federal government where Treasury is involved. ORM also serves as the Secretariat for the Treasury Risk Management Committee, a forum chaired by the Deputy Secretary and Chief Risk Officer through which the Department's senior policy leaders discuss the key risks facing the organizations and programs they lead; and the Treasury Enterprise Risk Management Council, a Department-wide community of practice for risk management.

Treasury Franchise Fund Services

The Treasury Franchise Fund supports financial management, procurement, travel, HR, IT, and other administrative services for Treasury and other Federal customers through shared services providers. These providers include Departmental Offices' Shared Services Programs (SSP), Departmental Offices' Centralized Treasury Administrative Services (CTAS), and Fiscal Service's ARC. These services are provided on a fully cost recoverable, fee-for-service basis to recover program costs. For FY 2020, the budget for Shared Service Programs includes $274 million in collections to offset its program costs. Treasury moved Departmental Office's CTAS into the Treasury Franchise Fund in FY 2019 to consolidate broad-scale administrative functions and capital investment activities into one account, which resulted in the transfer of approximately $148 million and 165 direct and 42 reimbursable full-time equivalent positions to the Treasury Franchise Fund. This transfer supported 22 customers and reimbursable agreements and 14 different programs. For FY 2020, the budget for CTAS includes $167 million in collections to offset its program costs. In addition, for

FY 2020, the budget for ARC includes $171 million in collections to offset program costs.

Consumer Policy

The Office of Consumer Policy (OCP) leads Treasury's work to empower more Americans to create financially secure futures for themselves and for their families, with access to safe and affordable financial products and services and the right information and knowledge for making sound financial choices. OCP produces policy analyses on developments in financial services including emerging products and services provided by banks and non-bank institutions, payments, credit, financial technology, and related topics. In addition, OCP examines financial technology regulatory and policy issues, including privacy and data security. OCP also monitors developments in virtual currency and block chain technology and is exploring how digital identity can enable financial inclusion and economic development while combating illicit finance. OCP also hosts the Finance Data Directory, which provides brief descriptions of more than 50 government-held data sets relevant for consumers, entrepreneurs, developers, and investors. In addition, OCP provides leadership for the Federal Financial Literacy and Education Commission, and coordinated the President's Advisory Council on Financial Capability for Young Americans, which developed recommendations for the President on strategies to increase the decision making skills of young Americans.

Continuity of Operations Plan

Treasury's Office of Emergency Preparedness is responsible for management of the Treasury Operations Center and the development and implementation of continuity of operations plans (COOP) that provide for occupant safety, continuity of operations, emergency communications for Treasury leadership, and early notification and detection capabilities. Treasury Directive 23-01, "Department of the Treasury Emergency Preparedness" (March 1, 2018), outlines the responsibilities and discusses the roles of the bureaus and Departmental Offices for emergency management and continuity coordination. The directive seeks to maintain effective capabilities to prepare for, respond to, and recover from natural and man-made emergency incidents that impact Treasury personnel, facilities, and interests and to ensure that effective contingency plans and procedures are in place to sustain the performance of the Department's most critical mission functions, including early detection and notification capabilities.

Strategic Human Capital Management

Mission critical skills gaps within the Federal workforce pose a high risk to the nation, and can impede the Federal government from cost-effectively serving the public and achieving results. Agencies can have skills gaps for different reasons such as having an insufficient number of people with the appropriate skills or abilities to accomplish mission critical work; current budget and long-term fiscal pressures; the changing nature of Federal work, and a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge.

OPM, agencies, and Congress have taken actions to improve efforts to address mission critical skills gaps. Specifically, OPM published revisions to its human capital regulations in December 2016 that require agencies to, among other things, implement human capital policies and programs that address and monitor government-wide and agency specific skills gaps. This initiative has increased the likelihood that skills gaps with the greatest operational effect will be addressed in future efforts. At the same time, Congress has provided agencies with authorities and flexibilities to manage the Federal workforce and make the Federal Government a more accountable employer. In addition, in 2019, GAO reported that since 2017, all five criteria for removal from its high-risk list (leadership commitment, capacity, action plan, monitoring, and demonstrated progress) remain unchanged; and noted that mission critical skills gaps both within the Federal agencies and across the Federal workforce continue to pose a high risk to the nation.

Managing Real Property

The Federal Government is the largest owner of real property in the United States. Federal agencies continue to face long-standing challenges in several areas of real property management, including: (1) disposing of excess and underutilized property effectively, (2) relying too heavily on leasing, (3) collecting reliable real property data to support decision making, and (4) protecting Federal facilities. OMB issued the “National Strategy for the Efficient Use of Real Property” in March 2015, which directs Chief Financial Officers Act agencies to take actions to reduce the size of the Federal real property portfolio. In addition, in December 2016, two real property reform bills were enacted that could address the long-standing problem of Federal excess and underutilized property. The Federal Assets Sale and Transfer Act of 2016 may help address stakeholder influence by establishing an independent board to identify and recommend five high-value civilian Federal buildings for disposal. Additionally, the Federal Property Management Reform Act of 2016 codified the Federal Real Property Council to ensure efficient and effective real property management while reducing costs to the Federal Government.

Non-appropriated Activities

Three Treasury bureaus – BEP, the Mint, and OCC – operate on revolving, rather than appropriated funds. BEP and the Mint charge the Board of Governors of the Federal Reserve System (Board) for manufactured goods, and OCC assesses fees to 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 non-appropriated activities include shared service providers under the authority of the Treasury Franchise Fund and the direction of the Assistant Secretary for Management. As discussed above, the Treasury Franchise Fund providers include Departmental Offices' SSP, CTAS, and 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 taxpayers money through the theft of materials and machinery, finished products, and mutilated products.

In Progress and Planned FY 2020 Projects

Treasury Office of Budget and Travel Overhead Process and Compliance With the Economy Act (In Progress)

We are conducting an audit of Treasury's Office of Budget and Travel (OBT) transactions specific to reimbursable agreements with other Treasury bureaus and offices, as well as non-Treasury bureaus and entities, to (1) assess controls over OBT's accumulation, allocation, and charging of overhead, and (2) determine OBT's compliance with the Economy Act.

Treasury Executives Bonuses and Awards Practices (In Progress)

We plan to determine whether the Treasury Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer complied with applicable laws, regulations, policies and procedures when administering bonuses and awards for Departmental Offices' executives.

Office of Financial Research Workforce Reshaping Efforts (In Progress)

In an effort to improve government efficiency and effectiveness, and to align the Office of Financial Research's (OFR) mission more directly with that of the Financial Stability Oversight Council's (FSOC), OFR completed a workforce reshaping. This process included a Reduction in Force (effective October 12, 2018). Management's intent was to eliminate identified surplus positions.

We plan to determine whether Treasury's OFR complied with applicable laws, regulations, policies and procedures when implementing its OIG-workforce reshaping efforts.

Corrective Action Verification–OBT's Potential Antideficiency Act Violations and Reimbursable Service Process (In Progress)

We plan to assess whether management took adequate corrective actions that meet the intent of our recommendations included in our prior audit report on OBT's potential Antideficiency Act violations and reimbursable service process, *Treasury's Office of Budget and Travel Potentially Violated the Antideficiency Act and Needs To Improve Its Reimbursable Agreement Process* (OIG-18-024, December 8, 2017).

Treasury's Departmental Offices' Revised Overhead Process for Fiscal Year 2019 (In Process)

We are conducting an audit of Treasury's Departmental Offices' revised overhead process for FY 2019 in response to concerns identified during our ongoing audit of the prior overhead process. We plan to review transactions specific to Treasury Departmental Offices' CTAS, SSP, and reimbursable services, to (1) assess the controls over OBT and the Office of the Treasury Franchise Fund Management and Oversight's (OTFFMO) accumulation, allocation, and charging of overhead, and (2) determine OBT and OTFFMO's compliance with applicable laws, regulations, policies, and procedures.

Treasury's Implementation of an ERM Program

We plan to determine whether Treasury has implemented an ERM framework in accordance with the expanded requirements of OMB Circular No. A-123.

Treasury's Personnel and Contractor Clearances and Background Investigations

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

Treasury's Continuity of Operations Plan Activities

We plan to assess Treasury's activities to execute its COOP in accordance with applicable laws, regulations, policies, and procedures.

Projects Under Consideration for Future Fiscal Years

Treasury Franchise Fund Shared Services Programs

We plan to determine whether the Treasury Franchise Fund established adequate controls over its SSP and assess the following:

- activities are appropriate for inclusion in the SSP,
- reconciliations between actual costs incurred by the SSP and costs billed to participating Treasury bureaus exist, are timely prepared, and consistent,
- costs incurred by the SSP are appropriate,
- fees charged by SSPs to users are supported by documentation, and
- assumptions, data, processes, and models used by the SSP to estimate annual costs are reasonable.

We will coordinate our work as necessary with TIGTA.

Treasury's Oversight of the Job Classification Program

We plan to assess Treasury's oversight of the job classification process to determine whether (1) positions are properly classified based on position descriptions and (2) the grade level of positions are properly determined based on job classifications.

Treasury Management of Real Property

We plan to assess Treasury's activities to manage real property in accordance with applicable laws, regulations, guidance, policies and procedures.

Strategic Human Capital Management

We plan to determine whether the Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer (1) identified any existing critical skill gaps at Treasury, (2) has established an HR succession plan, and (3) modified the strategic human capital management plan accordingly.

Treasury Use of Official Reception and Representation Funds

Expenditures for entertainment must be authorized by Congress. For example, Congress may appropriate amounts for "official reception and representation expenses." These funds are traditionally sought, justified, and granted in the context of an agency's need to interact with various non-government individuals or organizations. Precisely who these individuals or organizations are may vary by agency. An agency has wide discretion in the use of its official reception and representation appropriation. The President's Budget for FY 2020 includes $400,500 for Treasury's official reception and representation expenses.

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's Records Management Practices

In accordance with the Presidential Memorandum, "Managing Government Records" (November 28, 2011), OMB and the National Archives and Records Administration issued M-12-18, "Managing Government Records Directive" (August 24, 2012), instructing agencies to eliminate paper and use electronic recordkeeping. To ensure openness, accountability, and reduced costs, the directive requires that, (1) by December 31, 2016, Federal agencies manage both permanent and temporary email records in an electronically accessible format and (2) by December 31, 2019, Federal agencies manage all permanent records in an electronic format. OMB issued additional guidance in 2014 to assist in meeting these goals.

We plan to assess whether Treasury offices and bureaus have procedures and initiatives in place to comply with M-12-18.

IT Acquisitions and Project Management Activities

We plan to assess whether Treasury's IT acquisitions and management activities are conducted in accordance with FITARA, and applicable regulations, policies, and procedures.

Treasury's Compliance with Executive Order 13556–Controlled Unclassified Information

EO 13556, "Controlled Unclassified Information" (CUI) (November 4, 2010), sets government-wide policies for managing information that requires safeguarding or dissemination controls for executive departments and agencies. This EO replaces the terms used to describe sensitive information, such as "Sensitive But Unclassified, Limited Official Use, For Official Use Only, Market Sensitive, Close Hold, Eyes Only, Privileged or Proprietary, et al" with CUI descriptions posted in the National Archives and Records Administration CUI Registry.

We plan to assess whether Treasury's policies, procedures, and guidelines comply with Treasury Directive 80-08, "Controlled Unclassified Information (CUI) Policy" October 19, 2017, and Treasury's Directive Publication, TD P 80-08, "Controlled Unclassified Information (CUI) Guide" that implements EO 13556.

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. Treasury can achieve significant savings by taking advantage of cash discounts across the high volume of bills it pays. The Treasury Financial Manual provides a methodology for determining whether a cash discount should be taken. This manual requires that agency payment systems incorporate procedures that regularly take advantage of cash discounts.

We plan to assess Treasury's cash discount policy and determine whether Treasury bureaus and offices implement it to take full advantage of cash discount opportunities.

Use of Administrative Leave

We plan to review Treasury's administrative leave policies and practices to ensure proper and limited use of administrative leave across the Department.

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 of 2010 (January 4, 2011) and compliance with OMB M-17-26, "Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda" (June 15, 2017).

Telework Program Oversight

We plan to determine whether Treasury bureaus and offices 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.

Treasury's Program Management Improvement Accountability Act Implementation Plan

We plan to determine the effectiveness of Treasury's PMIAA Implementation Plan.

Treasury's Program Activities Performance Measures

The GPRA of 1993 (August 3, 1993), as amended by the GPRA Modernization Act of 2010, requires the Department to establish performance measures for its programs, which are required to be published annually in the Department's Annual Performance Report. Currently, the performance data is reported to the Department's Office of Performance Budgeting by individual bureaus and offices.

The Office of Strategic Planning and Performance Improvement and the Office of Performance Budgeting work together creating annual budget requests based on the agency's strategic goals and objectives. These requests are supported by program performance information, and coordinated internal data driven reviews, which leadership uses to manage programs and improve organizational performance. Treasury's annual performance plan and report are a part of its congressional budget justification.

We plan to determine if appropriate validation methods are in place to ensure that the performance measures reported by the Department for its program activities are accurate and adequately supported.

External Executive Training Costs

We plan to assess whether Treasury (1) tracks the cost of external executive training at the department level, (2) reports accurate training cost data per OPM requirements, and (3) has controls in place to ensure that best value analyses are performed in selecting executive training options across all bureaus and offices.

Treasury's Progress in Reducing Underperforming IT Investments

We plan to assess Treasury's (1) execution of the 25 point Implementation Plan to Reform Federal Information Technology Management, and (2) efforts to support the Federal Government's adoption of the TBM framework.

Employee Award and Bonus Policies

We plan to determine whether Treasury's non-appropriated entities (1) established policies for employee awards and bonuses in accordance with applicable laws and regulations and (2) paid awards and bonuses in compliance with applicable laws, regulations, policies, and procedures. Separate audits are planned at BEP, the Mint, and OCC.

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" (February 16, 2007, reaffirmed on April 8, 2019), established 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.

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 electronics and IT. The purpose of Section 508 is to ensure that individuals with disabilities have access to and use of information and data in electronic format comparable to that of members of the public who do not have disabilities.

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

Financial Literacy and Education Activities

We plan to determine whether the Financial Literacy and Education Commission issues the required reports and identifies areas of overlap and duplication among financial literacy and education activities in accordance with the Fair and Accurate Credit Transactions Act of 2003.

Review of Treasury's Tribal Policy

On behalf of Treasury, the Office of Economic Policy is responsible for implementing EO 13175, "Consultation and Coordination with Indian Tribal Governments" (November 6, 2000). This EO requires meaningful consultation and collaboration with tribal officials in the development of Federal policies with tribal implications. This EO is meant to strengthen the U.S. relationship with tribal governments and reduce the imposition of unfunded mandates on Indian tribes. A Presidential Memorandum, "Tribal Consultations" (November 5, 2009) directed department and agency heads to submit to OMB a detailed plan of action for carrying out the EO requirements.

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

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 recommendations made 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, June 23, 2008).

Treasury's Home-To-Work Transportation for Official Use Controls

Treasury Directive 74-06, "Home-to-Work Transportation Controls" (February 15, 2013), establishes policy and sets forth responsibilities and reporting requirements concerning official use of Government passenger carriers, including motor vehicles, between an employee's residence and place of employment. In this Directive, this type of transportation is referred to as home-to-work.

We plan to assess Treasury's policies, procedures, and controls relating to Treasury's home-to-work transportation for official use.

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 FOIA 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 about requests have been properly addressed with the requesters; (3) ensure proper collection of fees and 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 FOIA statistics annually to the Department of Justice.

Treasury General Management and Infrastructure Support: Procurement

Background

Large procurements are a major Treasury activity. Between October 1, 2018 and March 31, 2019, Treasury bureaus and offices (except for IRS) issued $3 billion in contract actions, which included $1.8 billion issued by the Mint alone. With few exceptions, procurements follow the Federal Acquisition Regulation (FAR) and the Department of the Treasury Acquisition Regulation (DTAR). Treasury's procurement activities are performed by the bureaus, Departmental Offices, and by Treasury shared service providers via agreements with Fiscal Service's ARC and the IRS for IT related acquisitions. The Office of Procurement Executive has overall responsibility for the Department's acquisitions, including among other things, policy development and monitoring of bureau organizations.

In addition to our self-directed work in high risk areas, Treasury OIG performs pre-award, costs incurred, and other contract audits as requested by Treasury offices and the bureaus (except IRS).

Government Charge Card Programs

The use of Government charge cards for micro purchases (generally goods and services under $10,000) is extensive. Provisions of the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) call for strong controls over government charge cards to prevent abuse. The Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal control over purchase cards, travel cards, integrated cards, and centrally billed accounts (collectively referred to as charge cards) and convenience checks. The Charge Card Act also requires inspectors general to conduct periodic risk assessments of agency charge card and/or convenience check programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments to determine the scope, frequency, and number of periodic audits of purchase card and/or convenience check transactions. OMB's M-13-21, "Implementation of the Government Charge Card Abuse Prevention Act of 2012" (September 6, 2013) requires inspectors general risk assessments to be completed on an annual basis.

