

## Mission Statement

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the U.S. government's finances and resources effectively.

## Executive Summary FY 2017 President's Budget by Function

Dollars in Thousands

|   | FY 2015<br>Enacted  | FY 2016<br>Enacted  | FY 2017<br>Request  | FY 2016 to FY 2017    |                   |
|---|---------------------|---------------------|---------------------|-----------------------|-------------------|
|   |                     |                     |                     | Increase/<br>Decrease | Percent<br>Change |
| <b>Management &amp; Financial</b>   | \$1,343,704         | \$1,404,653         | \$1,520,463         | \$115,810             | 8.2%              |
| Departmental Offices Salaries and Expenses  | \$210,000           | \$222,500           | \$217,376           | (\$5,124)             | -2.3%             |
| Terrorism and Financial Intelligence (TFI)  | \$112,500           | \$117,000           | \$117,000           | \$0                   | 0.0%              |
| <b>Departmental Offices Salaries and Expenses</b>   | <b>\$322,500</b>    | <b>\$339,500</b>    | <b>\$334,376</b>    | <b>(\$5,124)</b>      | <b>-1.5%</b>      |
| Cybersecurity Enhancement   | \$0                 | \$0                 | \$109,827           | \$109,827             | 100.0%            |
| Department-wide Systems and Capital Investments Program                                   | \$2,725             | \$5,000             | \$5,000             | \$0                   | 0.0%              |
| Office of Inspector General   | \$35,351            | \$35,416            | \$37,044            | \$1,628               | 4.6%              |
| Treasury IG for Tax Administration  | \$158,210           | \$167,275           | \$169,634           | \$2,359               | 1.4%              |
| Special Inspector General for TARP  | \$34,234            | \$40,671            | \$41,160            | \$489                 | 1.2%              |
| Community Development Financial Institutions Fund   | \$230,500           | \$233,523           | \$245,923           | \$12,400              | 5.3%              |
| Financial Crimes Enforcement Network  | \$112,000           | \$112,979           | \$115,003           | \$2,024               | 1.8%              |
| Alcohol and Tobacco Tax and Trade Bureau  | \$100,000           | \$106,439           | \$111,439           | \$5,000               | 4.7%              |
| <i>Program Cap Adjustment Included in IRS</i>   | \$0                 | \$0                 | (\$5,000)           | (\$5,000)             | NA                |
| <b>Net, Alcohol and Tobacco Tax and Trade</b>   | <b>\$100,000</b>    | <b>\$106,439</b>    | <b>\$106,439</b>    | <b>\$0</b>            | <b>0.0%</b>       |
| Bureau of the Fiscal Service  | \$348,184           | \$363,850           | \$353,057           | (\$10,793)            | -3.0%             |
| Treasury Franchise Fund   | \$0                 | \$0                 | \$3,000             | \$3,000               | 100.0%            |
| <b>Tax Administration</b>   | <b>\$10,945,000</b> | <b>\$11,235,000</b> | <b>\$12,280,095</b> | <b>\$1,045,095</b>    | <b>9.3%</b>       |
| IRS Taxpayer Services   | \$2,156,554         | \$2,156,554         | \$2,406,318         | \$249,764             | 11.6%             |
| IRS Enforcement   | \$4,860,000         | \$4,860,000         | \$5,216,263         | \$356,263             | 7.3%              |
| IRS Operations Support  | \$3,638,446         | \$3,638,446         | \$4,314,099         | \$675,653             | 18.6%             |
| IRS Business Systems Modernization  | \$290,000           | \$290,000           | \$343,415           | \$53,415              | 18.4%             |
| IRS Administrative Provisions <sup>2</sup>  | \$0                 | \$290,000           | \$0                 | (\$290,000)           | -100.0%           |
| <i>Less, IRS Cap Adjustment</i>   | \$0                 | \$0                 | \$514,748           | \$514,748             | NA                |
| <b>IRS Total, Excluding Cap Adjustment</b>  | <b>\$10,945,000</b> | <b>\$11,235,000</b> | <b>\$11,765,347</b> | <b>\$530,347</b>      | <b>4.7%</b>       |
| <b>Subtotal, Treasury Appropriations Committee excluding Cap Adjustment and TEOAF</b>     | <b>\$12,288,704</b> | <b>\$12,639,653</b> | <b>\$13,285,810</b> | <b>\$646,157</b>      | <b>5.1%</b>       |
| Treasury Forfeiture Fund  | (\$944,000)         | (\$876,000)         | (\$657,000)         | \$219,000             | 25.0%             |
| <b>Subtotal, Treasury Appropriations Committee including TEOAF</b>                        | <b>\$11,344,704</b> | <b>\$11,763,653</b> | <b>\$12,628,810</b> | <b>\$865,157</b>      | <b>7.4%</b>       |
| Cap Adjustment  | \$0                 | \$0                 | \$514,748           | \$514,748             | N/A               |
| <b>Total, Treasury Appropriations Committee including Cap Adjustment and TEOAF</b>        | <b>\$11,344,704</b> | <b>\$11,763,653</b> | <b>\$13,143,558</b> | <b>\$1,379,905</b>    | <b>11.7%</b>      |
| <b>Treasury International Programs</b>  | <b>\$2,454,304</b>  | <b>\$2,313,470</b>  | <b>\$2,318,521</b>  | <b>\$5,051</b>        | <b>0.2%</b>       |
| Economic Growth, National Security and Poverty Reduction (Multilateral Development Banks) | \$1,999,804         | \$1,816,477         | \$1,802,958         | (\$13,519)            | -0.7%             |
| Food Security   | \$30,000            | \$74,930            | \$53,000            | (\$21,930)            | -29.3%            |
| Environmental Trust Funds   | \$401,000           | \$398,563           | \$409,063           | \$10,500              | 2.6%              |
| Global Infrastructure Facility  | \$0                 | \$0                 | \$20,000            | \$20,000              | 100.0%            |
| Office of Technical Assistance (OTA)  | \$23,500            | \$23,500            | \$33,500            | \$10,000              | 42.6%             |
| International Monetary Fund <sup>1</sup>  | \$0                 | \$0                 | \$0                 | \$0                   | NA                |
| <b>Total, Treasury Appropriations</b>   | <b>\$13,799,008</b> | <b>\$14,077,123</b> | <b>\$15,462,079</b> | <b>\$1,384,956</b>    | <b>9.8%</b>       |