In Progress and Planned FY 2020 Projects

Controls Over Charge Cards and Convenience Checks Risk Assessment (Mandated)

We plan to assess Treasury's charge card and convenience check programs to identify and analyze risks of illegal, improper, or erroneous purchases, travel charges, or payments. The results of our risk assessment will help us determine the scope, frequency, and number of periodic audits of transactions made with charge cards and convenience checks.

Charge Cards and Convenience Checks Report to OMB (Mandated)

We plan to issue an annual report to the Director of OMB on the implementation of recommendations resulting from audits of Treasury's and component entities' charge cards and convenience checks.

Purchase Card Violations Reports (Mandated)

We plan to issue two joint reports with the Department on violations or other reported actions specific to employees' purchase card use. The joint reports include reporting on illegal, improper, or erroneous purchases, as well as all adverse personnel action, punishment, or other action taken based on each violation.

Corrective Action Verification—BEP's Administration of the Burson-Marsteller Public Education and Awareness Contract Was Deficient (In Progress)

We plan to determine whether BEP management's corrective actions were responsive to recommendations made in our audit report *BEP's Administration of the Burson-Marsteller Public Education Awareness Contract Was Deficient* (OIG-13-046, August 13, 2013).

OCC's Controls Over Purchase Cards (In Progress)

We plan to assess the controls over OCC's charge card use and identify any illegal, improper, or erroneous purchases and payments.

Mint's Contracting Practices (In Progress)

We plan to determine whether the Mint adheres to its policies and procedures for competition and contract award.

Mint's Post-Award Contract Administration

We plan to determine whether the Mint (1) manages contracts effectively and (2) justifies and documents costs incurred under contracts and purchase orders.

BEP's Controls Over Purchase Cards

We plan to assess the controls over BEP's charge card use and identify any illegal, improper, or erroneous purchases and payments.

Projects Under Consideration for Future Fiscal Years

Controls Over Conferences and Travel Programs

We plan to determine whether Treasury bureaus and offices have effective policies and procedures in place to ensure compliance with applicable laws, regulations, and EOs on conferences and travel programs.

BEP's Contract Closeout Practices

We plan to determine whether BEP closed out contracts in accordance with Federal laws, regulations, and its policies and procedures.

Fiscal Service's Post Payment System Contract Administration

We plan to determine whether Fiscal Service manages its PPS contract effectively and adheres to its policies and procedures.

Management of National Seized Property Contract

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the TFF, the receipt account for the deposit of non-tax forfeitures made by IRS, the Financial Crimes Enforcement Network (FinCEN), TTB, other law enforcement components of Treasury so designated by the Secretary, Immigration and Customs Enforcement, Customs and Border Protection (CBP), Secret Service, Coast Guard, and the Federal Law Enforcement Training Center. TEOAF contracts with AECOM Technology Corporation for general property services in support of TFF.

We plan to determine whether the contracting actions and practices for the national seized property contract are in compliance with policies, procedures, and guidelines established under the FAR and other applicable laws and regulations.

Office of Procurement Executive's Oversight of Treasury Bureau's Procurement Activities

We plan to assess OPE's monitoring of Treasury bureaus' and offices' compliance with the FAR, DTAR, and applicable policies and procedures.

BEP's New Facility Contract Administration

We plan to determine whether BEP effectively manages its contracts for the building of its new manufacturing facility and adheres to its policies and procedures for competition and contract award.

Treasury's Sole Source Procurements

We plan to assess whether Treasury bureaus' and offices' justifications for sole source contracts meet the requirements of the FAR.

OCC's Compliance with Treasury's Mandatory Sources

We plan to assess whether OCC complied with the use of Treasury's mandatory sources in accordance with FAR and DTAR requirements.

BEP's Pre-Award Activities

We plan to determine whether BEP complied with policies, procedures and other requirements during contract pre-award activities.

Mint's Small Business Contracting

We plan to assess the Mint's compliance with its policies and procedures for competition and contract awarding to small businesses.

Corrective Action Verification—Treasury's Office of Minority and Women Inclusion Contract Proposal Review

We plan to assess whether management took corrective action responsive to our recommendation to develop and implement procedures for determining whether contractors are making a good faith effort to include minorities and women in their workforce. (*Treasury's DO Office of Minority and Women Inclusion Is Generally Carrying Out Its Functions Consistent with Dodd-Frank* (OIG-16-054, August 30, 2016).

Treasury's Fleet Purchase Card Program

We plan to assess select Treasury non-IRS bureaus' and offices' compliance with policies and procedures over the use of fleet purchase cards.

BEP's Small Business Contracting

We plan to assess BEP's activities for meeting its small business contracting goals related to prime contracts and sub-contracts.

Treasury's Reliance on Contractors to Perform Inherently Governmental Activities

We plan to determine whether Treasury relies on contractors to perform Inherently Governmental Activities.

TTB's Controls Over Purchase Cards

We plan to assess the controls over TTB's charge card use and identify any illegal, improper, or erroneous purchases and payments.

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. As of September 30, 2018, Treasury's unpaid obligations totaled $66 billion. Reviews of unliquidated obligations are necessary to properly report obligation balances, certify the validity of obligated balances, and make funds available for expenditures 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.

Anti-Money Laundering/Terrorist Financing 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. Within Treasury, this effort is led by the Office of Terrorism and Financial Intelligence (TFI). TFI works with other U.S. Federal agencies, State and local governments, financial regulators, foreign governments, international bodies, private financial institutions, and other private entities around the world to strengthen financial systems against illicit actors, develop creative alternatives to military action, and bolster our diplomacy where possible. TFI is headed by an Under Secretary to whom the Office of Intelligence and Analysis (OIA), FinCEN, Office of Terrorist Financing and Financial Crimes, Office of Foreign Assets Control (OFAC), and TEOAF, all report.

OIA is responsible for the receipt, analysis, collation, and dissemination of foreign intelligence and foreign counterintelligence information related to Treasury operations. OIA also serves as liaison to the IC and represents Treasury in various intelligence-related activities.

FinCEN's mission is to safeguard the financial system from illicit use, combat money laundering, and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities. FinCEN carries out its mission by receiving and maintaining financial transactions data; analyzing and disseminating that data for law enforcement purposes; and building global cooperation with counterpart organizations in other countries and international bodies. FinCEN has the authority to implement, administer, and enforce compliance with the Bank Secrecy Act (BSA) and the United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act).

The BSA requires financial institutions to file Currency Transaction Reports for currency transactions exceeding $10,000 and Suspicious Activity Reports (SAR) for transactions that are suspicious in nature. Law enforcement agencies use the information from these reports as leads for cases involving 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.

Office of Terrorist Financing and Financial Crimes is the policy development and outreach office for TFI and works with Federal agencies to develop and promote the United States' position in both international and domestic forums related to money laundering and illicit financing.

OFAC administers laws that impose economic sanctions against hostile targets to further U.S. foreign policy and national security objectives. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals. OFAC requires U.S. financial institutions to block and file reports on accounts, payments, or transfers in which an OFAC-designated country, entity, or individual has interest. OFAC acts under legislative authority and presidential wartime and national emergency powers to impose controls on transactions and block assets from use by parties designated in OFAC's Specially Designated Nationals and Blocked Persons list. The United States primarily uses economic sanctions to pressure foreign governments and regimes, including state sponsors of terrorism.

TEOAF administers the TFF, a receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating agencies. Forfeited items are received as a result of administrative or judicial forfeiture. The sharing percentages are typically determined by an equitable sharing formula.

In Progress and Planned FY 2020 Projects

Terrorist Finance Tracking Program (In Progress)

In 2001, following the 9/11 terrorist attacks, Treasury initiated the Terrorist Finance Tracking Program to identify, track, and pursue terrorists and their networks. In 2010, the United States and European Union entered into a new agreement on the transfer and processing of data in the program. As specified in the agreement, we plan to provide ongoing and appropriate oversight of the program.

Operation Inherent Resolve (In Progress)

Since 2001, many countries have broadened their efforts to combat and disrupt terrorist activities. In 2014, the United States adopted a comprehensive strategy to combat the Islamic State of Iraq and the Levant (ISIL) in nine major areas, including disrupting ISIL finances, protecting the homeland, and providing humanitarian aid. To provide oversight of the agencies involved in these lines of efforts, including military action under Operation Inherent Resolve (OIR), the Department of Defense (DoD) Inspector General was designated as Lead Inspector General for the contingency operation, pursuant to Section 8L of the Inspector General Act of 1978, as amended. The inspectors general for DoD, the Department of State, and the U.S. Agency for International Development (USAID) 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. Presidential Memorandum, "Plan to Defeat the Islamic State of Iraq and Syria" (January 28, 2017), directed the Secretary of Defense, in collaboration with other senior officials, to develop a strategy for eliminating Islamic State of Iraq and Syria (ISIS). In support of the Lead Inspector General's effort, we conduct ongoing work and provide appropriate oversight of Treasury's involvement in OIR. In regards to OIR, we use ISIL and ISIS interchangeably.

OFAC's Implementation of Changes to the Iran Sanctions Program (In Progress)

The Iran sanctions program is OFAC's most complex program, with authorities derived from many overlapping laws and EOs. Based on its legal authorities, OFAC primarily administers its Iran sanctions program by (1) listing and delisting individual and entities; (2) issuing regulations to implement relevant statutes and EOs; (3) issuing, amending, and revoking general licenses; (4) approving or denying specific license applications; (5) conducting investigations of apparent sanctions violations and taking civil enforcement actions; and (6) maintaining a compliance and outreach program.

We plan to determine whether (1) OFAC's Iran Sanctions program complies with applicable laws and regulations; and (2) sanction decisions and deliberations are properly documented and approved by OFAC officials. We issued an interim report providing the results of our review of OFAC's processes for designations and general licenses and plan to issue an additional audit report that assesses whether other sanctions decisions and deliberations, including specific licenses, were properly documented and approved.

TFI's Ukraine/Russia-related Sanctions Program (In Progress)

TFI's Ukraine/Russia-related sanctions program began in 2014, when the President, in EO 13660, "Blocking Property of Certain Persons Contributing to the Situation in Ukraine" (March 6, 2014), declared a national emergency to deal with the threat posed by the actions and policies of certain persons who had undermined democratic processes and institutions in Ukraine; threatened the peace, security, stability, sovereignty, and territorial integrity of Ukraine; and contributed to the misappropriation of Ukraine's assets.

We plan to determine whether TFI's Ukraine/Russia-related sanctions program (1) complies with applicable laws and regulations, including but not limited to the Countering America's Adversaries Through Sanctions Act (CAATSA) and (2) decisions and deliberations were properly documented and approved by appropriate TFI officials. We issued a memorandum in response to a letter from Congressman Quigley regarding OFAC's decision to terminate sanctions imposed on En+ Group, United Company Rusal, and Joint Stock Company EuroSibEnergo and plan to issue an audit report concluding on our objectives.

TEOAF Management Controls Over the Security of Forfeited Property (In Progress)

TEOAF is responsible for safeguarding all forfeited property kept in custody at warehouse locations. Most property other than real property is stored at four regional warehouses. AECOM Technology Corporation, a TEOAF contractor, manages these warehouses. As of FY 2018, TEOAF managed 185 parcels of real property and stored 16,042 items of general property, 113 vessels, 7 aircraft, and 2,362 vehicles. There were two incidents of theft reported in two regional warehouses.

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

FinCEN's Management of the BSA Database (In Progress)

FinCEN administers the BSA, which established the framework to combat criminal use of the financial system. BSA requires financial institutions to report certain financial transactions made by their customers. FinCEN oversees the management, processing, storage, and dissemination of BSA data. Over 97,000 U.S. financial institutions file over 18 million BSA reports each year, providing a wealth of potentially useful information to agencies whose mission is to detect and prevent money laundering, other financial crimes and terrorism.

Approximately 12,000 individuals from over 400 agencies have access to the BSA system.

We plan to determine if FinCEN manages BSA data access, use, and retention in compliance with laws, regulations, and Treasury policies and procedures.

TFI's Actions to Disrupt ISIS' Finances

In January 2017, Presidential Memorandum, "President's Plan to Defeat the ISIS," included (1) a comprehensive strategy and plans for the defeat of ISIS; (2) recommended changes to the U.S. rules of engagement and other U.S. policy restrictions that exceed the requirements of international law regarding the use of force against ISIS; (3) public diplomacy, information operations, and cyber strategies to isolate and delegitimize ISIS; (4) identification of new coalition partners in the fight against ISIS and policies to empower coalition partners to fight ISIS and its affiliates; (5) mechanisms to cut off or seize ISIS' financial support; and (6) a detailed strategy to fund the Plan. Treasury, with TFI as the lead, is responsible for disrupting ISIS' financing.

We plan to determine whether TFI's actions are meeting Treasury's responsibilities to disrupt ISIS financing.

Corrective Action Verification–OIA's Management of TFI Employee's Intelligence Community Public Key Infrastructure Certificates

In a previous audit, we found that there was a strained relationship between FinCEN and OIA and a lack of documented policies and procedures, which contributed to disagreements between the two components. We plan to determine whether corrective actions were taken in response to our audit, which recommended the Under Secretary for TFI ensure that (1) OIA and the Office of Special Security Programs clarify, formalize, and distribute intelligence community public key infrastructure (IC PKI) process, policies and procedures; (2) employees at all levels are trained on the process and documentation required to efficiently gain IC PKI access; (3) an assessment is performed to determine the adequacy of staffing and system resources, as well as cross-training of Office of Special Security Programs employees responsible for reviewing and renewing IC PKI certificates; and (4) OIA and FinCEN officials work together to ensure that they understand their roles and responsibilities. The previous report is the *Audit of the Office of Intelligence and Analysis' Management of the Office of Terrorism and Financial Intelligence Employees' Intelligence Community Public Key Infrastructure Certificates* (OIG-18-006, October 30, 2017).

TFI's North Korea Program

The North Korea sanctions program began in 2008, with the issuance of EO 13466, "Continuing Certain Restrictions With Respect to North Korea and North Korean Nationals" (June 26, 2008). In the EO, the President declared a national emergency to deal with the threat to U.S. national security and foreign policy posed by the existence and risk of proliferation of weapons-usable missile material on the Korean Peninsula. The President issued EO 13810, "Imposing Additional Sanctions With Respect to North Korea" (September 20, 2017), increasing sanctions in response to provocative and destabilizing activities of the North Korean government related to its ballistic missile testing by blocking assets and cutting off access to the U.S. financial system of any company or person doing business with North Korea. This EO expands the sanctions program to target a range of North Korean industries, prevent any aircraft or vessel that left North Korea from entering the U.S. within 180 days of departure, and block immigration of North Korean citizens. The President called for "maximum pressure" against the North Korean regime to try to halt its illicit missile and nuclear activity, through sanctions and other diplomatic means. In FY 2018, TFI received a budget increase of $18 million. For FY 2019, TFI requested an additional budget increase of $15 million and 69 full-time equivalent positions specifically aimed at countering and neutralizing North Korean efforts aimed to undermine U.S. national security. This request was included in TFI's appropriation for FY 2019.

We plan to determine if TFI (1) has developed a plan of action to respond to the threat to U.S. national security posed by North Korea; (2) is coordinating through its components to effectively manage its North Korean program; and (3) has developed procedures and performance metrics to measure the expected and actual impact of responsive actions.

OFAC's Implementation of Mandatory CAATSA Authorities

Title 2 of CAATSA, *Sanctions with Respect to the Russian Federation and Combating Terrorism and Illicit Financing*, introduced new mandatory designation provisions and a requirement to report to Congress when sanctions are waived (Section 216).

We plan to determine if OFAC (1) has implemented effective procedures to implement mandatory sanctions authorities under Title 2 of CAATSA; (2) regularly updates pending designation case files with new information and considers whether collected evidence may meet mandatory sanctions authority thresholds; and (3) is in compliance with the reporting requirements under Section 216 of CAATSA.

TFI Strategic Human Capital

TFI is comprised of four offices and one bureau with distinct missions that must share resources and work together to achieve overall strategic goals. TFI has received budget increases in FY 2018 and FY 2019. For FY 2020, TFI requested an increase of 18 percent from the FY 2019 annualized continuing resolution. This budget includes an additional 50 full-time equivalent positions across TFI. Treasury's sanctions have been used more frequently in recent years and prior OIG audits have noted staffing issues in certain areas and coordination issues between TFI components, particularly related to access to IC resources.

We plan to determine whether TFI human capital policies align with its mission and strategic goals.

Corrective Action Verification–OIA' Authorities and Actions Related to U.S. Persons' Financial Information

In a previous audit, we found that OIA's U.S. Persons Procedures have not been approved by the Attorney General as required by EO 12333, "United States Intelligence Activities" (December 4, 1981). We plan to determine whether corrective actions were taken in response to our recommendations that the Under Secretary for TFI ensure that (1) OIA's U.S. Persons Procedures are finalized and submitted for approval to the Attorney General and (2) OIA implements a compliance monitoring program to assess whether intelligence analysts' activities are conducted in accordance with OIA authorities. The previous report is the *Audit of the Office of Intelligence and Analysis' Authorities and Actions Related to U.S. Persons' Financial Information* (OIG-18-044, April 9, 2018).