1/ Allocated as follows: \$176.8 million Taxpayer Services, \$4.9 million Enforcement, and \$108.2 million Operations Support.

2/ The Consolidated Appropriations Act, 2016 includes IMF quota reform. The reforms will not be funded through Treasury's 150s Account, but rather through emergency funding.

### **Funding Highlights**

The President's Fiscal Year (FY) 2017 Budget provides \$13.3 billion for Treasury's operating accounts and \$2.3 billion for Treasury's international assistance programs in discretionary funding. This includes:

- Helping developing nations reduce carbon pollution, strengthen climate resilience, and pursue smart and sustainable long-term economic growth through a \$250 million contribution to the Green Climate Fund as part of a combined Treasury Department and State Department investment of \$750 million.
- Investing \$11.8 billion in base discretionary resources for the Internal Revenue Service (IRS), an increase of \$530 million (4.7 percent) from FY 2016, to fairly enforce the tax code and improve taxpayer services, including by developing and enhancing online tools for taxpayers.
- Enhancing existing security systems on its internal Department networks and public websites, and supporting public-private cybersecurity coordination with a new \$110 million Department-wide Cybersecurity Enhancement Account.
- Funding the Office of Terrorism and Financial Intelligence with \$117 million to curb terrorist financing, including ISIL financing, and to implement sanctions targeting Iran, North Korea, Syria, and more, as well as \$115 million for the Financial Crimes Enforcement Network.
- Promoting economic development in low-income and underserved communities through a \$12 million increase (5.3 percent) from FY 2016 for the Community Development Financial Institutions Fund for a total of \$246 million.

### **Reforms**

- The Budget proposes a multi-year program integrity cap adjustment for tax enforcement activities, including \$515 million in FY 2017 to reduce the deficit and narrow the tax gap, yielding net taxpayer savings of \$46 billion over the next 10 years.
- It also proposes legislation authorizing and funding new programs to facilitate private investment to renew our Nation's infrastructure, invest in small business job creation, and partner with private industry and local governments to promote stable income and sustainable savings practices for working families.

Treasury's mission is to maintain a strong economy and create economic and job opportunities by promoting conditions that enable growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the federal government's finances. To support this mission, the FY 2017 President's Budget requests \$13.3 billion in discretionary appropriations for Treasury's operating accounts. The Budget also proposes a multi-year program integrity cap adjustment, including \$515 million in FY 2017, for critical IRS tax enforcement

and compliance functions estimated to reduce the deficit by \$46 billion over the 10-year budget window. In addition, the Budget proposes \$2.3 billion for Treasury's International Assistance programs to promote our national security, open new markets for U.S. exporters, drive progress on sustainable development, and address key global challenges such as food security and the environment.

### **Encouraging International Economic Growth and Stability**

The Treasury Department's \$2.3 billion FY 2017 International Assistance programs budget offers a cost effective way to provide U.S. leadership in international development, advance national security, and expand export markets for American businesses by promoting international financial stability and supporting key global initiatives such as reducing poverty, improving food security, investing in infrastructure, and addressing climate change. The Budget fully funds annual payments to the multilateral development banks to maintain U.S. shareholding positions and to provide a source of low-cost loans and grants for the world's poorest countries. Additionally, the Budget includes \$20 million for the World Bank Global Infrastructure Facility, a fund that will catalyze private investment in public infrastructure projects. The Budget also includes a significant increase for Treasury's Office of Technical Assistance (OTA), as the first step toward meeting the Administration's commitment at the Financing for Development conference in July 2015 to double OTA resources by 2020 as part of the U.S. effort to significantly increase funding for domestic resource mobilization.

The Budget includes \$250 million toward the U.S. pledge to the Green Climate Fund, providing a total of \$750 million when combined with \$500 million provided through the Department of State. The request will support climate finance for developing nations, especially the poorest and most vulnerable, as they strengthen climate resilience, invest in clean energy, and implement their commitments to reduce carbon pollution on a pathway towards sustainable economic growth and development. The Budget also includes

\$137 million for the annual replenishment commitment to the Global Environment Facility (GEF) and \$13 million to help Central American countries plus the Dominican Republic purchase catastrophe risk insurance and enhance disaster risk management capacity through the CCRIF Segregated Portfolio Company (formerly known as the Caribbean Catastrophe Risk Insurance Facility).

In addition Budget includes \$53 million for investments to support food security. By harnessing the power of public-private partnerships and encouraging innovative financing mechanisms, donors have committed to funding agricultural investment plans to improve nutritional outcomes in poor countries, with the goal of eliminating world hunger.

### **Fairly Enforcing the Tax Code**

In FY 2016, IRS funding remains \$911 million lower than its FY 2010 level despite an increasing workload resulting in part from new legislative mandates. The FY 2017 Budget provides the IRS with \$11.8 billion in base discretionary resources, an increase of \$530 million (4.7 percent) from FY 2016, restoring the resource levels necessary to maintain the integrity of the tax system, fairly enforce the tax code, and provide adequate levels of taxpayer services. With these investments, the IRS will increase staffing for traditional taxpayer services, bolster defenses against stolen identify refund fraud, and provide assistance to taxpayers who call the IRS for assistance. In addition, the Budget invests in new IT architecture that will enable the IRS to modernize and secure its online services and provides taxpayers with an experience comparable to what they have come to expect from financial institutions.

Additionally, the Budget includes a \$515 million FY 2017 cap adjustment to support program integrity efforts aimed at restoring enforcement of current tax laws to acceptable levels, investigating transnational organized crime, pursuing abusive tax schemes, and enforcing the new Foreign Account Tax Compliance Act (FATCA). The targeted investments funded from the cap adjustment in FY 2017 are expected to generate nearly \$3 billion in annual revenue once fully operationalized in FY 2019, returning roughly \$6 to the government for every dollar invested for these initiatives.

### **Improving the Cybersecurity of Treasury's Networks and Data**

The Budget proposes a new \$110 million Department-wide Cybersecurity Enhancement Account to more strategically focus Treasury's cybersecurity efforts and avoid fragmentation of IT management across bureaus that leads to cost inefficiencies and limits Treasury's ability to nimbly respond in the event of a cyberattack. The IRS is currently partnering with the U.S. Digital Service to bolster electronic authentication procedures for access to all IRS digital services, and in FY 2017 Treasury will expand on this effort by deploying a new Digital Infrastructure Security Team to enhance existing security systems on its internal networks and public websites, thereby safeguarding the data on those systems department-wide.

### **Combating ISIL and Other International Threats**

Treasury's Office of Terrorism and Financial Intelligence (TFI) is responsible for leading the policy, enforcement, regulatory, and intelligence functions of Treasury aimed at identifying and disrupting financial support to international terrorist organizations, proliferators of weapons of mass destruction, narcotics traffickers, and

other illicit actors. This includes efforts to cut off ISIL from the international financial system and to combat the threats we face from Iran and North Korea, among others. The Budget invests \$117 million to support TFI in the Treasury's efforts to combat money laundering and terrorist financing, implement sanctions programs, and manage Treasury's intelligence and other functions in support of U.S. national security policies and interests and law enforcement.

The Budget also provides \$115 million for the Financial Crimes Enforcement Network (FinCEN) to support Treasury's efforts to safeguard the financial system from illicit use, combat money laundering, and promote national security. FinCEN's data analytics and unique authorities under the Bank Secrecy Act are important tools in the U.S. effort to combat ISIL and other threats to national security.

### **Empowering Community Development and Economic Growth**

The Budget includes \$246 million for the Community Development Financial Institutions (CDFI) Fund, a \$12 million increase (5.3 percent) from FY 2016, to promote economic development investments in low-income and underserved communities. The request provides funding for the CDFI Program, the Healthy Food Financing Initiative, the Native American CDFI Assistance Program, and the Bank Enterprise Award Program.

The 2017 Budget also provides funding for a new CDFI small dollar loan program to support broader access to safe and affordable financial products and provide an alternative to predatory lending.

The Budget also extends the CDFI Bond Guarantee program through FY 2017, providing up to \$1 billion of long-term capital to CDFIs that support lending in

underserved communities. The CDFI Bond Guarantee program will continue to operate with no taxpayer funded subsidy.

### **New Mandatory Programs**

The Budget includes a series of mandatory proposals to facilitate private investment to renew our Nation's infrastructure, invest in small business job creation, and partner with private industry and local governments to promote stable income and sustainable savings practices for working families.

### ***Allotment for Puerto Rico EITC Payments***

The Budget proposes a \$600 million annual allotment, indexed to inflation, to create a refundable locally-administered Earned Income Tax Credit (EITC) for residents of Puerto Rico. Unlike Americans living in the 50 states and the District of Columbia, residents of Puerto Rico are not eligible for an EITC. Given Puerto Rico's low labor force participation rate, the existence of an EITC should increase employment in Puerto Rico's formal sector by providing higher incomes to workers who file taxes. This added incentive for participation in Puerto Rico's formal economy should also increase Puerto Rico's tax compliance and tax revenues.