Projects Under Consideration for Future Fiscal Years

OFAC's Monitoring of En+ Group, United Company Rusal, and Joint Stock Company EuroSibEnergo

OFAC reached an agreement to remove En+ Group, United Company Rusal, and Joint Stock Company EuroSibEnergo from the Specially Designated Nationals and Blocked Persons list, which was finalized on January 27, 2019. These companies will remain off the list as long as they adhere to the terms of removal (TOR), which OFAC monitors. The ultimate success of this agreement is contingent on OFAC's monitoring of the companies' compliance with the TOR.

The size and scope of the monitoring activities for these companies is unprecedented and OFAC will rely on collaboration with other Treasury offices and external agencies to ensure compliance with the TOR.

We plan to determine if OFAC is effectively monitoring En+ Group, United Company Rusal, and Joint Stock Company EuroSibEnergo's compliance with the TOR.

TEOAF's Management of Controls over Disposition of Forfeited Property

Once property is seized by Treasury and DHS, it is held in storage until it becomes forfeited property. Once items are forfeited to the government, TEOAF's contractor receives a Disposition Order from the seizing agency. The Disposition Order provides instructions, which may include, but are not limited to, performing a sale or destruction of general property. TEOAF's contractor is not timely in complying with the destruction waiver process and there were confirmed employee thefts of property stored in the warehouses.

We plan to determine whether TEOAF's internal controls over the contractor's disposition of forfeited general property are adequate to ensure compliance with applicable policies and procedures.

OFAC Civil Penalty Cases

In administering and enforcing U.S. economic sanctions programs, OFAC focuses on identifying persons for designation and assisting parties in complying with the sanctions prohibitions through its compliance and licensing efforts. OFAC also assesses civil monetary penalties against persons violating the prohibitions; works with other U.S. agencies, including law enforcement, on sanctions-related issues needing coordination; and coordinates with other nations to implement similar strategies. If OFAC determines that a subject person has not complied with a sanctions program, it can issue civil penalties based on the dollar value of a transaction in violation of a sanction. In 2018, OFAC issued 7 penalties or settlements totaling approximately $72 million.

We plan to determine if OFAC (1) acts timely on civil penalty and criminal cases and (2) complies with applicable Federal regulations and OFAC policies and procedures in managing civil penalty and criminal cases.

Classified Program

We plan to assess the program and determine whether corrective actions were implemented in response to previous recommendations.

Treasury's Enhanced Personnel Security Program (Mandated)

In response to a number of security breaches at the National Security Agency, DoD, and OPM, Congress included a provision in the Consolidated Appropriations Act of 2016[3] that requires the expanded reinvestigations of security clearance holders by agencies' enhanced personnel security program. The legislation requires that the Director of National Intelligence (DNI) direct each agency to implement a program to provide enhanced security review of covered individuals not later than the earlier of:

- The date that is 5 years after the date of the enactment of the Intelligence Authorization Act for FY 2016; or
- The date on which the backlog of overdue periodic reinvestigations of covered individuals is eliminated, as determined by the DNI.

We plan to assess the effectiveness and fairness of Treasury's enhanced personnel security program for covered individuals and whether the program complies with performance measures and standards established by the DNI.

TEOAF's Management of the Treasury Forfeiture Fund

The TFF, administered by TEOAF, is the receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and DHS agencies. The TFF was established in 1992 as the successor to what was then the Customs Forfeiture Fund. The TFF is a special fund, with Federal fund collections earmarked by law for a specific purpose defined by legislation. The funds are allocated to the participating Treasury and DHS agencies and to other Federal, State, and local law enforcement entities that do not have forfeiture authority. In FY 2018, TEOAF collected over $1.2 billion into the fund.

We plan to determine whether TEOAF has appropriate controls in place to manage the TFF, including (1) awarding and distributing the funds and (2) ensuring that distributions are used for their intended purposes.

FinCEN Protection of Information Shared with FIUs

FinCEN serves as the Financial Intelligence Unit (FIU) for the United States and is one of more than 100 FIUs making up the Egmont Group, an international entity focused on information sharing and cooperation. FinCEN exchanges financial

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[3] 5 U.S.C. Section 11001 (December 18, 2015)

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 FIUs from unauthorized disclosure.

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.

Among other uses, FinCEN plans to report certain cross-border electronic transmittals of funds through the system as part of Treasury's efforts to combat money laundering and terrorist financing. The Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458, December 17, 2004), which amended the BSA, requires FinCEN to propose regulations for financial institutions to report certain cross-border electronic transmittals of funds. FinCEN plans to issue a final rule once the BSA IT system can fully collect, maintain, and disseminate the data.

We plan to determine the effectiveness of the BSA IT Modernization program in meeting the needs of FinCEN and other users, including cross-border electronic transmittals of funds.

OFAC's Compliance Outreach

OFAC's Sanctions Compliance and Enforcement Division engages in three primary outreach functions:

- Acting as OFAC's primary conduit for providing guidance to the public and private sectors regarding their U.S. sanctions compliance obligations using its hotline and public facing email account;
- Interacting routinely with Federal and State regulators and law enforcement agencies; and
- Educating public and private sector stakeholders regarding U.S. sanctions programs and requirements through outreach efforts that include speeches, multimedia presentations, symposia, webinars, teleconferences, and round table discussions.

We plan to determine if OFAC's Sanctions Compliance and Enforcement Division carries out its outreach responsibilities in accordance with applicable requirements; and whether its outreach activities effectively promote compliance with U.S. sanctions.

Proper Marking of Classified Documents

Protecting information critical to our nation's security and demonstrating our commitment to open government through accurate and accountable application of classification standards and routine, secure, and effective declassification are equally important priorities. Mismarked derivative classification decisions subjects Treasury to increased risks that classified information will not be adequately protected and that information may not be disseminated to partnering agencies.

We plan to determine whether TFI components complied with Federal and departmental policies and procedures for marking classified decisions.

TFI Travel Spending

Prior Treasury OIG audits revealed that Treasury bureaus and offices needed to strengthen internal controls related to travel expenses. EO 13589, "Promoting Efficient Spending" (November 9, 2011), was issued in response to excessive conference spending by the GSA, and the EO called on all agencies to designate a senior official responsible for policies that promote efficient travel spending. The EO also called on agencies to cut travel spending by 30 percent.

We plan to determine whether TFI components have adequate internal controls in place to ensure official travel is authorized and paid in accordance with applicable laws, regulations, and policy.

OIA's Coordination with the Intelligence Community

The Intelligence Authorization Act of 2004 created OIA, which is a component of TFI. EO 12333 requires OIA to, among other responsibilities, build a robust analytical capability on terrorist financing by coordinating with the IC and representing Treasury in various intelligence and counterintelligence activities.

We plan to assess whether OIA is effectively coordinating intelligence and counterintelligence activities with IC components in accordance with the Intelligence Authorization Act of 2004 and EO 12333.

Survey on TFI's Oversight of Virtual Currencies

Electronic money typically involves the use of computer networks, the Internet, and digital stored value systems. Electronic funds transfer, direct deposit, digital gold currency, and virtual currencies are examples of electronic money. Virtual 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 clarifies the applicability of implementing the BSA regulations to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currencies.

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

FinCEN Target on Real Estate Identification

In January 2016, FinCEN issued Geographic Targeting Orders (GTO) temporarily requiring title insurance companies to report the natural identity of persons behind shell companies used to make all-cash purchases of high-value residential real estate in two major metropolitan areas. Since the initial GTOs in January 2016, FinCEN has extended its real estate GTOs every six months, which now cover eight major areas. FinCEN revised the GTOs to capture a broader range of transactions, including wire transfers. The GTOs will enhance the availability of information to mitigate this potential vulnerability to money laundering. The information is shared with law enforcement to enhance its ability to identify the natural persons involved in transactions vulnerable to abuse for money laundering. FinCEN also published an Advisory to provide financial institutions and the real estate industry with information on the money laundering risks associated with real estate transactions, including those involving luxury property purchased through shell companies, particularly when conducted without traditional financing.

We plan to assess the effectiveness of the GTOs in gaining the appropriate identification information on all-cash real estate purchases.

FinCEN's Guidance on Customer Due Diligence

In May 2016, FinCEN issued the "Customer Due Diligence (CDD) Requirements for Financial Institutions Final Rule." The CDD Final Rule amended the BSA regulations by: (1) clarifying and strengthening the obligations of financial institutions and entities and (2) requiring financial institutions to examine the nominal account holder to identify the account's beneficial owners who own or control (directly or indirectly) certain legal entity customers. Prior to the Panama Papers leaks, the BSA did not require knowing the person behind the shell company. The final rule established an additional anti-money laundering program requirement, which mandates that certain institutions implement risk-based procedures for conducting CDD. The CDD Final Rule contains four key elements, including three elements that should be explicit in the anti-money laundering requirements for covered financial institutions. The four key elements are as follows:

- Identifying and verifying the customer
- Identifying and verifying the identity of beneficial owners of legal entity customers (any individual who owns 25 percent or more of the legal entity)
- Understanding the nature and purpose of customer relationships to develop a customer risk profile
- Conducting ongoing monitoring for suspicious activity reporting and maintaining and updating customer information

Covered financial institutions were required to comply with the requirements of the CDD Final Rule by May 2018.

We plan to determine whether FinCEN provides effective CDD guidance and compliance standards to financial institutions; and adequately enforces the CDD Final Rule.

OFAC Implementation of Changes to the Cuban Sanctions Program

Since 1960, the United States has maintained an embargo restricting trade, travel, and financial transactions with Cuba. This embargo comprises the most comprehensive set of economic and trade sanctions implemented on any country. The United States holds billions of dollars in financial claims against the Cuban government. In November 2017, the President announced additional sanctions and travel restrictions on Cuba, re-tightening some of the sanctions on Cuba loosened by the Obama administration. As of October 2019, future restrictions will be implemented to further restrict certain remittances to Cuba, as well as eliminating authorizations for financial institutions under U.S. jurisdiction to process certain kinds of financial transactions.

We plan to determine whether changes made by OFAC to the Cuban sanctions program (1) reflect administration policy changes designed to strengthen sanctions against Cuba and (2) were properly documented and approved by the appropriate OFAC officials.

OIA's Continuity of Operations Program

Intelligence Community Directive 118, "Intelligence Community Continuity Program" (November 12, 2013), sets forth specific COOP requirements for IC elements. Audits of other IC elements and Treasury bureaus have identified COOP weaknesses. Inadequate COOP planning threatens the ability of OIA to continue to perform the critical elements of its mission during a time of crisis, in which its services may be in high demand.

We plan to determine if the OIA's COOP complies with Federal regulations and directives.

FinCEN's Final-rule Process

Federal regulations are created through a process known as "rulemaking." In issuing a final rule, an agency must describe and respond to public comments received during the rulemaking process. To implement and realize its mission, FinCEN has established regulatory objectives and priorities to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. FinCEN's regulatory objectives and priorities include issuing, interpreting, and enforcing compliance with regulations implementing the BSA.

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

Survey of Treasury's Efforts and Guidance on Banks' Use of De-risking and Its Impact on BSA/Anti-Money Laundering

To ensure that anti-money laundering or combating the financing of terrorism measures do not unduly limit financial access, the BSA and international standards urge financial institutions to adopt a risk-based approach including appropriately designed risk-based analyses to determine the risk of dealing with certain clients. De-risking occurs when a financial institution seeks to avoid perceived regulatory risk by terminating, restricting, or denying services to broad classes of clients, without a case-by-case analysis of risk or consideration of mitigation options, which limits the financial inclusion of certain industries and populations.

We plan to determine what measures Treasury takes to limit banks' use of de-risking.

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

In accordance with 31 U.S.C. 5316(a), *Reports on Exporting and Importing Monetary Instruments*, a person who physically transports, mails, or ships currency or other monetary instruments in an aggregate amount exceeding $10,000 at one time to or from the United States is required to file a Currency or Monetary Instruments report with the DHS's CBP. These reports are useful for identifying money laundering schemes.

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

FinCEN's Administration of the Global Rapid Response Team

FinCEN created a Global Rapid Response Team to serve as a liaison between domestic law enforcement and partner foreign FIUs to intervene during Business Email Compromise[4] and similar incidents where the Federal Bureau of Investigation's Financial Fraud Kill Chain program might be implemented. The Financial Fraud Kill Chain is a process for recovering international wire transfers over $50,000 stolen from U.S. victim bank accounts within 72 hours.

We plan to determine (1) how FinCEN is administering the financial fraud kill chain and how it differs from other payment stopping authorities; (2) the reliability of data from foreign FIUs; and (3) the effectiveness of the program at stopping fraudulent transactions.

FinCEN's Guidance on Expectations Regarding Marijuana-related Businesses

More than twenty States and the District of Columbia have legalized certain marijuana-related activities. In February 2014, FinCEN issued guidance to clarify how financial institutions can provide services to marijuana-related businesses consistent with their BSA obligations, including CDD and reporting requirements.

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[4] Business Email Compromise refers to schemes in which criminals compromise the e-mail accounts of financial institution's commercial customers to send fraudulent wire transfer instructions in order to misappropriate funds.

These financial institutions 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 whether FinCEN provides effective guidance to financial institutions for marijuana-related businesses' compliance with BSA requirements.

OFAC's Record Management and Information Disclosure Practices

As part of its efforts to administer and enforce economic and trade sanctions, OFAC collects personally identifiable information and stores the information in various systems of record, including the OFAC Administrative System for Investigations and Sanctions, various spreadsheets in OFAC's shared drives, and hard copy (paper) records of administrative case files.

We plan to determine whether OFAC (1) stores records in accordance with record retention and efficient spending requirements; and (2) properly safeguards sensitive information.

FinCEN Oversight of Casino Compliance With BSA

Casinos with annual gaming revenue of more than $1 million are subject to BSA reporting and recordkeeping requirements. The definition of a casino has changed over the years to include state licensed casinos, tribal casinos, and card clubs. Under 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 in the casino industry.

FinCEN and OFAC Oversight of the Insurance Industry

An insurance company is defined as a "financial institution" under the BSA. FinCEN rules impose anti-money laundering compliance program requirements on insurance companies similar to those that apply to banks; and OFAC prohibits companies and individuals from issuing insurance policies, reinsurance contracts, and paying claims involving nations, companies and organizations, individuals or vessels subject to sanctions programs.

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

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 2011, FinCEN issued a final rule to clarify the definition of prepaid access and imposed suspicious activity reporting, customer identification, and recordkeeping requirements on both providers and sellers of prepaid access, and imposed registration requirements to sellers.

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

Government-wide Financial Services and Debt Management

Background

Through Fiscal Service, Treasury borrows the money needed to operate the Federal Government, accounts for the resulting debt, and provides reimbursable support services for Federal agencies. Fiscal Service also provides central payment services for Federal agencies, operates the Federal Government's collection and deposit systems, provides government-wide accounting and reporting services (including preparation of financial reports for the Federal Government), and administers the collection of delinquent debt owed to 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 Intra-governmental Holdings. Debt Held by the Public is the debt held by individuals, corporations, State or local governments, foreign governments, and other entities outside the United States Government. Securities held by the public include Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Inflation-Protected Securities, Treasury Floating Rate Notes, U.S. Savings Bonds, State and Local Government Series Securities, Foreign Series Securities, and Domestic Series Securities. Intra-governmental Holdings are primarily Government Account Series Securities held by Federal Government trust funds, revolving funds, and special funds. As of September 30, 2018, the total Federal debt outstanding was $21.6 trillion, of which $15.8 trillion was Debt Held by the Public and $5.8 trillion as Intra-governmental Holdings. The interest expense on the Federal debt for FYs 2018 and 2017 were $523.0 and $458.5 billion, respectively. Fiscal Service's debt management operations depend on modernized electronic and information system technology. Implemented in 2002, the TreasuryDirect system maintains over 801,000 funded accounts. In FY 2018, TreasuryDirect issued $15.3 billion in marketable securities.

Another of Fiscal Service's primary goals is to execute reliable and accurate Federal payments to support the U.S. economy. As of September 30, 2018, these payments exceed $4.1 trillion annually. Fiscal Service issues 1.2 billion payments each year by paper check, electronic funds transfer, and Fedwire, while expediting the efforts to make payments electronically. In FY 2018, approximately 95.4 percent of payments were made electronically. Fiscal Service also collects more than $4.2 trillion per year from individual and corporate income taxes, social security and other payroll taxes, excise taxes, and duties. Approximately 98 percent of Federal Government receipts were collected electronically.

Prompt referral of eligible, delinquent debt to Treasury by Federal program agencies is critical to the success of collection efforts. In FY 2018, delinquent non-tax debt owed to the Federal Government totaled $203 billion.