### ***Investing in Infrastructure***

The Budget establishes a new Financing America's Infrastructure Renewal (FAIR) program within Treasury that would provide direct loans to U.S. infrastructure projects developed through public-private partnerships. Eligible projects under the program will encompass the transportation, water, energy, and broadband sectors, as well as certain social infrastructure, such as educational facilities, and must meet all applicable environmental and labor standards. The program is estimated to provide \$15 billion in direct loans over 10 years at no cost to taxpayers.

### ***Supporting Small Businesses***

The Budget includes a new authorization of \$1.5 billion for the State Small Business Credit Initiative (SSBCI) to build on the momentum of the program by strengthening the federal government's relationships with state economic development agencies, and providing capital to America's diverse community of entrepreneurs. Since it was first enacted in 2010, SSBCI has supported over 12,400 private sector loans or investments in small businesses, and helped create or retain over 140,000 jobs as reported by recipient small businesses. The additional \$1.5 billion would be awarded in two allocations: \$1 billion awarded on a competitive basis to states best able to target local market needs, promote inclusion, attract private capital for start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results; and \$500 million awarded by a formula based on economic factors such as job losses and the pace of economic recovery.

### ***Encouraging Projects that Pay for Success***

The Budget includes a \$300 million one-time mandatory appropriation for a new Pay for Success (PFS) program administered by Treasury. This program will support the growing number of state and local governments seeking to establish projects that use PFS financing. These projects leverage private investment to provide preventive social services that measurably improve outcomes for families and communities while generating value to the government, including savings. The PFS Incentive Fund will help to strengthen the ability of state and local governments to achieve measurable impact for people and communities. In addition, by providing centralized support and expertise for PFS at Treasury, the Incentive Fund will encourage

the evolution of this nascent field into a more robust and sustainable public and private market.

***Financial Innovation for Working Families Fund***

The Budget includes a \$100 million mandatory fund for Treasury to encourage the development of innovative private-sector financial products and services that would help low- to moderate-income workers build up “rainy day” reserves. The reserves would provide these workers and their families with a buffer against shocks to income and spending needs.

**FY 2017 President's Budget by Strategic Goal**

Dollars in Thousands

| Treasury Goal/Objective                                 | Promote domestic economic growth and stability while continuing reforms of the financial system |                     | Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth |                  | Fairly and effectively reform and modernize federal financial management, accounting, and tax systems |                   | Safeguard the financial system and use financial measures to counter national security threats |                   | Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction |                 | Total                |                      |
|---|---|---------------------|--|------------------|---|-------------------|--|-------------------|--|-----------------|----------------------|----------------------|
|   | Direct \$   | Reimb. \$           | Direct \$  | Reimb. \$        | Direct \$   | Reimb. \$         | Direct \$  | Reimb. \$         | Direct \$  | Reimb. \$       | Direct \$            | Reimb. \$            |
| Management & Financial                                  | \$ 492,016  | \$ 27,676           | \$ 86,277  | \$ 20,667        | \$ 619,258  | \$ 279,461        | \$ 254,171   | \$ 57,449         | \$ 68,741  | \$ 6,537        | \$ 1,520,463         | \$ 391,790           |
| Departmental Offices Salaries and Expenses              | 68,530  | 14,878              | 86,277   | 20,667           | 46,347  | 13,561            | 115,573  | 47,249            | 17,649   | 6,537           | 334,376              | 102,882              |
| Cybersecurity Enhancement                               |   |                     | 62,084   |                  |   |                   | 1,651  |                   | 46,092   |                 | 109,827              | -                    |
| Department-wide Systems and Capital Investments Program |   |                     |  |                  |   |                   |  |                   |  |                 |                      |                      |
| Office of Inspector General                             |   |                     | 15,100   |                  | 189,634   | 1,800             | 21,944   | 8,700             | 5,000  |                 | 37,044               | 10,500               |
| Treasury Inspector General for Tax Administration       |   |                     |  |                  |   |                   |  |                   |  |                 |                      |                      |
| Special Inspector General for TARP                      | 41,160  |                     |  |                  |   |                   |  |                   |  |                 |                      |                      |
| Community Development Financial Institutions Fund       | 245,923   |                     |  |                  |   |                   |  |                   |  |                 |                      |                      |
| Financial Crimes Enforcement Network                    |   |                     |  |                  |   |                   | 115,003  | 1,500             |  |                 | 245,923              | -                    |
| Alcohol and Tobacco Tax and Trade Bureau                | 52,879  | 3,318               | 53,560   |                  | 269,533   | 259,006           |  |                   |  |                 | 106,439              | 6,912                |
| Bureau of the Fiscal Service                            | 83,524  | 9,480               | 3,000  |                  |   |                   |  |                   |  |                 | 353,057              | 268,486              |
| Treasury Franchise Fund                                 |   |                     |  |                  |   |                   |  |                   |  |                 | 3,000                | -                    |
| Tax Administration                                      |   |                     |  |                  |   |                   |  |                   |  |                 |                      |                      |
| IRS Taxpayer Services                                   |   |                     | 2,406,318  |                  | 2,406,318   | 36,465            |  |                   |  |                 | 2,406,318            | 36,465               |
| IRS Enforcement   |   |                     | 5,216,263  |                  | 5,216,263   | 47,222            |  |                   |  |                 | 5,216,263            | 47,222               |
| IRS Operations Support                                  |   |                     | 4,314,099  |                  | 4,314,099   | 56,999            |  |                   |  |                 | 4,314,099            | 56,999               |
| Business Systems Modernization                          |   |                     | 343,415  |                  | 343,415   |                   |  |                   |  |                 | 343,415              | -                    |
| <b>Total, Treasury Appropriations Committee</b>         | <b>\$ 492,016</b>   | <b>\$ 27,676</b>    | <b>\$ 86,277</b>   | <b>\$ 20,667</b> | <b>\$ 12,899,353</b>  | <b>\$ 420,147</b> | <b>\$ 254,171</b>  | <b>\$ 57,449</b>  | <b>\$ 68,741</b>   | <b>\$ 6,537</b> | <b>\$ 13,800,558</b> | <b>\$ 532,476</b>    |
| Treasury International Programs                         |   |                     | 2,318,521  |                  |   |                   |  |                   |  |                 | 2,318,521            | -                    |
| <b>Total, Appropriated Level</b>                        | <b>\$ 492,016</b>   | <b>\$ 27,676</b>    | <b>\$ 2,404,798</b>  | <b>\$ 20,667</b> | <b>\$ 12,899,353</b>  | <b>\$ 420,147</b> | <b>\$ 254,171</b>  | <b>\$ 57,449</b>  | <b>\$ 68,741</b>   | <b>\$ 6,537</b> | <b>\$ 16,119,079</b> | <b>\$ 532,476</b>    |
| <b>Non-Appropriated Bureaus</b>                         | <b>\$ 147,162</b>   | <b>\$ 5,059,334</b> |  |                  |   |                   |  |                   |  |                 | <b>\$ 150,162</b>    | <b>\$ 5,081,297</b>  |
| Office of Financial Stability (Administrative Account)  | 127,430   |                     |  |                  |   |                   |  |                   |  |                 | 127,430              | -                    |
| Small Business Lending Fund Program (Administrative)    | 13,405  |                     |  |                  |   |                   |  |                   |  |                 | 13,405               | -                    |
| State Small Business Credit Initiative (Administrative) | 6,327   |                     |  |                  |   |                   |  |                   |  |                 | 6,327                | -                    |
| Terrorism Risk Insurance (Administrative)               |   | 18,019              |  |                  |   |                   |  |                   |  |                 |                      | 18,019               |
| Financial Stability Oversight Council                   |   | 104,770             |  |                  |   |                   |  |                   |  |                 |                      | 104,770              |
| Office of Financial Research                            |   | 846,335             |  |                  |   |                   |  |                   |  |                 |                      | 846,335              |
| Bureau of Engraving and Printing                        |   | 2,956,207           |  |                  |   |                   |  |                   |  |                 |                      | 2,956,207            |
| United States Mint                                      |   | 1,134,003           |  |                  |   |                   |  |                   |  |                 |                      | 1,134,003            |
| Office of the Comptroller of the Currency               |   |                     |  |                  |   |                   |  | 21,963            |  |                 |                      |                      |
| <b>Subtotal, Direct \$</b>                              | <b>\$ 639,178</b>   |                     | <b>\$ 2,404,798</b>  |                  | <b>\$ 12,899,353</b>  | <b>\$ 420,147</b> | <b>\$ 257,171</b>  | <b>\$ 79,412</b>  | <b>\$ 68,741</b>   | <b>\$ 6,537</b> | <b>\$ 16,269,241</b> | <b>\$ 5,613,773</b>  |
| <b>Subtotal, Reimbursable \$</b>                        |   | <b>\$ 5,087,010</b> |  | <b>\$ 20,667</b> |   | <b>\$ 420,147</b> |  | <b>\$ 336,583</b> |  |                 |                      | <b>\$ 21,883,014</b> |
| <b>Total, Treasury Level</b>                            | <b>\$ 5726,188</b>  |                     | <b>\$ 2,425,465</b>  |                  | <b>\$ 13,319,500</b>  |                   | <b>\$ 75,278</b>   |                   |  |                 |                      |                      |

1/ Total does not include the proposed \$657 million Forfeiture Fund permanent cancellation.