Digital Accountability and Transparency Act of 2014

Enacted in May 2014, the Digital Accountability and Transparency Act (DATA Act) seeks to accomplish several 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
- establish government-wide data standards for financial data and provide consistent, reliable, and searchable spending data that is displayed accurately for taxpayers and policy makers on USASpending.gov
- 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
- apply 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, by May 2015, government-wide financial data standards for any Federal funds made available to or expended by Federal agencies and entities receiving Federal funds
- 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 sample of the spending data submitted under this act by their respective agencies
- submit to Congress, and make publicly available reports due by November 2016, with others following at 2-year intervals, assessing the implementation and use of data standards by their agencies, as well as the completeness, timeliness, quality, and accuracy of the data sampled[5]

The DATA Act places major responsibilities for the promulgation of data standards and public reporting of Government spending primarily on Treasury. Implementing the DATA Act is an extremely complex undertaking involving the overhaul of the existing reporting systems, 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.

Treasury OIG, in collaboration with the Federal Audit Executive Council (FAEC) DATA Act Working Group developed the "CIGIE FAEC Inspectors General Guide to Compliance Under the DATA Act," a common methodology guide that inspectors general used to develop agency-specific audit plans for assessing their agencies' progress in compliance with the DATA Act. The guide was published on February 27, 2017; a revised guide was released in July 2017. On February 14, 2019, the second iteration of the guide was released. We will continue to work within the inspectors general community to develop a comprehensive audit methodology that allows agency inspectors general to

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5 The Council of the Inspectors General on Integrity and Efficiency (CIGIE) identified a timing anomaly with the oversight requirements contained in the DATA Act. Although the first inspector general reports were due to Congress in November 2016, Federal agencies had until May 2017 to report spending data. Thus, the inspectors general provided Congress with their first required reports in November 2017, a one-year delay from the statutory due date, with subsequent reports to follow every 2 years thereafter. CIGIE determined the best course of action was to delay the inspectors general reports, and encouraged inspectors general to undertake DATA Act "Readiness Reviews" at their respective agencies well in advance of the first November 2017 reports. The CIGIE chair issued a letter on December 22, 2015, communicating the strategy for dealing with the delay and also informed the Senate Committee on Homeland Security and Government Affairs and House Committee on Oversight and Reform.

comply with their responsibilities under the act while maximizing the use of resources.

"Do Not Pay" Initiative

To reduce payment errors and eliminate fraud, waste, and abuse, the President directed in EO 13520,"Reducing Improper Payments and Eliminating Waste in Federal Programs" (November 23, 2009), that Federal agencies identify ways that information sharing may improve payment eligibility verification and pre-payment scrutiny. The Presidential Memorandum "Enhancing Payment Accuracy Through a "Do Not Pay List"" (June 18, 2010), 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. Congress enacted IPERA, and IPERIA, to intensify the efforts to identify, prevent, and recover payment error, waste, fraud, and abuse within Federal spending. In April 2011, Treasury established the Do Not Pay Business Center to support Federal agencies to reduce improper payments. In OMB's M-12-11, "Reducing Improper Payments Through the "Do Not Pay List"" (April 12, 2012), OMB described the efforts of OMB and Treasury to establish the Do Not Pay Initiative and directed Federal agencies to develop a plan for using the Do Not Pay system for pre-payment eligibility reviews.

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 Do Not Pay initiative, including standards and procedures for computer matching programs.

Treasury's Do Not Pay Business Center is designed to help reduce improper payments by providing critical information to paying agencies through the Do Not Pay Portal and Do Not Pay Data Analytics Services. Each agency can choose to use any combination of the 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:

- Credit Alert System
- Social Security Administration's Death Master File
- List of excluded Individuals/Entities
- OFAC

- System of Award Management, formerly known as Central Contractor Registry
- System of Award Management Exclusion Records

Four types of searches allow agencies to customize use of the Do Not Pay Portal to align with their business needs: online, batch processing, continuous monitoring, and payment integration match results.

Given the Do Not Pay Initiative's potential to significantly reduce improper payments and its responsibility to ensure appropriate privacy, we anticipate that our office will need to continue to provide significant resources to oversee it.

Economic Policy Programs

Economic policy programs are responsible for analyzing and reporting on current and prospective economic developments in the U.S. and world economies through Treasury programs. These offices conduct research to assist in the formulation and articulation of Treasury policies and positions on a wide range of microeconomic issues. Recent examples include terrorism risk insurance, financial disclosure and auditing, stock options, parallel imports, health insurance, retirement income security, and long-term care.

Federal Financing

Created by Congress in 1973, the FFB 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 FFB has broad statutory authority to purchase obligations issued, sold, or guaranteed by Federal agencies.

Potential Integrity Risks

Integrity risks associated with government-wide financial services and debt management 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 and reveal hidden patterns. These data mining methods have the potential to reveal trends, relationships, and correlations between the data that could identify ongoing fraud and abuse directed against or occurring within Fiscal Service.

In Progress and Planned FY 2020 Projects

Delinquent Debt Referrals (In Progress)

The Debt Collection Improvement Act of 1996 (DCIA) requires Federal agencies to refer their eligible, non-tax debt over 180 days delinquent to Treasury for the purpose of administrative offset and other debt collection services. The DATA Act amended DCIA to require Federal agencies to refer eligible, non-tax debt at 120 days delinquent or more to Treasury for administrative offset.

We plan to (1) assess the extent to which Federal agencies refer delinquent non-tax debt to Fiscal Service in compliance with DCIA requirements, (2) determine the controls Fiscal Service has in place to facilitate timely referral of Federal agencies' non-tax debt, and (3) assess the impact of any referral delays on the collectability of the debt.

Use of Permanent and Indefinite Appropriation Funds (In Progress)

Congress established 11 permanent, indefinite appropriation funds for management by Treasury. Fiscal Service is responsible for overseeing and managing the submission, authorization, disbursement, recording, and reporting of each fund.

We plan to assess whether selected Treasury permanent, indefinite appropriations are used in accordance with the underlying legislation.

Treasury's DATA Act Submission–DATA Act Required Review Phase II (In Progress) (Mandated)

As required by the DATA Act, we plan to assess the (1) completeness, timeliness, quality, and accuracy of financial and payment information submitted for publication on USASpending.gov and (2) Treasury's implementation and use of the data standards established by OMB and Treasury.

Office of Special Counsel Delinquent Debt Referral (In Progress) (Mandated)

In response to a request from the Office of Special Counsel to Secretary Mnuchin, we are initiating a review of Treasury's, Fiscal Service, Debt Management Services.

Treasury Offset Program–Call Center Support (In Progress)

The Treasury Offset Program (TOP) is a centralized offset program, administered by Fiscal Service's Debt Management Services, to collect delinquent debts owed to Federal agencies and States.

We plan to determine the (1) experience and training levels of Fiscal Service staff assigned as technicians to the TOP call center, (2) extent of problems caused by multiple debt records with the same Taxpayer Identification Numbers, but different name values in the TOP call center Interactive Voice Response application, (3) accuracy of response information provided to callers contacting call center technicians, and (4) effectiveness of call center escalation protocols in assisting callers to resolve problems and avoid referral to creditor agencies.

Card Acquiring Service Program and Management of Interchange Fees (In Progress)

Federal agencies use the Card Acquiring Service program to collect debts and receive payments by major credit cards, including Visa, MasterCard, Discover, and American Express, and most debit cards. Most Federal agencies that accept credit or debit cards for payment must use this program, except for groups with the authority to process credit and debit cards on their own.

In FY 2018, Fiscal Service collected approximately $12.4 billion in revenue through credit and debit cards and paid interchange fees of approximately $179.7 million. Interchange fees are payments that card acquiring banks make to banks that issued the cards.

We plan to determine whether the internal controls Fiscal Service has in place over the Card Acquiring Service program and the management of interchange fees from credit and debit card revenue collection are operating effectively.

Corrective Action Verification–Direct Express Debit Card Program (In Progress)

We plan to determine whether corrective actions taken in response to the recommendations related to the Direct Express Debit Card program made in our prior audit reports are in place and operating effectively. The previous reports are *Fiscal Service Needs to Improve Program Management of Direct Express*

(OIG-14-031, March 26, 2014), and *Direct Express Bid Evaluation Documentation Requires Improvement* (OIG-17-034, January 24, 2017).

Survey of Fiscal Service's Systems (In Progress)

We plan to gain an understanding of the IT systems that Fiscal Service owns and manages, including how these systems interact with each other, and the internal and external parties that have access to these systems.

Review of Resources Used by Fiscal Service to Manage the Debt Limit

The debt limit is the maximum amount of debt that Treasury can issue to the public or other Federal agencies. The amount is set by law and has been increased over the years to finance the government's operations. When the debt limit is reached, Treasury cannot issue new Treasury bills, bonds, or notes. Treasury can only pay bills as it receives tax revenues. If the revenue collected is not sufficient, the Treasury Secretary must choose between paying Federal employee salaries, social security benefits, or the interest on the national debt.

The Bipartisan Budget Act of 2018 (P.L. 115-123, February 8, 2019) suspended the statutory debt limit through March 1, 2019. The debt limit was reinstated on March 2, 2019, at the United States' outstanding debt balance of $22 trillion. When the statutory debt limit was reinstated, Treasury immediately implemented extraordinary measures to prevent the United States from defaulting on its obligations. Measures included (1) suspending State and Local Government Series securities sales, (2) declaring a "debt issuance suspension period" which suspended additional investments in the Civil Service Retirement and Disability Fund and Postal Retiree Health Benefits Fund, and (3) suspending investment in the Government Securities Investment Fund of the Federal Employees' Retirement System Thrift Savings Plan. In July 2019, Treasury informed Congress that these extraordinary measures would be exhausted before September 2019. Consequently, legislation was passed to suspend the statutory debt limit through July 31, 2021 (P.L. 116-37, August 2, 2019).

We plan to assess Fiscal Service's allocation of resources to manage the debt limit and its impact on meeting the mission and goals of other programs.

Corrective Action Verification–Do Not Pay Program Implementation

The Do Not Pay Business Center was established to help Federal agencies seamlessly comply with IPERIA by supporting their efforts to prevent and detect improper payments.

The center's mission is to protect the integrity of the Federal Government's payment processes by helping Federal agencies cost-effectively mitigate and eliminate improper payments while safeguarding the privacy of individuals.

We plan to verify Fiscal Service's corrective actions taken in response to recommendations related to the Do Not Pay Business Center we made in two reports issued in FY 2015 and FY 2016. The previous reports are *Fiscal Service Successfully Established the Do Not Pay Business Center But Challenges Remain* (OIG-15-006, November 6, 2014), and *Fiscal Service Faces Challenges in Obtaining Better Death Information For the Do Not Pay Business Center, But Alternatives Exist* (OIG-16-042, May 18, 2016).

Corrective Action Verification–Review of Treatment of Legacy FMS Employees

We plan to verify Fiscal Service's corrective actions taken in response to the recommendations made in our July 2016 report, *Treatment of Legacy FMS Employees* (OIG-16-049, July 21, 2016). As a part of the verification, we plan to determine the realized costs and savings associated with the consolidation of the Financial Management Service (FMS) and Bureau of the Public Debt in October 2012.

Audit of Treasury's Responsibilities Under OMB M-19-16

OMB issued a shared services policy in M-19-16, "Centralized Mission Support Capabilities for the Federal Government" (April 26, 2019), designating four initial agencies as leads on government-wide standardization efforts around technology and other common solutions. Through the Quality Services Management Offices (QSMOs), GSA will oversee an HR marketplace, Treasury for financial services, the Department of Health and Human Services for grants management, and the Cybersecurity and Infrastructure Security Agency for cybersecurity. All four QSMOs will be used as common resources by agencies across the government as an alternative to standing up their own efforts. This memorandum (1) describes the process and desired outcomes for shared services; (2) establishes a process for designating agencies as QSMOs; (3) establishes the governance and accountability model that will be used to engage customers and enable QSMO performance excellence, including the Shared Services Governance Board and the Business Standards Council; (4) requests that all Chief Financial Officers Act agencies appoint a Senior Accountable Point of Contact to coordinate actions across the agency to support adoption of the shared service strategies; (5) and rescinds previous OMB memoranda that are no longer aligned to this strategy. Within 30 days of the date of the memorandum, the 24 Chief

Financial Officers Act agencies must appoint a Senior Accountable Point of Contact to coordinate actions and support the strategy's adoption.

We plan to review Fiscal Service's efforts and plans to perform its new responsibilities under M-19-16.

Retail Securities Services Security Redemption and Substitution Process

Retail Securities Services (RSS) supports the millions of investors who own Treasury securities. The RSS program encompasses the issuance, servicing, and redemption of U.S. savings bonds in both electronic and paper form, and marketable Treasury securities sold in electronic form directly to retail investors. RSS also includes the servicing and redemption of outstanding marketable securities that were issued in paper form. We plan to determine the controls RSS has in place to ensure accurate redemptions and substitution of Treasury securities.

Treasury's DATA Act Submission–DATA Act Required Review Phase III (Mandated)

As required by the DATA Act, we plan to assess the (1) completeness, timeliness, quality, and accuracy of financial and payment information submitted for publication on USASpending.gov and (2) Treasury's implementation and use of the data standards established by OMB and Treasury. We plan to begin work in FY 2020 and issue this report in November 2021.

Projects Under Consideration for Future Fiscal Years

Audit of Fiscal Service's Secure Payment System

The Secure Payment System is an application that allows Federal Government agencies to create payment schedules in a secure fashion with strictly enforced separation of duties. This application also allows staff at other Federal agencies to securely certify and submit payment schedules to Fiscal Service over the Internet. There are two different types of users that are responsible for a Federal agency's submission through Secure Payment System. The Data Entry Operator creates or imports a payment schedule and submits it for certification. The Certifying Officer examines the payment schedule for content, accuracy, and then certifies the schedule for disbursement.

We plan to assess the controls in place over the Secure Payment System data entry and certification process. As part of this audit, we plan to review the circumstances surrounding the technical issue that occurred on March 19, 2019, in which previously paid invoices in the amount of $11.5 million were re-certified and repaid. These payments were recovered, and this matter was brought to our office's attention by Fiscal Service management.

Survey of Intra-governmental Transactions and G-Invoicing

In December 2016, Fiscal Service announced G-Invoicing as a primary component to improving the quality and reliability of the Buy/Sell Intra-governmental Transactions (IGT) Buy/Sell data, as well as minimizing differences and future risks on Buy/Sell transactions. G-Invoicing will not be an accounting or procurement system; instead, it will be an online portal for agencies to negotiate and agree upon the funding terms and the accounting treatment of their reimbursable activities. G-Invoicing will also allow agencies to exchange data/information with one another for consistent financial reporting.

We plan to review the plans and actions Fiscal Service has taken, or plans to take, to implement its G-Invoicing initiative. These plans include, but are not limited to, actions to establish (1) a new set of intra-governmental data standards, (2) a workflow configuration for the approval of IGT invoices, and (3) a system for the electronic submission of IGT documentation.

Administrative Resource Center's Services and Billing

As a shared service provider, Fiscal Service's ARC offers a range of financial management, HR, IT, investment accounting, procurement, and travel services to more than 75 Federal customers. In FY 2018, ARC collected more than $590 million in revenue from customers.

We plan to assess the controls that ARC has adopted to ensure it provides and properly bills customers for cost-effective services that meet customer expectations. Specifically, we will determine whether (1) reconciliations between actual costs incurred and costs billed to participating Treasury bureaus and offices exist and are prepared timely and consistently, (2) costs charged by ARC are appropriate, and (3) costs charged by ARC to specific bureaus and offices are supported by appropriate documentation.

Invoice Processing Platform

The IPP is an Internet-based service that more efficiently manages government invoicing from purchase orders through payment notification. It helps Federal agencies avoid prompt payment penalties by supporting more efficient invoice processing while automating invoice collection, validation, and approval workflows at no charge to Federal agencies and their vendors.

We plan to assess whether Treasury's IPP was developed in accordance with OMB Memorandum M-15-19, "Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing" (July 17, 2015) and other underlying legislation.

Review of Government Agency Investment Services Program

As of March 31, 2019, Fiscal Service managed approximately $5.9 trillion in securities for Federal agencies that have the legislative authority to invest funds. Fiscal Service also offers flexible investment alternatives for State and local governments and administers loans to Federal agencies with the legislative authority to borrow through its Government Agency Investment Services program.

The Government Agency Investment Services program has three components: (1) Federal Investments, (2) Special Purpose Securities, and (3) Federal Borrowings. As these investments and borrowings are based on a broad array of statutes and serve a diverse customer base, Fiscal Service needs to ensure that both statutory requirements and customer needs are met, while providing the most efficient operations possible.

We plan to assess the adequacy of controls in place over the Government Agency Investment Services program to ensure that Fiscal Service complies with statutory authorities and provides efficient services to its customers.

Survey of FedDebt's Transition to Artiva

FedDebt was an in-house customized web-based cross-servicing system implemented in 2005 by Fiscal Service's Debt Management Services. Its purpose was to maintain records about individuals who owed delinquent non-tax debt(s) to the U.S. Government referred for collection by departmental and program agencies (creditor agencies). In 2017, Fiscal Service began and completed the process of transitioning from FedDebt to a commercial off-the-shelf product called Artiva, which enables optimized, cost-effective collection and resolution approaches. Artiva permits greater automation, improved functionality and reliable data.