## Fiscal Year Comparison of Full-Time Equivalent (FTE) Staffing (Direct and Reimbursable)

Dollars in Thousands

| Appropriation  | 2015 Actual   |              |               | 2016 Enacted  |               |               | 2017 President's Budget |               |                |
|--|---------------|--------------|---------------|---------------|---------------|---------------|-------------------------|---------------|----------------|
|  | Direct        | Reimb.       | Total         | Direct        | Reimb.        | Total         | Direct                  | Reimb.        | Total          |
| Departmental Offices Salaries and Expenses             | 771           | 197          | 968           | 872           | 197           | 1,069         | 1,290                   | 166           | 1,456          |
| Terrorism and Financial Intelligence                   | 356           | 29           | 385           | 377           | 29            | 406           | 0                       | 0             | 0              |
| Cybersecurity Enhancement                              | 0             | 0            | 0             | 0             | 0             | 0             | 86                      | 0             | 86             |
| Office of Inspector General                            | 151           | 10           | 161           | 194           | 19            | 213           | 194                     | 19            | 213            |
| Treasury Inspector General for Tax Administration      | 756           | 2            | 758           | 859           | 2             | 861           | 859                     | 2             | 861            |
| Special Inspector General for TARP                     | 150           | 0            | 150           | 192           | 0             | 192           | 192                     | 0             | 192            |
| Community Development Financial Institutions Fund      | 75            | 0            | 75            | 79            | 0             | 79            | 87                      | 0             | 87             |
| Financial Crimes Enforcement Network                   | 275           | 1            | 276           | 343           | 1             | 344           | 343                     | 1             | 344            |
| Alcohol and Tobacco Tax and Trade Bureau               | 456           | 10           | 466           | 494           | 10            | 504           | 529                     | 10            | 539            |
| Bureau of the Fiscal Service                           | 1,753         | 243          | 1,996         | 2,042         | 245           | 2,287         | 1,912                   | 240           | 2,152          |
| Internal Revenue Service                               | 80,180        | 612          | 80,792        | 82,462        | 643           | 83,105        | 86,347                  | 675           | 87,022         |
| <b>Subtotal, Treasury Appropriated Level</b>           | <b>84,923</b> | <b>1,104</b> | <b>86,027</b> | <b>87,914</b> | <b>1,146</b>  | <b>89,060</b> | <b>91,839</b>           | <b>1,113</b>  | <b>92,952</b>  |
| Office of Financial Stability (Administrative Account) | 74            | 0            | 74            | 72            | 0             | 72            | 64                      | 0             | 64             |
| Small Business Lending Fund Program                    | 14            | 0            | 14            | 19            | 0             | 19            | 19                      | 0             | 19             |
| State Small Business Credit Initiative                 | 9             | 0            | 9             | 9             | 0             | 9             | 17                      | 0             | 17             |
| Office of Financial Research                           | 194           | 0            | 194           | 230           | 0             | 230           | 255                     | 0             | 255            |
| Financial Stability Oversight Council                  | 22            | 0            | 22            | 34            | 0             | 34            | 36                      | 0             | 36             |
| Treasury Franchise Fund                                | 0             | 1,545        | 1,545         | 0             | 1,785         | 1,785         | 0                       | 1,888         | 1,888          |
| Bureau of Engraving and Printing                       | 0             | 1,800        | 1,800         | 0             | 1,924         | 1,924         | 0                       | 1,924         | 1,924          |
| United States Mint                                     | 0             | 1,651        | 1,651         | 0             | 1,874         | 1,874         | 0                       | 1,874         | 1,874          |
| Office of the Comptroller of the Currency              | 0             | 3,805        | 3,805         | 0             | 3,955         | 3,955         | 0                       | 3,955         | 3,955          |
| Pay for Success  | 0             | 0            | 0             | 0             | 0             | 0             | 7                       | 0             | 7              |
| Terrorism Insurance Program                            | 4             | 0            | 4             | 10            | 0             | 10            | 10                      | 0             | 10             |
| Financing America's Infrastructure Renewal             | 0             | 0            | 0             | 0             | 0             | 0             | 11                      | 0             | 11             |
| Financial Innovation For Working Families Fund         | 0             | 0            | 0             | 0             | 0             | 0             | 8                       | 0             | 8              |
| Allotment For Puerto Rico EITC Payments                | 0             | 0            | 0             | 0             | 0             | 0             | 2                       | 0             | 2              |
| <b>Total</b>   | <b>85,240</b> | <b>9,905</b> | <b>95,145</b> | <b>88,288</b> | <b>10,684</b> | <b>98,972</b> | <b>92,268</b>           | <b>10,754</b> | <b>103,022</b> |

1/ A portion of Fiscal Service's Reimbursable/Fee FTEs is funded by fee revenue as authorized by the Debt Collection Improvement Act (DCA) of 1996.  
 2/ IRS FY 2015 Direct FTE include 287 FTE funded through a transfer from Health and Human Services for the Affordable Care Act. IRS FY 2015-2017 Direct FTE include 7 FTE funded from the Federal Highway Transportation Authority Account.

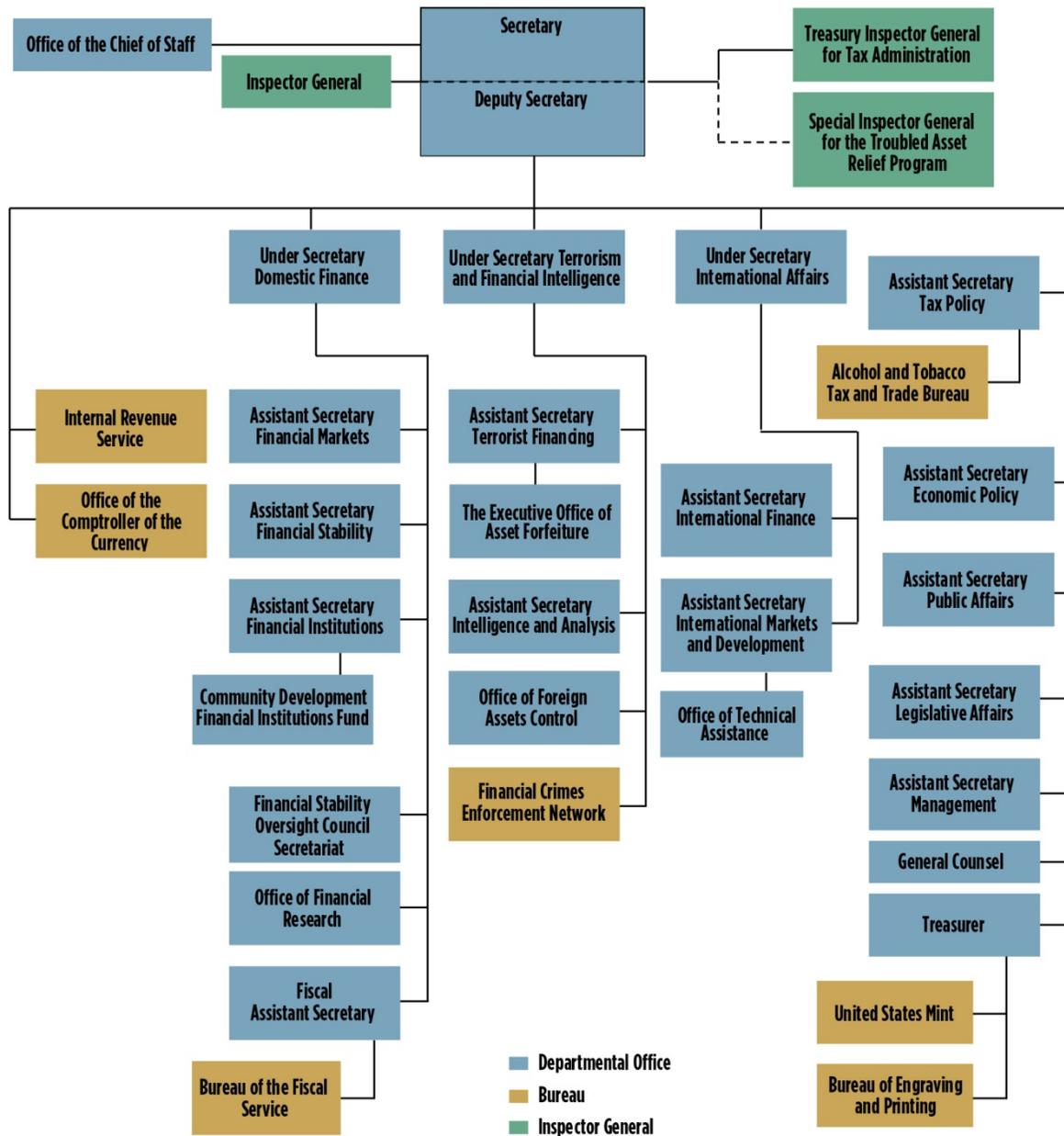
## Summary of FY 2017 Increases and Decreases