We plan to review Fiscal Service's transition from FedDebt to Artiva and determine whether Fiscal Service (1) had sufficient controls over the transfer of data from FedDebt to Artiva; (2) had controls preventing system overlap between FedDebt and Artiva; and (3) provided all applicable Federal agencies proper guidance on the use and navigation of Artiva.

Unmatchable Payments Processed by Fiscal Service

We plan to determine the volume of payments made by Fiscal Service that are missing key data elements needed to determine whether payments are proper or payees owe debts to Federal or State governments. In addition, we will determine whether (1) payments with missing key data are exempt from having this information by Fiscal Service policy, (2) Taxpayer Identification Number suppression rules allowed by Fiscal Service are misused by agencies, and (3) Taxpayer Identification Number suppression impacts data used by the Fiscal Service Do Not Pay Program and TOP.

Review of the Post Payment Modernization Initiative

The Post Payment Modernization Initiative (PPMI) is Fiscal Service's work to strengthen and modernize essential operations that support the full life-cycle of post-payment processing. PPMI replaces the previous application known as the PPS. The new system being developed will merge and replace functions now performed in several legacy applications: Payments, Claims, and Enhanced Reconciliation system; Treasury Check Information System; Treasury Offset Program Control System; and Treasury Receivable, Accounting, and Collection System. PPMI will first replace aspects of the Treasury Check Information System and then address the other systems. The implementation of Treasury Check Information System functions into PPMI is expected in 2021.

We plan to evaluate PPMI to determine whether the newly developed system effectively consolidated all payment processing previously performed by the six decommissioned legacy systems.

Survey of Fiscal Service's Stored Value Cards

A stored value card is a card-based electronic alternative to cash and checks. EZpay is a cash management tool designed to support U.S. military personnel training in the Army, Air Force, Navy, and Marines. The program, which improves convenience for trainees, was developed and is managed jointly by the U.S. Army, Air Force, Marines, Defense Finance and Accounting Services, and Treasury.

We plan to gain an understanding of controls in place over Fiscal Service's EZpay stored value cards.

Payments to Grantees and Financial Agents

As of FY 2019, 63 Federal agencies and programs and approximately 20,753 payment recipient organizations used the Automated Standard Application for

Payments for services such as grant payments, financial agent reimbursement, debit card program or other financial payment services. As of FY 2018, there were a total of 3,000 Dormant Accounts totaling $10.5 billion in undisbursed balances. Undisbursed balances are the funds that the Federal Government obligated through grant agreements, but the grantees have not spent. Once the grant's period of availability expires, the grant should be de-obligated and closed out by the awarding agency. To help reduce unused funding, Fiscal Service issues dormant account reports to agencies that hold the funds.

We plan to assess Fiscal Service's (1) controls over pre-authorized, undisbursed funds and payments made to grantees and financial agents using Automated Standard Application for Payments, and (2) efforts to work with agencies to resolve dormant account balances.

State Reciprocal Program Initiative

Under the State Reciprocal Program, Fiscal Service collects the delinquent debt owed to the participating State governments, and the State governments collect the delinquent debt owed to the Federal Government. In FY 2018, States collected $8.0 million through the offset of Federal non-tax payments and Federal agencies collected $63.6 million through the offset of state payments under State Reciprocal Program.

We plan to assess whether (1) the results achieved by the State Reciprocal Program meet the intent of the program and (2) the internal controls implemented by Fiscal Service ensure accurate accounting of funds offset by and for the States.

Survey of Collection Systems and the Collections Information Repository

In FY 2019, Fiscal Service collected 98 percent of U.S. Government receipts electronically. The Collections Information Repository processes more than 400 million transactions and collects over $4.26 trillion a year. We plan to gain an understanding of the internal controls over Fiscal Service's revenue collection process.

Federal Finance Bank Survey

We plan to determine whether Treasury is effectively managing the FFB—including approvals of the methods, sources, and speed of financing—relative to market conditions and financing by other Federal agencies.

Corrective Action Verification-Treasury's DATA Act Information Model Schema, DATA Act Broker, and USASpending.gov

We plan assess Fiscal Service's corrective actions taken in response to the recommendations made in our July 2019 report, DATA Act: Treasury's Efforts to Increase Transparency Into Federal Spending Continue, But Further Refinement is Needed (OIG-19-040, July 30, 2019).

Financial Regulation and Oversight

Background

Two of Treasury's strategic goals are to (1) boost domestic economic growth and (2) promote financial stability. Some of Treasury's strategies to reach those goals are to (1) right-size domestic and international regulation to ease the burden across the U.S. financial system; (2) promote a financial services marketplace that addresses the needs of American consumers; (3) resolve the conservatorships of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) and increase the amount of mortgage credit that is supported by private capital; and (4) enhance security, improve resiliency, and reduce the risk of significant cybersecurity and other incidents to the financial sector's critical infrastructure. OCC plays a supporting role in achieving Treasury's goals and is impacted by Treasury's efforts.

OCC is responsible for licensing, regulating, and supervising approximately 891 nationally chartered banks, 316 Federal savings associations, and 57 Federal branches or agencies of foreign banks. OCC supervised banks hold more than $12.5 trillion in total assets. OCC, which has more than 3,800 employees, has three strategic goals: (1) foster a safe, sound, and fair Federal banking system that is a source of economic strength and opportunity that meets the evolving needs of consumers, businesses, and communities; (2) employees are engaged, prepared, and empowered to meet the mission; and (3) operate efficiently and effectively.

During September 2007 through June 2019, 539 commercial banks and Federal savings associations failed, resulting in an estimated $89 billion loss to the Deposit Insurance Fund (DIF). Of these 539 failures, 142 were banks or Federal savings associations regulated by OCC or the former Office of Thrift Supervision.[6]

Pursuant to Section 38(k) of the Federal Deposit Insurance Act, Treasury OIG must review and produce a written report on failures of OCC regulated financial

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[6] The Dodd-Frank Wall Street Reform and Consumer Protection Act abolished the Office of Thrift Supervision in 2011. Most of the former agency's functions and personnel moved to OCC.

institutions that result in material losses to the DIF. The law also requires that the report be completed within 6 months after it becomes apparent that the material loss has occurred. The Dodd-Frank Wall Street Reform and Consumer Protection Act (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 58 material loss reviews during the last 12 years.

For any failure of an OCC regulated bank or Federal savings association with a loss to the DIF under the triggering threshold, Dodd-Frank also requires us to conduct a limited review to determine (1) the grounds identified by OCC for appointing Federal Deposit Insurance Corporation as receiver, and (2) any unusual circumstances that might warrant an in-depth review of the loss. Over the last 12 years, we completed 75 limited reviews for these types of losses.

In Progress and Planned FY 2020 Projects

Supervision of Federal Branches of Foreign Banks (In Progress)

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

OFR Hiring Practices (In Progress)

We plan to determine whether OFR's hiring practices are in accordance with OPM, Treasury, OFR, and other Federal requirements.

OCC's Supervision of Wells Fargo Bank (In Progress)

We plan to assess (1) OCC's supervision of incentive-based compensation structures within Wells Fargo Bank and (2) the timeliness and adequacy of OCC's actions taken related to Wells Fargo's sales practices, including the opening of accounts.

OCC and De-risking (In Progress)

We plan to review whether OCC has encouraged banks to exit certain lines of business or terminate banking relationships. Such actions by banks have come to be known as de-risking. This review is in response to a Congressional request.

CIGFO Working Group Review–Implementation of Cybersecurity Information Sharing Act (In Progress)

We are leading a survey of FSOC and its Federal member agencies' efforts to implement the information sharing provisions under Title 1 of CISA.

Review of OCC Human Capital Policies and Planning (In Progress)

We plan to determine whether OCC's human capital policies and planning align with its mission and strategic goals.

Reviews of Failed OCC Regulated Financial Institutions (Mandated)

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

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 Bank Cybersecurity

We plan to assess OCC's supervision of banks' cybersecurity and 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.

Survey of the Office of Cybersecurity and Critical Infrastructure Protection

We plan to gain an understanding of the Office of Cybersecurity and Critical Infrastructure Protection's role, function, and authority.

Projects Under Consideration for Future Fiscal Years

OCC 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 CAMELS[7] rating.

[7] CAMELS refers to the bank's ratings for capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk.

OCC Supervision of Financial Institutions' Foreign-country Risk

We plan to evaluate OCC's supervision of financial institutions' international exposures to determine whether (1) guidance promoting effective assessment and control of financial institutions' country risk is followed; (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.

Review of OCC's Supervision of Examination Teams

We plan to assess OCC's process of supervising examination teams during bank examinations to determine whether OCC has an effective system of internal controls in place to provide sufficient oversight of examination teams.

OFAC and OCC Monitoring of Financial Institutions' Compliance With Sanctions Programs

We plan to assess OFAC and OCC oversight of financial institutions' compliance with sanctions programs.

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 institutions.

We plan to assess OCC's supervision of incentive-based compensation structures in OCC regulated financial institutions.

Supervision of Small Banks

We plan to assess safety and soundness challenges facing small banks and OCC's supervisory response to those challenges. We will focus on institutions with total assets of $1 billion or less.

Supervision of Large Institutions

We plan to assess OCC's supervision of large institutions (those with assets exceeding $100 billion).

Federal Insurance Office–Terrorism Risk Insurance Program

We plan to determine whether Treasury established a (1) protocol to work with state insurance regulators and data aggregators to identify potentially affected insurers for loss data collection, and (2) system for collecting, storing, and analyzing the loss data.

OCC's Single Supervisory Platform Project

We plan to gain an understanding of OCC's Single Supervisory Platform Project and its goal of providing near real-time enterprise data, information, and analytics.

Corrective Action Verification–OCC's Fast Track Enforcement Program

We plan to determine whether OCC has taken corrective action responsive to the recommendations in our report *OCC's Fast Track Enforcement Program Should be Assessed* (OIG-17-006, November 14, 2016).

Review of OCC's Implementation of Joint Standards for Assessing Diversity and Inclusion

We plan to review OCC's efforts to assess the diversity policies and practices of the entities it regulates.

OCC Supervision of Insider Activities

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

OCC Use of Matters Requiring Attention to Address Large-bank Deficiencies

OCC defines Matters Requiring Attention as practices that (1) deviate from sound governance, internal control, and risk-management principles, that may adversely affect a 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 for 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 Enforcement Practices

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

Supervision of Real Estate Appraisal Activities

We plan to assess OCC's supervision of financial institution policies and procedures for real estate appraisals.

OCC's Funding–Assessments

We plan to assess the process by which OCC sets fees as a result of cost and revenue projections.

Supervision of Internal Audit Functions in Large Banks

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 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.

Initiatives of OCC's Office of Innovation

We plan to assess OCC's implementation of core Office of Innovation initiatives.

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

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

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

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

Federal Insurance Office's Methodology for Monitoring Auto Insurance

We plan to assess the Federal Insurance Office's methodology for monitoring the affordability of personal automobile insurance in the United States.

OCC Supervision of Bank Compliance With the Community Reinvestment Act

We plan to determine OCC's (1) process for assessing bank activities to help meet the credit needs of the community; (2) consideration of Community Reinvestment Act examination results when evaluating bank applications for new branches, branch relocations, mergers and consolidations, and other corporate activities; and (3) compliance with Community Reinvestment Act oversight guidance.

OCC Supervision of Financial Institutions' Stress-testing Programs

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

Development and Communication of OCC Issuances and Comptroller's Handbook

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

OCC's Internal Bank Supervision Appeals Program

We plan to assess OCC's Internal Bank Supervision Appeals Program.

Supervision of Nonbanking Activities of Financial Institutions

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

OCC Licensing and Charter Approval Process

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

OCC Oversight of Credit Risk Retention

Section 941 of Dodd-Frank requires securitizers of mortgages not meeting criteria associated with lower default rates to retain at least 5 percent of the credit risk, but Federal rulemaking agencies specify differing percentages. OCC is one of the Federal rulemaking agencies. Dodd-Frank also charges the Federal rulemaking agencies with formulating rules that require lenders to retain a 5 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.

Alcohol and Tobacco Revenue Collection and Industry Regulation

Background

TTB maintains a workforce of approximately 500 employees, most of whom either report to the TTB headquarters office in Washington, DC, or perform tax and permit processing at the National Revenue Center in Cincinnati, Ohio. TTB has 11 offices in cities across the United States and Puerto Rico for its auditors, investigators, and other employees. These offices are located close to centers of trade and industry activity. TTB also 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 averaged approximately $20.6 billion for more than 14,000 taxpayers in FY 2018. TTB's tax collections on tobacco products have declined since FY 2010, at least in part, because of 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 2018, TTB collected approximately $12 billion in tobacco tax revenue, which is a slight decrease from the previous FY. In FY 2018, TTB collected nearly $8 billion in revenue from U.S. wineries, breweries, and distilleries. Although economic forecasts predict continued modest growth in the U.S. alcohol industry as a whole, excise tax collections will likely be impacted by increasing volumes in imports, for which CBP collects the tax and by reducing tax rates under the Craft Beverage Modernization and Tax Reform Act of 2017 (CBMTRA). Also, while the number of wineries, breweries, and distilleries has increased significantly, the majority are small producers that may be eligible for reduced tax rates or tax credits depending on the commodity and production volume. Firearms and ammunition tax collections have varied each year.

CBMTRA reduced the excise tax rates and increased tax credits for a 2-year period from January 1, 2018 through December 31, 2019 on beer, wine, and distilled spirits. Among the changes, CBMTRA also allows foreign producers the ability to assign importers to receive the reduced tax rate, which is administered and enforced by CBP.

As part of its FY 2017 budget, in May 2017, TTB received $5 million of 2-year funding to administer and enforce unfair competition and unlawful market activity by alcohol beverage industry members as prohibited by the Federal Alcohol Administration Act. In its enforcement efforts related to alcohol, TTB will target known points in the supply chain that are susceptible to diversion activity and prioritize forensic audits and investigations of high-risk entities and activity in the alcohol industries. With additional resources renewed through FY 2019, TTB has dedicated investigators to increase trade practice enforcement.

TTB processes applications for over 23 types of permits or registrations for the alcohol, tobacco, firearms, and ammunition industries. In general, industry members must obtain permits from TTB to operate legally in these industries. In FY 2018, TTB released a redesigned version of Permits Online. According to TTB, the upgrade was designed to enhance usability for industry members and improve the compliance rate of application submissions. TTB continues to make upgrades to this system. In FY 2018, TTB reduced processing times from an average of 96 days in FY 2017 to 61 days for new breweries, wineries, and distilleries.

TTB monitors labeling compliance through the Alcohol Beverage Sampling Program and tests samples of wine, distilled spirits, and malt beverages in its laboratories.

TTB collects Federal excise taxes on firearms and ammunition, which 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 decreased from $762 million in FY 2017 to $618 million in FY 2018.

Customs Revenue

The Secretary of the Treasury has delegated authority for customs revenue functions to the Office of Tax Policy (OTP). OTP is responsible for developing and implementing tax policies and programs and providing the official estimates of all government receipts for the President's budget, fiscal policy decisions, and Treasury cash management decisions. OTP establishes policy criteria reflected in regulations and rulings and guides preparation of them with IRS to implement and administer the Internal Revenue Code. Further, this office negotiates tax treaties for the United States and represents the United States in meetings for multilateral organizations dealing with tax policy matters. Economic and legal policy analyses for domestic and international tax policy decisions are also provided by OTP.

In March 2003, the Homeland Security Act of 2002 transferred the legacy U.S. Customs Service from Treasury to DHS, where it became CBP. Treasury retained the responsibility of the revenue function when it delegated and did not transfer this responsibility to DHS. Treasury retained sole authority to approve any regulations concerning import quotas or trade bans, user fees, marking, labeling, copyright and trademark enforcement, and completion of the 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.

Under Section 112 of the Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125, February 24, 2016), Treasury OIG is required to report biennially on the effectiveness of measures taken by CBP with respect to protection of revenue with the next report due in March 2020.

Potential Integrity Risks

A major integrity risk is the failure of industry members to pay all taxes due and failure of TTB to detect non-payment or underpayment of taxes through tax verification and audit programs. Tobacco and alcohol trafficking, diversion across State lines, and illegal sales are all risks to TTB's revenue collection. In addition, inflated export totals (tax-exempt) and misclassification of products, particularly tobacco (cigars, roll-your-own) following passage of CHIPRA and products subject to reduced tax and credits under CBMTRA require an effective enforcement program. Also, in protecting the public, TTB faces consumer risk from contaminated or deceptively advertised products.

In Progress and Planned FY 2020 Projects

TTB's Efforts to Promote Fair Competition in the U.S. Marketplace (In Progress)

We plan to determine how TTB assesses risks related to alcohol beverage industry trade matters. As part of this objective, we will evaluate TTB's monitoring of industry members, handling of referrals of potential trade practice violations, selection of trade practice cases for investigation, and actions taken to ensure compliance with TTB regulations.

Department of Homeland Security and CBP Oversight of Revenue Protection and Enforcement Measures (Mandated)

P.L. 114-125, Sections 112 and 115 require Treasury OIG to submit to the Senate Committee on Finance and House Committee on Ways and Means a report on the effectiveness of CBP enforcement measures and other activities to protect the revenue of the United States. Section 112 requires biennial reports on CBP's duty collection, use of bonds, and other monitoring responsibilities in March. The next report is due in March 2020.

We plan to assess Treasury's oversight of customs revenue in accordance with the act.

TTB's Trade Practice Investigations and Enforcement

We plan to assess TTB's trade practice investigation and enforcement efforts to deter unfair market activity in the alcohol beverage industry following TTB's program changes in FY 2017 and FY 2018.

TTB Permits Online Program

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.

TTB Efforts To Ensure the Accurate Collection of Federal Excise Taxes on Imports

We plan to assess (1) TTB's efforts to assist CBP in identifying Federal excise taxes due on undeclared and misclassified alcohol and tobacco product imports, (2) TTB's assistance to CBP in its administration of reduced tax rates and tax credit for alcohol importers under the CBMTRA, and (3) TTB's coordination with CBP to ensure all Federal excise taxes are paid by importers.

Projects Under Consideration for Future Fiscal Years

TTB's Tax Collection Procedures

We plan to determine the effectiveness of TTB's collection procedures for delinquent accounts to ensure the collection of all taxes due.

TTB's Efforts to Identify Tax Evasion Schemes

We plan to identify and evaluate TTB's efforts to detect new and existing evasion schemes involving alcohol and tobacco products used to avoid payment of Federal excise tax.

TTB's Enforcement Efforts

We plan to assess TTB's (1) efforts in implementing its Criminal Enforcement Program with funding provided by Congress; (2) plans for handling an investigative caseload if IRS discontinues providing the services of agents to conduct criminal investigations on behalf of TTB; and (3) administration of civil monetary penalties.

Effect of CHIPRA on Tax Paid Removals of Tobacco Products

We plan to assess TTB's efforts to ensure proper reporting of removals of tobacco products and payment of all appropriate taxes, and determine the impact of CHIPRA tax increases and tax differentials on reported removals of other products, such as large and small cigars that are subject to different tax rates.

TTB 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, and may remove the stems, cut the tobacco leaves, ferment, or flavor the tobacco. The processed tobacco is used by manufacturers of tobacco products and is not subject to Federal excise tax until manufactured into cigars, cigarettes, smokeless tobacco, pipe tobacco, or roll-your-own tobacco. Manufacturers of processed tobacco can legally sell processed tobacco to tobacco product manufacturers, to other businesses that further process the tobacco, or to tobacco brokers. Manufacturers of processed tobacco are required to notify TTB when processed tobacco is sold to businesses without TTB permits.

We plan to (1) determine the 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 trade related to processed tobacco.

TTB Use of Collateral To Protect Revenue

TTB protects excise tax revenue by mandating that certain taxpayers pledge collateral (such as bonds, notes, or securities) to offset tax liabilities 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.

TTB Oversight of Alcohol Beverage Market Compliance

We plan to assess TTB's market compliance programs on the alcohol beverage industry to determine if they are adequate in protecting the public against false and misleading statements in the advertising and labeling of alcohol beverages.

TTB Control Over Manufacturer Non beverage Drawback Claims and 5010 Tax Credit

When a manufacturer uses tax paid distilled spirits to produce a food, flavor, medicine, or perfume that is certified by TTB's non beverage Products Laboratory as unfit for beverage purposes, the manufacturer can claim a return, or drawback, on most of the distilled spirits excise taxes paid. For a 5010 tax credit, distilled spirits must contain an eligible wine or flavor. TTB approves effective tax rates for imported products.

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

TTB Controls for Cover over Payments

Tax collected on rum produced in Puerto Rico or the U.S. Virgin Islands and transported to the United States is "covered over" or transferred to the government where the rum is produced. Taxes collected on rum imported into the United States from foreign countries are also covered over, with these payments split between Puerto Rico and the U.S. Virgin Islands. In FY 2018, TTB processed cover over payments totaling $454.7 million to the treasuries of Puerto Rico ($446 million) and the U.S. Virgin Islands ($8.7 million).

We plan to determine whether TTB's controls ensure that cover over payments are made timely and in the correct amounts.

TTB Oversight of Alcohol Industry Members' Facilities

We plan to determine whether TTB has controls to ensure that new and existing alcohol industry members have adequate production facilities, are maintaining proper production and inventory records, and have adequate security measures in place.

Oversight of New Firearm and Ammunition Manufacturers

We plan to determine how TTB (1) identifies firearm and ammunition manufacturers, producers, and importers potentially liable for tax; and (2) ensures taxes are collected from the taxable sale of firearms and ammunition.

TTB Alcohol and Tobacco Laboratory Services

We plan to assess TTB's alcohol and tobacco laboratories' services to TTB program units. As part of the audit, we plan to assess TTB efforts to examine imported beverage products through pre-import activities, post-market samplings, and laboratory analyses.

Controls Over Refunds of Excise Taxes to Businesses Incurring Losses of Products Due to Natural Disasters and Other Casualties

We plan to determine how TTB ensures that claims for tax refunds or allowance of credit for products lost due to natural disasters are legitimate and accurate.

Submission of Operational Reports by Industry Members in Compliance with Federal Regulations

Members of the wine, beer, distilled spirits, and tobacco industries are required to file operational reports. The purpose of the information collected in the reports is to monitor the operations of these industries and verify unusual activities, errors, or omissions on taxable commodities. Failure to file required operational reports by the due date is a violation of the conditions of their permits and can lead to adverse action.

We plan to assess actions taken by TTB to ensure (1) industry members file operational reports in compliance with Federal regulations and (2) the operational reports are reliable and provide quality information for TTB to adequately monitor regulated industries.

Craft Beverage Modernization and Tax Reform Act of 2017

We plan to assess how TTB is implementing the new special tax rules enacted for 2018 and 2019, including the enforcement of limitations as defined in the new tax rules implemented in the CBMTRA.

TTB Strategic Planning

We plan to determine how TTB has applied ERM to allow the bureau to identify and assess risks that impact their long range planning for collecting the revenue, protecting the public, ensuring only qualified businesses enter the alcohol and tobacco industries; and preventing unfair and unlawful market activity for alcohol and tobacco products.

Bill and Coin Manufacturing

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 Banks, part of the Board, the nation's central bank. To meet its primary mission, BEP has production facilities in Washington, DC (DCF) and Fort Worth, Texas (WCF). 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. The Board approved and submitted its FY 2019 order for approximately 7.0 billion Federal Reserve notes, valued at $206.9 billion, to BEP for processing which represented a slight decrease from the prior year's order of 7.4 billion notes valued at $233.4 billion. The Board pays for note production including costs associated with maintaining BEP's facilities. BEP is authorized to include an amount for capital investment and working capital requirements eliminating BEP's need for appropriations from Congress.

The Mint's principal mission is to produce the nation's circulating coinage for trade and commerce. The Mint also produces commemorative and investment products for collectors and investors. These products include numismatic coins, which are rare or valuable coins that have an external value above and beyond the base value of the precious metal. In addition to its headquarters in Washington, DC, 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. Circulating coin shipments decreased 2.8 percent from FY 2017 to FY 2018. FY 2018 circulating seigniorage (profit made by the government for issuing currency as measured by the difference between the face value of coins and their production costs) was $321.1 million, 18 percent lower than the previous year, because of higher metal costs. Unit costs increased for all denominations compared to last year. The unit cost in FY 2018 for both pennies (2.06 cents) and nickels (7.53 cents) remained above face value for the thirteenth consecutive FY. Higher metal costs and unit costs generated a larger FY 2018 net loss ($119.0 million) for these two denominations compared to FY 2017 ($89.8 million).

The United States Mint Public Enterprise Fund was created in FY 1996 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 FY limitation. Although 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 Mint Public Enterprise Fund not needed for Mint operations in the coming year and have the amount transferred to the Treasury General Fund. In FY 2018, the Mint transferred $265 million to the Treasury General Fund from the Mint Public Enterprise Fund.

As of October 2018, BEP's online numismatic sales and marketing presence are being handled by the Mint, and BEP will handle its dealer bulk sales program.

To produce the next family of redesigned notes, BEP will need to purchase and install new equipment to support new currency designs. BEP's expansion of its WCF, which is in process, will add about 250,000 square feet of new space. BEP has been granted land from the Department of Agriculture in Beltsville, Maryland to construct a new DCF.

Potential Areas of Risk

BEP and the Mint need to be aware of the risks of counterfeiters and ensure strong internal controls are in place to safeguard the integrity and protect U.S. currency and coinage. BEP needs to ensure it has the workforce, machinery, and facility for the next generation currency. The Mint, with the increasing cost of producing coins and the decrease in demand for numismatic coins, faces the difficulty of maximizing the Mint's returns to Treasury's General Fund.

In Progress and Planned FY 2020 Projects

Corrective Action Verification–Bill Manufacturing: Improved Planning and Production Oversight Over NexGen $100 Note Is Critical (In Progress)

We plan to assess whether management took corrective action responsive to recommendations we made in the audit, *Bill Manufacturing: Improved Planning and Production Oversight Over NexGen $100 Note Is Critical* (OIG-12-038, issued January 24, 2012).

Mint's Numismatic Order Processing Program (In Progress)

We plan to determine whether the Mint is effectively managing order processing for numismatic products, such as precious metal coins, commemorative coins, and medals, for sale to the public. As part of this work, we plan to determine whether the Mint's Order Management System, OMS II, is working as intended and the numismatic program is meeting the needs of its users.

Mint's Procurement and Quality Assurance of New Materials (In Progress)

We plan to determine the adequacy of the Mint's controls over the procurement and quality assurance of raw materials used in the production of U.S. coins.

Physical Security at the Mint's Facilities (In Progress)

We plan to (1) assess the adequacy of the Mint's physical security policies, procedures, and practices; and (2) determine whether the Mint's Security Modernization Program and related infrastructure upgrades addressed control weaknesses noted during prior Treasury OIG audit work.

BEP Employee Safety (In Progress)

We plan to determine whether BEP policies, procedures, and practices ensure safe working conditions in DCF and WCF.

BEP Western Facility Expansion (In Progress)

We plan to determine whether BEP's capital investment decisions were based on appropriate and supportable assumptions and cost/benefit analyses and whether proper documentation was maintained to support BEP's decisions. Additionally, we will assess if BEP followed capital planning and project management best practices.

Mint's Controls Over Its Gold Bullion Acquisition Program (In Progress)

We plan to evaluate the Mint's controls over its gold bullion acquisition program to determine if weaknesses allow for the acquisition of gold in ways or from sources other than permitted by law.

BEP Project Management Process for New Note Design (In Progress)

We plan to determine whether BEP is properly implementing security features into the currency as part of its counterfeit deterrence program, and incorporating tactile features and high-contrast numerals in future currency designs to improve meaningful access for blind and visually impaired individuals in accordance with requirements approved by the Secretary of the Treasury. We will address a Congressional inquiry regarding the Department's decision to delay the redesign of the $20 note featuring a portrait of Harriet Tubman.

Project Management at the Mint (In Progress)

We plan to conduct a survey to gain an understanding of the Mint's controls and processes related to project management.

BEP's New Facility

We plan to determine whether BEP is adequately managing the construction of the new production facility and supporting the new location with sufficient analyses and appropriate cost/benefit estimates.

Projects Under Consideration for Future Fiscal Years

BEP Controls Over the Currency Redemption Program

We plan to assess controls in place over BEP's currency exchange program to ensure only valid claims are redeemed. We will also determine whether BEP properly approves, documents, and monitors the use of shredded currency for artistic and commercial purposes.

Mint Controls Over the Acquisition of Precious Metals

We plan to assess the Mint's controls related to its acquisition of silver bullion and other precious metals (such as gold, platinum, and palladium). This project includes the Mint's purchasing and responsible sourcing of precious metals.

Mint Employee Safety

We plan to determine whether Mint policies, procedures, and practices ensure safe working conditions in its six facilities across the country.

BEP Capital Investments

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

Migration of BEP's Numismatic Sales to Mint E-Commerce

We plan to assess the Mint and BEP's migration of BEP's online numismatic sales and marketing presence to the Mint's recently modernized E-Commerce infrastructure and services platform.

BEP's Implementation of 50-subject Sheets and Single Note Inspection Machines into Production

In 2015, BEP's DCF and WCF produced 50-subject currency sheets of $1 notes to gain production efficiencies. In 2016, BEP worked on transitioning to 50-subject currency sheet production for $5 notes by testing and preparing its new Currency Inspection System equipment to inspect $5 notes.

We plan to determine if BEP has completed a cost benefit analysis to support the implementation of the 50-subject sheet production with the single note inspection machines into its currency production.

The Availability of the Mint's Numismatic Limited Products

We plan to determine if the Mint is ensuring the fair and equitable availability of its products to all customers and assess the Mint's methods for establishing mintage and product limits for certain numismatic products.

Management of the 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. The price of each coin or medal ordinarily includes a surcharge authorized to be paid to a designated recipient organization that meets certain requirements.

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

Controls Over the BEP Office of Compliance and Its Monitoring Activities

We plan to determine whether BEP’s Office of Compliance is adequately monitoring BEP compliance with Federal and Treasury regulations and BEP policies and procedures.

BEP Controls Over Test Notes Sent to Banknote Equipment Manufacturers

We plan to determine whether (1) BEP has adequate controls over the process of releasing test bank notes and (2) the test bank notes are monitored to ensure they are not released to the public or treated as the equipment manufacturer’s money.

BEP Management of Wastewater Treatment Project

We plan to determine whether BEP’s wastewater treatment initiative/study is managed properly and meets Federal environmental standards and BEP’s environmental goals.

Mint Sales, General and Administrative Expense Allocation

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

We plan to determine whether the Mint’s allocation of general, administrative, and sales expenses are consistent with managerial cost accounting principles.

Mint Collection Practices on Receivables

We plan to assess the effectiveness of the Mint’s collection practices on accounts receivable, the classification of allowances for uncollectable delinquent accounts, and determine if delinquent debts are referred timely for continued collection efforts.

Mint Controls Over the Sales of Limited-Production Investment-grade Products

We plan to determine if the Mint’s practices adhere to established policies and procedures designed to ensure the broadest and most fair access to limited-production, investment-grade products. We also plan to determine whether actions taken by the Mint relating to weaknesses identified in prior Treasury OIG work adequately addressed the issues noted.

Mint Production Case Studies

The Coin Modernization, Oversight, and Continuity Act of 2010 authorized Treasury to conduct research and development on circulating coin compositions to reduce production costs. In FY 2018, the total unit cost for the penny was 2.06 cents and the nickel was 7.53 cents, which exceeded the coins' face values for the thirteenth consecutive FY. Higher metal costs and higher unit costs generated a net loss in FY 2018 of $119 million for these two denominations compared to the loss in FY 2017, which was $89.8 million.

In response to the Act, the Mint established a laboratory at the Philadelphia Mint and hired a contractor to perform research and development on the metallic compositions for all circulating coins. The Mint submitted its first biennial report in December 2012, and a second in December 2014. The third biennial report was issued June 2017 and the next report was due in June 2019.

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

Mint Continuity of Operations Plan

We plan to determine whether the Mint comprehensively developed and tested its COOP for currency production should a major disruption occur at any of its six facilities.

BEP Human Resources Practices

We plan to determine whether BEP conducts HR activities with respect to hiring in accordance with Federal and Treasury requirements, as well as BEP policies and procedures.

Mint Human Resources Practices

We plan to determine whether the Mint conducts HR activities in accordance with Federal and Treasury requirements, and the Mint's policies and procedures.

BEP and Mint Strategic Planning

We plan to determine how BEP and the Mint have applied ERM practices to identify and assess risks that impact their long range planning for production of U.S. currency and coinage and how they monitor and incorporate information from internal and external stakeholders such as the Board.

Mint Handling of Equal Employment Opportunity Complaints

We plan to determine if the Mint (1) has implemented practices to ensure equal employment opportunities for Mint employees; (2) complies with established policies and procedures relating to employees; and (3) appropriately tracks, processes, and resolves employee complaints relating to equal employment opportunities.

Domestic and International Assistance Programs

Background

Treasury plays an important role in domestic and international assistance programs that have a significant impact on the economy. Domestic programs range from those assisting in coping with the effects of current economic conditions to programs that enhance the availability of financial education, credit, investment capital, and financial services to communities around the United States. Treasury's role in these areas expanded under HERA, the Emergency Economic Stabilization Act of 2008 (which created Troubled Asset Relief Program, the Recovery Act, the Small Business Jobs Act of 2010, and the Social Impact Partnerships to Pay for Results Act of 2018 (SIPPRA). International programs address international financial institutions' role in promoting 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, and although certain purchase authorities under HERA expired in December 2009, Treasury maintains a sizeable investment in Fannie Mae and Freddie Mac:

- **Government Sponsored Enterprises.** HERA increased Federal regulatory oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (collectively referred to as Government Sponsored Entities (GSE)), giving Treasury authority over existing lines of credit to the entities and the Secretary of the Treasury standby, unlimited authority to buy stock or debt in them. To use this authority, the Secretary makes an emergency determination that use of the authority is necessary to stabilize markets, prevent disruptions in mortgage availability, and protect the taxpayer. Through Senior Preferred Stock Purchase Agreements, Treasury provides financial support to Fannie Mae and Freddie Mac after any quarter 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 in their investment portfolios—increasing the reduction rate from 10 to 15 percent annually. As a result, GSE investment portfolios are to be reduced, 4 years earlier than previously scheduled, to the $250 billion target set in the previous agreements. The modified agreements also require each GSE to submit an annual plan to Treasury on its strategy to reduce financial and operational risk, as well as an assessment of performance relative to its prior year plan. 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 March 31, 2019, Treasury reported investments of approximately $191 billion in senior preferred stock issued by the two GSEs.

- **Housing Finance Agencies Initiative.** Treasury implemented the Housing Finance Agencies Initiative to support State and local Housing Finance Agencies. Through two 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 September 30, 2018, Treasury owned $4.4 billion of Fannie Mae and Freddie Mac securities supporting the New Issue Bond Program. The Temporary Credit and Liquidity Program is now at zero.
- **Capital Magnet Fund.** HERA authorized 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 Capital Magnet Fund aims at increasing the flow of capital to organizations that will engage in housing-related investments. It is a competitive grant program expected to attract private capital from two types of eligible grantees: (1) CDFIs that have been certified by the CDFI Fund and (2) nonprofit organizations with a principal purpose of 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. Under HERA, the Capital Magnet Fund is to be financed through appropriations and transfers from Fannie Mae and Freddie Mac. For its inaugural award round in FY 2010, the Capital Magnet Fund received appropriations of $80 million, but there were no requests for additional appropriations for FY 2011 through FY 2020. Since the Federal Housing Finance Agency lifted its prohibition on GSEs allocating funds to the program in December 2014, the GSEs made two transfers. In FY 2016 and FY 2017, approximately $100.3 million and $119.4 million, respectively, were allocated and transferred from the GSEs to the Capital Magnet Fund. There were no funds allocated in FY 2018 and FY 2019.

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. Approximately $26 billion in Recovery Act funds, administered by Departmental Offices through two tax credit exchange programs, provided 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.

Social Impact Partnerships to Pay for Results Act

SIPPRA amended Title XX of the Social Security Act to create a new program intended to direct Federal funds to State and local government partnership programs resulting in measurable social benefit. Among several requirements, no less than 50 percent of all Federal payments made to carry out SIPPRA agreements shall be used for initiatives that directly benefit children. Among other things, SIPPRA created new partnerships through establishing the Interagency Council on Social Impact Partnerships (Interagency Council) and the Commission on Social Impact Partnerships (Commission). The Interagency Council is comprised of members appointed by several agencies, to include Treasury. The Commission members are appointed by Congress.

The Secretary of the Treasury, in consultation with the Interagency Council, is responsible for administering the program and issuing SIPPRA regulations. Treasury also has several specific duties with regard to administering the program with the Interagency Council and with assistance and recommendations of the Commission. The first order of business is to publish the first requests for SIPPRA proposals, within one year of enactment. Treasury received $66 million in FY 2019 to carry out the requirements of SIPPRA.

Other Domestic Assistance

Treasury provides assistance to promote economic growth and raise the standard of living in distressed U.S. communities by increasing the availability of business capital and financial services. The CDFI Fund 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 access to credit, capital, and financial services in American Indian, Alaska Native, and Native Hawaiian communities. The CDFI Fund's activities have been affected by economic events, resulting in significant funding increases and new program initiatives. The CDFI Fund financial and technical assistance programs received support with funding of $222 million in FY 2018 and $159.1 million in FY 2019.

The New Markets Tax Credit Program (NMTC) provides investors with a tax credit for investing in communities that are economically distressed or that have low-income populations. The CDFI Fund is authorized to allocate tax credit authority under NMTC to community development entities (CDE), which manage the program's investments in low-income community development projects. In return for a tax credit, investors supply capital to CDEs. The NMTC received $3.5 billion of allocation authority annually in FY 2010 through FY 2015. On December 18, 2015, Congress extended the authorization for $3.5 billion per year through FY 2020. Since the program's inception in 2000, the CDFI Fund has awarded approximately $50.5 billion in tax credit allocations to CDEs.

The Small Business Jobs Act of 2010 authorized Treasury to guarantee all notes and bonds issued by CDFIs that make investments in eligible community and economic development opportunities. Guarantees could not total more than $1 billion in any FY and were available through September 30, 2015. As the administrator, the CDFI Fund was required to establish the program's regulations. 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. Since FY 2013, the CDFI Fund committed to guarantee approximately $1.1 billion in bonds issued.

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 (IMF) 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. 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 governance and the rule of law, and fight corruption.

Office of Technical Assistance

The Office of Technical Assistance (OTA) 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. OTA focuses on five core development program areas: (1) budget and financial accountability, (2) Federal 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. OTA'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 (CFIUS) 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 or foreign governments. The Secretary of the Treasury chairs the committee, and the Office of International Affairs manages this function on the Secretary's behalf. CFIUS is required to report annually on whether (1) there is credible evidence of a coordinated strategy by one or more countries or companies to acquire U.S. companies involved in research, development, or production of critical technologies for which the United States is a leading producer; and (2) 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. Among other things, the Foreign Investment Risk Review Modernization Act of 2018 expanded CFIUS' jurisdiction to address growing concerns over certain investment structures that were not previously within CFIUS' jurisdiction such as investments involving U.S. businesses in close proximity to U.S. military bases and investments with impacts to critical infrastructure and personally identifiable information.

Exchange Stabilization Fund

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

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[8] Special Drawing Rights is an international reserve asset created by the IMF 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 IMF, as well as a unit of account for the ESF and for several other international organizations.

To ensure the highest degree of confidence in the underlying securities, investment guidelines for the ESF require that investments be limited to claims on respective central banks, the Bank for International Settlements, and sovereign governments and their agencies.[9] ESF's foreign currency holdings are to be invested so 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 ESF's portfolio is to seek the highest possible rate of return on each of its currency components over a full interest rate cycle.

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, Federal tax credits, or payments in lieu of tax credits; (4) failure by assisted entities to deliver on promised services; and (5) infiltration of adversary foreign governments and foreign persons into the U.S. economy. Additionally, contracts, grants, tax credits, or cash payments in lieu of tax credits may be awarded without following standard operating procedures, including appropriate monitoring of funded activities. 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. Risks may also include a corresponding loss of credibility with U.S. taxpayers or within the international community if these Treasury programs do not function as intended or with the appropriate transparency.

In Progress and Planned FY 2020 Projects

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

We plan to evaluate CDFI Fund program administration of the Healthy Food Financing Initiative to (1) determine whether the CDFI Fund awarded funds to eligible recipients in accordance with applicable laws and regulations,

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.

(2) determine whether 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 process for measuring the initiative's performance outcomes to ensure that objectives are achieved.

Awardee Compliance Under CDFI Fund Technical Assistance Awards (In Progress)

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

New Market Tax Credit Allocations to Wisconsin-based Community Development Fund Entities (In Progress)

We plan to assess the CDEs use of NMTC allocations and proceeds to make Qualified Low Income Community Investments and designated Qualified Equity Investments in accordance with their NMTC Allocation Agreements and applicable regulations, policies, and procedures at the CDE level.

Survey of the Committee on Foreign Investment in the United States (In Progress)

We plan to gain an understanding of Treasury's activities to support CFIUS in identifying and addressing national security concerns arising from covered transactions with foreign investors (i.e. mergers, acquisitions, and takeovers of U.S. businesses). With the recent changes under the Foreign Investment Risk Review Modernization Act of 2018 regarding the investment review timeline and mandatory filing by foreign investors, among other things, we plan to review how Treasury has implemented or plans to implement changes that impact its role to support the committee.

Office of Technical Assistance Programs (In Progress)

We plan to assess Treasury's OTA 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 OTA's processes for selecting foreign governments and foreign central banks for assistance under OTA's five core development programs and for selecting technical experts. We plan to assess OTA's selection of technical experts and its monitoring of program projects in future engagements.

Survey of Multilateral Development Banks

We plan to gain an understanding of Treasury's process for pursuing U.S. policy objectives through the multilateral development banks. As part of this project, we plan to assess Treasury's participation, role, and risk exposure associated with multilateral development banks.

CDFI Fund's Monitoring of New Market Tax Credit Allocations

We plan to assess the CDFI Fund's monitoring of the NMTC allocations and proceeds to make Qualified Low Income Community Investments and designated Qualified Equity Investments in accordance with the NMTC Allocation Agreements and applicable regulations, policies, and procedures.

Projects Under Consideration for Future Fiscal Years

Implementation of the Social Impact Partnerships to Pay for Results Act

We plan to assess Treasury's activities in carrying out its responsibilities under SIPPRA to implement and administer a new grant program intended to provide measurable social benefit. We will review activities to issue SIPPRA regulations and publish request for grant proposals within established deadlines. Our assessment will also include Treasury's consultative activities with the newly created Interagency Council and the Commission.

Payments to States for Low-Income Housing in Lieu of Low-Income Housing Credits-1602 Program

We plan to evaluate Treasury's ongoing administration and compliance monitoring of the Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits Program.

Payments in Lieu of Tax Credits for Specified Energy Properties-1603 Program

We plan to evaluate Treasury's ongoing administration and compliance monitoring of the Payments in Lieu of Tax Credits for Specified Energy Properties Program.

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 used to improve impoverished nations.

Treasury's Monitoring of Government Sponsored Enterprises

We plan to evaluate Treasury's continued monitoring of its investment in the GSEs and the overall housing finance markets.

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 CDFI Fund processes to (1) review whether funds were awarded properly and timely to eligible recipients and (2) determine awardee compliance with program requirements, including leveraging award dollars intended to provide a dedicated source of funding.

CDFI Fund Recertification Process

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

Treasury's International Capital Reporting System

The Treasury International Capital Reporting System provides the U.S. Government data on capital flows into and out of the United States, excluding direct investment, and the resulting cross-border claims and liabilities. Information is collected from commercial banks and other depository institutions, bank holding companies, securities brokers and dealers, custodians of securities, and nonbanking enterprises in the United States, including the U.S. branches, agencies, and subsidiaries of foreign-based banks and business enterprises.

We plan to assess the Treasury International Capital Reporting System data for reliability and completeness; review the process for accumulating data in the system for compliance with applicable laws, regulations, policies, and procedures; and determine whether controls are in place to safeguard financial data and any sensitive information.

CDFI Fund Bond Guarantee Program

We plan to assess CDFI Fund program activities to administer the CDFI Bond Guarantee Program under the Small Business Jobs Act of 2010.

Foreign Credit Reporting System

The Foreign Credit Reporting System is designed to collect and report the financial exposure of Federal agencies with financial products that have created foreign indebtedness to or carry contingent liabilities of the U.S. Government.

Data is also made available for use by other international organizations to assist with their international development and debt relief functions.

We plan to assess Treasury's Foreign Credit Reporting System, including whether the reporting of debts and payments by foreign governments is accurate and complete.

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

The Middle East and North Africa Transition Fund (Transition Fund) is 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 Transition Fund provides small grants to help countries put in place economic policies and government reforms that will allow them 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.

We plan to gain an understanding of Treasury's role in the Transition Fund and to identify the risks to Treasury's investment.

Transfer of Funds Under the Foreign Assistance Act of 1961

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

We plan to assess whether Treasury administered funds transferred from the USAID in accordance with applicable laws and regulations.

CDFI 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 process for awarding grants and the effectiveness of internal control over grant awards to ensure recipients' compliance with award agreements.

Bank Enterprise Awards

We plan to assess CDFI Fund processes for approving 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 process for measuring the Bank Enterprise Award program's performance outcomes to ensure that the program objectives are achieved. We also plan to assess whether CDFI Fund management took corrective action responsive to recommendations made in our audit, *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).

Treasury Monitoring of the Housing Finance Agency Initiative's Performance

We plan to assess Treasury's monitoring of housing finance market indicators to evaluate the health of the housing finance agencies participating in the Housing Finance Agencies Initiative. We will also 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, May 30, 2013).

CDFI Fund Tracking of Awardees Across Multiple Assistance Programs

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

CDFI Fund's Grant Closeout

We plan to evaluate CDFI Fund's activities for the closeout of grants in compliance with OMB's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

Reviews of Single Audits

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

Treaties and International Agreements

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

Debt Relief Programs

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

Exchange Stabilization Fund Investment Portfolio

We plan to (1) gain an understanding of the policy for ESF's investments in securities and foreign currency denominated assets and the factors considered in implementing the investment policy and (2) determine whether ESF complied with the investment policy on its purchase, management, and sales of investments and foreign currency denominated assets.

Survey of Treasury Participation in the International Monetary Fund

We plan to gain an understanding of Treasury's role for promoting U.S. policy related to the IMF to identify potential risks for the U.S. financial system.

Gulf Coast Restoration

Background

The Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) established the Gulf Coast Restoration Trust Fund (Trust Fund) within Treasury to provide funds for the 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 comprise 80 percent of all civil and administrative penalties paid after July 6, 2012, under the Clean Water Act (amendment to the Federal Water Pollution Control Act). As a result of separate settlement agreements reached between the U.S. Department of Justice and Anadarko Petroleum Corporation, the Transocean defendants (Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC., and Triton Asset Leasing GmbH), and BP Exploration and Production Inc., approximately $5.3 billion has been designated for the Trust Fund. BP Exploration and Production Inc. settlement funds will be deposited into the Trust Fund over a 15-year period. As of April 2019, the Trust Fund had received approximately $1.7 billion and obligated more than $607 million through grants and administrative transfers.

The RESTORE Act also established the Gulf Coast Ecosystem Restoration Council (Council), an independent entity within the Federal Government that includes as members 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 under which the Coast Guard reports (currently the Secretary of DHS); the Secretary of the Army; and the Administrator of the Environmental Protection Agency (EPA). The EPA Administrator is the current RESTORE Council chair.

The RESTORE Act allocates money in the Trust Fund to five components:

- 35 percent to the Gulf Coast States in equal shares under the Direct Component (administered by Treasury);
- 30 percent, plus 50 percent of interest earned on the Trust Fund, for grants under the Council-Selected Restoration Component (administered by the Council);

- 30 percent for grants under the Spill Impact Component (administered by the Council);
- 2.5 percent, plus 25 percent of interest earned on the Trust Fund, to the Centers of Excellence Research Grants Program Component (administered by Treasury); and
- 2.5 percent, plus 25 percent of interest earned on the Trust Fund, to the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program) Component (administered by the National Oceanic and Atmospheric Administration).

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 it either repays the Trust Fund or substitutes an ineligible activity with an eligible activity.

The RESTORE Act also 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 grant applications or statements; (2) failure by grantees or contractors to deliver on promised goods or services; (3) misuse or mismanagement of the Trust Fund, 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 2020 Projects

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

An independent certified public accounting firm, working under a contract supervised by our office, will complete audit work for the Council's FY 2019 financial statements and begin audit work for the FY 2020 financial statements. These audits will determine whether the financial statements are fairly presented in all material respects and will report on internal control over financial reporting and compliance with laws and regulations that could have a direct and material effect on the financial statements.

FISMA Evaluation–Gulf Coast Ecosystem Restoration Council Information Systems Security Program and Practices (Mandated) (In Progress)

An independent certified public accounting firm, under a contract supervised by Treasury OIG, will assess the effectiveness of the Council's information system security program and practices and compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines. As part of its evaluation, the contractor will follow up on the progress in resolving previously reported FISMA weaknesses. During FY 2020, evaluation work will be completed for FY 2019 and work will begin for the FY 2020 evaluation.

Gulf Coast Ecosystem Restoration Council's Charge Card and Convenience Check Risk Assessment (Mandated)

We plan to assess the Council's charge card and convenience check program to identify and analyze risks of illegal, improper, or erroneous purchases, travel charges, or payments. The results of our assessment will help us determine the scope, frequency, and number of periodic audits of transactions made with charge cards and convenience checks.

Gulf Coast Ecosystem Restoration Council's Compliance With Improper Payments Elimination and Recovery Act of 2010 (Mandated)

We plan to determine whether the Council complied with IPERA, as amended, for FY 2019.

Gulf Coast Ecosystem Restoration Council's Progress in Implementing Charge Card Recommendations (Mandated)

We plan to report to OMB on the Council's progress in implementing audit recommendations resulting from audits and risk assessments of the Council's charge card and convenience check programs.

DATA Act Quality Reporting Audit of Gulf Coast Ecosystem Restoration Council–Phase II (Mandated) (In Progress)

We plan to assess the (1) completeness, timeliness, quality, and accuracy of the FY 2019, first quarter financial and award data submitted by the Council for publication on USASpending.gov, and (2) the Council's implementation and use of government-wide financial data standards established by OMB and Treasury.

Audit of Jefferson Parish, Louisiana's Internal Control Over the Administration of Federal Awards (In Progress)

We plan to assess Jefferson Parish, Louisiana's internal controls over the administration of Federal awards in accordance with Federal laws, regulations, and Treasury's application requirements.

Treasury's Administration of Direct Component Pre-Award Phase (In Progress)

We plan to assess Treasury's administration of the pre-award phase of the Direct Component awards to ensure compliance with the RESTORE Act, applicable regulations, and Treasury policies and procedures.

Gulf Coast Ecosystem Restoration Council's Implementation of Grants Management System

We plan to determine whether the Council followed sound project management principles in carrying out implementation of a new grants management system to administer Federal awards, including timely execution of contract responsibilities, policy development, and training on the new grants system.

Projects Under Consideration for Future Fiscal Years

DATA Act Quality Reporting Audit of Gulf Coast Ecosystem Restoration Council–Phase III (Mandated)

We plan to assess the (1) completeness, timeliness, quality, and accuracy of financial and award data submitted by the Council for publication on USASpending.gov, and (2) Council's implementation and use of government-wide financial data standards established by OMB and Treasury. Work will begin FY 2021 to meet the FY 2022 mandated due date.

Louisiana's Coastal Protection and Restoration Authority's Compliance With RESTORE Act Awards

We plan to assess whether the Louisiana Coastal Protection and Restoration Authority used awarded RESTORE Act funds in compliance with the RESTORE Act, applicable Federal statutes and regulations, and award agreements.

Gulf Coast Ecosystem Restoration Council's Administration of Council–Selected Restoration Component Interagency Agreements

We plan to assess the Council's internal control and oversight of interagency agreements (IAA) with Federal Council partners for Council-Selected Restoration Component awards to ensure compliance with the RESTORE Act, applicable regulations, and the Council policies and procedures.

Grantee Compliance With RESTORE Act Land Purchase Requirements

We plan to determine whether grant recipients complied with land purchase requirements stipulated in the RESTORE Act and grant agreements.

Gulf Coast Ecosystem Restoration Council's Administration of Spill Impact Component Pre-Award Phase

We plan to assess the Council's administration of the pre-award phase of the Spill Impact Component awards to ensure compliance with the RESTORE Act, applicable regulations, and the Council policies and procedures.

Gulf Coast Ecosystem Restoration Council's Compliance Enterprise Risk Management Requirements

We plan to determine whether the Council has implemented and maintained an ERM framework in accordance with requirements of OMB Circular No. A-123.

Treasury's Administration of Direct Component Post Award Phase

We plan to assess Treasury's administration of the post award phase of the Direct Component awards to ensure compliance with the RESTORE Act, applicable regulations, and Treasury policies and procedures.

The Water Institute of the Gulf's Compliance with Centers of Excellence Research Grants Program Sub-award Requirements

We plan to assess whether the Water Institute of the Gulf used RESTORE Act award funds in compliance with applicable Federal statutes, regulations, and award agreements with the Louisiana Coastal Protection and Restoration Authority.

Gulf Coast Ecosystem Restoration Council's Management and Oversight of Interagency Agreements for Administrative Services

We plan to determine whether the Council properly executes, monitors, and manages IAAs. Specifically, we will determine if the Council has internal controls in place to ensure IAAs meet the requirements of applicable laws, regulations, and policies and procedures, and if the Council properly manages the financial and performance aspects of its IAAs.

Gulf Coast Ecosystem Restoration Council's Administration of Council-Selected Restoration Component Pre-Award Phase

We plan to assess the Council's administration of the pre-award phase of the Council-Selected Restoration Components awards to ensure compliance with the RESTORE Act, applicable regulations, and the Council policies and procedures.

Gulf Coast Ecosystem Restoration Council's Administration of Council-Selected Restoration Component Award to Department of Interior's Bureau of Indian Affairs

We plan to assess the Council's administration of the Council-Selected Restoration Component award to the Bureau of Indian Affairs for compliance with the RESTORE Act, applicable Federal statutes, regulations, and its IAA.

Treasury's Administration of Centers of Excellence Research Grants Program Pre-Award Phase

We plan to assess Treasury's administration of the pre-award phase of the Centers of Excellence Research Grants Program awards to ensure compliance with the RESTORE Act, applicable regulations, and Treasury policies and procedures.

Gulf Coast Ecosystem Restoration Council's Administration of Council-Selected Restoration Component Post Award Phase

We plan to assess the Council's administration of the post award phase of the Council-Selected Restoration Component awards to ensure compliance with the RESTORE Act, applicable regulations, and Council policies and procedures.

Gulf Coast Ecosystem Restoration Council's Administration of Spill Impact Component Post Award Phase

We plan to assess the Council's administration of the post award phase for the Spill Impact Component awards to ensure compliance with the RESTORE Act, applicable regulations, and Council policies and procedures.

Treasury's Administration of Centers of Excellence Research Grants Program Post Award Phase

We plan to assess Treasury's administration of the post award phase for the Centers of Excellence Research Grants Program awards to ensure compliance with the RESTORE Act, applicable regulations, and Treasury policies and procedures.

Gulf Coast State Entities' Internal Control Over Centers of Excellence Research Grants Programs

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

Sub-recipient Monitoring by Gulf Coast States and Local Governments

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

Compliance Audits of RESTORE Act Grant Recipients

We plan to assess whether selected grant recipients have used awarded RESTORE Act funds in compliance with the RESTORE Act, applicable Federal statutes and regulations, and award agreements.

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

We plan to assess the Council's evaluation and selection of projects and programs under the Spill Impact Component in accordance with the RESTORE Act, federal laws and regulations, and Council policies and procedures.

Gulf Coast Ecosystem Restoration Council's Travel and Conference Expenditures

We plan to determine whether the Council expends travel and conference funds in accordance with the Federal Travel Regulation and the Council's policies and procedures.

Texas OneGulf Compliance with Centers of Excellence Research Grants Program Sub-award Requirements

We plan to assess whether Texas OneGulf used RESTORE Act award funds in compliance with applicable Federal statutes, regulations, and award agreements with the Texas Commission on Environmental Quality.

Mississippi Based RESTORE Act Center of Excellence Compliance with Centers of Excellence Research Grants Program Sub-award Requirements

We plan to determine whether the Mississippi Based RESTORE Act Centers of Excellence used RESTORE Act award funds in compliance with applicable Federal statutes, regulations, and award agreements with the Mississippi Department of Environmental Quality.

Corrective Action Verification–Gulf Coast Ecosystem Restoration Council's Records Management System Needs Improvement

We plan to determine whether the Council took corrective action in response to the recommendation in our report *RESTORE Act: The Gulf Coast Ecosystem Restoration Council's Records Management System Needs Improvement* (OIG-16-051, July 27, 2016).

Gulf Coast Ecosystem Restoration Council's 5-year Update of Comprehensive Plan

We plan to determine 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 RESTORE Act Grants

We plan to perform quality control reviews to determine whether audits obtained by RESTORE Act program 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.

Small Business Lending Fund Program

The Small Business Jobs Act of 2010 established the SBLF Program within Treasury to provide capital to community banks and community development loan funds (CDLF) so that those financial institutions can increase small-business lending. The Act also created within Treasury OIG the Office of SBLF Program Oversight, which operates under the direction of the Special Deputy Inspector General for Small Business Lending Fund Oversight/Assistant Inspector General for Audit (who reports directly to the Inspector General). Treasury 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.

For banks, the SBLF Program was 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 rate, regardless of small business lending levels. Generally, the SBLF Program was open only to financial institutions with aggregate assets less than $10 billion. Under the SBLF Program, financial 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 United States. As of March 2019, Treasury reported that 282 of 332 financial institutions with aggregate investments of $3.81 billion had fully redeemed their securities and exited the program. Additionally, all SBLF participants had increased their small business lending by $19.1 billion. Financial institutions have a 10-year window for redeeming their securities.

Under the terms of the authorizing legislation, the SBLF funds were intended to stimulate lending to small businesses, but participating financial institutions have no obligation to increase their small business lending activity or report how they used Treasury 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 effect of SBLF funds on small business lending cannot be isolated from other factors. Although the direct effect of the SBLF Program is not measurable, Treasury evaluates program outcomes based on gains in small business lending reported quarterly by participants using the calculation method prescribed by the Act.

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

It should also be noted that some financial institutions may be unable to redeem their SBLF securities and cannot exit the program. Dividend and interest rates automatically rose to 9 percent for C corporations and 13.8 percent for S corporations and mutual institutions in the program for 4.5 years, which occurred in early 2016. Interest rates for CDLFs rose to 9 percent after 8 years in the program, which occurred in early 2019. These rate increases have already prompted some financial institutions to redeem their securities; however, Treasury will need to prepare for the possibility that some financial institutions may be unable to redeem or pay the higher dividend rate.

In Progress and Planned FY 2020 Projects

SBLF Asset Management and Consultant Fees (In Progress)

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

Impact of Dividend and Interest Rate Increases (In Progress)

We plan to evaluate the impact of the mandatory dividend and interest rate increases on banks, including determining how many financial institutions have redeemed their securities in accordance with their security purchase agreements and whether Treasury is collecting the additional interest and dividends from financial institutions remaining in the program in accordance with Treasury policy.

Effect of Dividend and Interest Rate Increases on CDLFs

We plan to evaluate the effect of the mandatory dividend and interest rate increases on CDLFs, including determining how many institutions have redeemed their securities in accordance with their security purchase agreements and whether Treasury is collecting additional interest and dividends from financial institutions remaining in the program in accordance with Treasury policy.

Project Under Consideration for Future Fiscal Years

The SBLF Program Exit Process

We plan to assess Treasury's strategy for winding down the SBLF Program, including plans for financial institutions that have not exited the program within their respective 10-year security redemption date.

Appendix A: Office of Audit FY 2020 Resource Allocation

The following table shows our OIG projects for FY 2020, by priority area.

Audit Priority	Projects
Audit projects mandated by law	47
Work requested by Treasury management, Congress or other external sources	7
Self-directed work in Treasury's highest-risk areas	78
Total	132

The following table shows our planned OIG staff resource allocation for FY 2020, by priority area.

Audit Priority	Percentage of Planned Audit Resources
Audit products mandated by law	30
Work requested by Treasury management, Congress or other external sources	2
Self-directed work in Treasury's highest-risk areas	68
Total	100

Appendix A: Office of Audit FY 2020 Resource Allocation

The following table shows our planned Treasury OIG audit staff resource allocation for FY 2020, by OIG issue area.

OIG Issue Area	Percentage of Planned Audit Resources
Treasury General Management and Infrastructure Support:	
Financial Management	10
Cybersecurity/Information Technology	6
Resource Management	9
Procurement	5
Anti-Money Laundering/Terrorist Financing and Foreign Assets Control	12
Government-wide Financial Services and Debt Management	17
Financial Regulation and Oversight	10
Alcohol and Tobacco Revenue Collection and Industry Regulation	9
Bill and Coin Manufacturing	9
Domestic and International Assistance Programs	3
Gulf Coast Restoration	8
Small Business Lending Fund Program	2
Total	100

Appendix A: Office of Audit FY 2020 Resource Allocation

The following table shows our planned Treasury OIG audit staff allocation for FY 2020, 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	3
Office of the Assistant Secretary for Management and Chief Financial Officer	29
Small Business Lending Fund	2
Community Development Financial Institutions Fund	2
Office of the Chief Information Officer	1
Office of Terrorism and Financial Intelligence	11
Other Departmental Offices	2
Treasury Bureaus	
Office of the Comptroller of the Currency	8
Bureau of the Fiscal Service	17
Financial Crimes Enforcement Network	1
U.S. Mint	6
Bureau of Engraving and Printing	8
Alcohol and Tobacco Tax and Trade Bureau	2
Other Federal and State Entities	
Gulf Coast	8
Total	100

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Appendix B: Index of In Progress and Planned FY 2020 Audits, by Bureau/Office

Treasury Departmental Offices

Appendix B: Index of In Progress and Planned FY 2019 Audits, by Bureau/Office

Appendix B: Index of In Progress and Planned FY 2019 Audits, by Bureau/Office

Multi-Bureau

Office of the Comptroller of the Currency

Bureau of the Fiscal Service

Appendix B: Index of In Progress and Planned FY 2019 Audits, by Bureau/Office

Appendix B: Index of In Progress and Planned FY 2019 Audits, by Bureau/Office

Alcohol and Tobacco Tax and Trade Bureau

Other Federal and State Entities

Appendix B: Index of In Progress and Planned FY 2019 Audits, by Bureau/Office

Abbreviations

ARC	Administrative Resource Center
BEP	Bureau of Engraving and Printing
Board	Board of Governors of the Federal Reserve System
BSA	Bank Secrecy Act
CAATSA	Countering America's Adversaries Through Sanctions Act
CBMTRA	Craft Beverage Modernization and Tax Reform Act of 2017
CBP	Customs and Border Protection
CDD	Customer Due Diligence
CDE	Community Development Entity
CDFI	Community Development Financial Institutions
CDLF	Community Development Loan Fund
CDM	Continuous Diagnostics and Mitigation
CFIUS	Committee on Foreign Investment in the United States
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
CHIPRA	Children's Health Insurance Program Reauthorization Act of 2009
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	Chief Information Officer
CISA	Cybersecurity Information Sharing Act of 2015
Commission	Commission on Social Impact Partnerships
COOP	continuity of operations plans
Council	Gulf Coast Ecosystem Restoration Council
CTAS	Centralized Treasury Administrative Services
CUI	Controlled Unclassified Information
DATA Act	Digital Accountability and Transparency Act of 2014

Abbreviations

DCF	BEP production facility in Washington, DC
DCIA	Debt Collection Improvement Act of 1996
DHS	Department of Homeland Security
DIF	Deposit Insurance Fund
DNI	Director of National Intelligence
DoD	Department of Defense
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act
DTAR	Department of the Treasury Acquisition Regulation
EO	Executive Order
ERM	Enterprise Risk Management
ESF	Exchange Stabilization Fund
Fannie Mae	Federal National Mortgage Association
FAR	Federal Acquisition Regulation
FFB	Federal Financing Bank
FinCEN	Financial Crimes Enforcement Network
Fiscal Service	Bureau of the Fiscal Service
FISMA	Federal Information Security Modernization Act of 2014
FITARA	Federal Information Technology Acquisition Reform Act
FIU	Financial Intelligence Unit
FMS	Financial Management Service
FOIA	Freedom of Information Act
Freddie Mac	Federal Home Loan Mortgage Corporation
FSOC	Financial Stability Oversight Council
FY	fiscal year
GAO	Government Accountability Office
GPRA	Government Performance and Results Act

Abbreviations

GSA	General Services Administration
GSE	Government Sponsored Entities
GTO	Geographic Targeting Orders
HERA	Housing and Economic Recovery Act of 2008
HR	human resources
IAA	interagency agreement
IC	Intelligence Community
IC PKI	intelligence community public key infrastructure
IGT	Intra-governmental Transactions
IMF	International Monetary Fund
Interagency Council	Interagency Council on Social Impact Partnerships
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPP	Invoice Processing Platform
IRS	Internal Revenue Service
ISIL	Islamic State of Iraq and the Levant
ISIS	Islamic State of Iraq and Syria
IT	information technology
Mint	U.S. Mint
NMTC	New Markets Tax Credit Program
OBT	Office of Budget and Travel
OCC	Office of the Comptroller of the Currency
OCP	Office of Consumer Policy
OFAC	Office of Foreign Assets Control
OFR	Office of Financial Research
OIA	Office of Intelligence and Analysis

Abbreviations

OIG	Office of Inspector General
OIR	Operation Inherent Resolve
OMB	Office of Management and Budget
OPM	Office of Personnel Management
ORM	Office of Risk Management
OTA	Office of Technical Assistance
OTP	Office of Tax Policy
P.L.	Public Law
PMIAA	Program Management Improvement Accountability Act
PPMI	Post Payment Modernization Initiative
PPS	Post Payment System
QSMOs	Quality Services Management Offices
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
RSS	Retail Securities Services
SAR	Suspicious Activity Report
SBLF	Small Business Lending Fund
SIPPRA	Social Impact Partnerships to Pay for Results Act of 2018
SSP	Treasury Franchise Fund Shared Services Programs
TBM	Technology Business Management
TEOAF	Treasury Executive Office for Asset Forfeiture
TFF	Treasury Forfeiture Fund
TFI	Office of Terrorism and Financial Intelligence
TIGTA	Treasury Inspector General for Tax Administration
TMA	Treasury Managed Accounts
TOP	Treasury Offset Program

Abbreviations

TOR	terms of removal
Transition Fund	Middle East and North Africa Transition Fund
Treasury or the Department	Department of the Treasury
Trust Fund	Gulf Coast Restoration Trust Fund
TTB	Alcohol and Tobacco Tax and Trade Bureau
USAID	U.S. Agency for International Development
WCF	BEP production facility in Fort Worth, Texas