Dollars in Thousands

|  | DO                | Cyber             | DSCIP             | OIG              | TIGTA             | SIGTARP          | CDFI              | FinCEN            | TTB               | FS                 | TFF             | IRS                  | Subtotal             | TEOAF               | Total                |
|--|-------------------|-------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|--------------------|-----------------|----------------------|----------------------|---------------------|----------------------|
| <b>FY 2016 Enacted</b>                                 | <b>\$ 339,500</b> | <b>\$ -</b>       | <b>\$ 5,000</b>   | <b>\$ 35,416</b> | <b>\$ 167,275</b> | <b>\$ 40,671</b> | <b>\$ 233,523</b> | <b>\$ 112,979</b> | <b>\$ 106,439</b> | <b>\$ 363,850</b>  | <b>\$ -</b>     | <b>\$ 11,235,000</b> | <b>\$ 12,639,653</b> | <b>\$ (876,000)</b> | <b>\$ 11,763,653</b> |
| Adjustment to Request                                  | (10,050.00)       | 3,050.00          | -                 | -                | -                 | -                | -                 | -                 | -                 | -                  | -               | -                    | (7,000.00)           | -                   | (7,000.00)           |
| Maintaining Current Levels (MCLs)                      | 5,312.00          | -                 | -                 | 508.00           | 2,376.00          | 588.00           | 412.00            | 1,824.00          | 1,562.00          | 6,032.00           | -               | 170,348.00           | 188,962.00           | -                   | 188,962.00           |
| Non-Recurring Costs                                    | (1,050.00)        | -                 | (5,000.00)        | -                | -                 | -                | (337.00)          | -                 | -                 | -                  | -               | -                    | (6,387.00)           | -                   | (6,387.00)           |
| Efficiency Savings                                     | (1,430.00)        | -                 | -                 | -                | (17.00)           | (99.00)          | -                 | (1,300.00)        | -                 | (1,935.00)         | -               | (3,766.00)           | (8,547.00)           | -                   | (8,547.00)           |
| Other Adjustments                                      | -                 | -                 | -                 | -                | -                 | -                | -                 | (1,562.00)        | -                 | -                  | -               | -                    | (1,562.00)           | -                   | (1,562.00)           |
| <b>Adjustments to Base</b>                             | <b>\$ (7,218)</b> | <b>\$ 3,050</b>   | <b>\$ (5,000)</b> | <b>\$ 508</b>    | <b>\$ 2,359</b>   | <b>\$ 489</b>    | <b>\$ 75</b>      | <b>\$ 524</b>     | <b>\$ -</b>       | <b>\$ 4,097</b>    | <b>\$ -</b>     | <b>\$ 166,582</b>    | <b>\$ 165,466</b>    | <b>\$ -</b>         | <b>\$ 165,466</b>    |
| <b>FY 2017 Base</b>                                    | <b>\$ 332,282</b> | <b>\$ 3,050</b>   | <b>\$ -</b>       | <b>\$ 35,924</b> | <b>\$ 169,634</b> | <b>\$ 41,160</b> | <b>\$ 233,598</b> | <b>\$ 113,503</b> | <b>\$ 106,439</b> | <b>\$ 367,947</b>  | <b>\$ -</b>     | <b>\$ 11,401,582</b> | <b>\$ 12,805,119</b> | <b>\$ (876,000)</b> | <b>\$ 11,929,119</b> |
| Program Decreases                                      | -                 | -                 | -                 | -                | -                 | -                | -                 | -                 | -                 | (14,890.00)        | -               | -                    | (14,890.00)          | -                   | (14,890.00)          |
| Program Increases                                      | 2,084.00          | 106,777.00        | 5,000.00          | 1,120.00         | -                 | -                | 12,325.00         | 1,500.00          | -                 | -                  | 3,000.00        | 363,765.00           | 495,581.00           | -                   | 495,581.00           |
| Program Integrity Cap Adjustment                       | -                 | -                 | -                 | -                | -                 | -                | -                 | -                 | -                 | -                  | -               | -                    | 514,748.00           | -                   | 514,748.00           |
| <b>Subtotal, Program Changes</b>                       | <b>\$ 2,084</b>   | <b>\$ 106,777</b> | <b>\$ 5,000</b>   | <b>\$ 1,120</b>  | <b>\$ -</b>       | <b>\$ -</b>      | <b>\$ 12,325</b>  | <b>\$ 1,500</b>   | <b>\$ -</b>       | <b>\$ (14,890)</b> | <b>\$ 3,000</b> | <b>\$ 876,513</b>    | <b>\$ 995,439</b>    | <b>\$ -</b>         | <b>\$ 995,439</b>    |
| Change to the Forfeiture Fund Cancellations/Rescission | -                 | -                 | -                 | -                | -                 | -                | -                 | -                 | -                 | -                  | -               | -                    | -                    | -                   | 219,000.00           |
| <b>FY 2017 President's Budget</b>                      | <b>\$ 334,376</b> | <b>\$ 109,827</b> | <b>\$ 5,000</b>   | <b>\$ 37,044</b> | <b>\$ 169,634</b> | <b>\$ 41,160</b> | <b>\$ 245,923</b> | <b>\$ 115,003</b> | <b>\$ 106,439</b> | <b>\$ 353,057</b>  | <b>\$ 3,000</b> | <b>\$ 12,280,095</b> | <b>\$ 13,800,558</b> | <b>\$ (657,000)</b> | <b>\$ 13,143,558</b> |

## Organization

Treasury is organized into the Departmental Offices, seven bureaus, and three inspectors general. The Departmental Offices are primarily responsible for policy formulation, while the bureaus are the operating units of the organization.<sup>1</sup>



<sup>1</sup> In addition to the listed organizations, the Office of Risk Management, created in FY 2015, and the Office of Small and Disadvantaged Business Utilization report to the Deputy Secretary. Learn more about Treasury's bureaus and offices on the following pages and at <http://www.treasury.gov/about/organizational-structure/Pages/default.aspx>. For financial reporting purposes, the Departmental Offices includes the entities described in the following section, the various funds and programs managed by them (referenced in Part 2 of this report), and the Federal Financing Bank (FFB).

### *Departmental Offices*

- Domestic Finance works to preserve confidence in the U.S. Treasury securities market, effectively manage federal fiscal operations, strengthen financial institutions and markets, promote access to credit, and improve financial access and education in service of America's long-term economic strength and stability.
- Terrorism and Financial Intelligence (TFI) marshals the Department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats.
- International Affairs protects and supports U.S. economic prosperity and national security by working to foster the most favorable external environment for sustained employment and economic growth in the United States.
- Tax Policy develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code, negotiates tax treaties, and provides economic and legal policy analysis for domestic and international tax policy decisions. Tax Policy also provides revenue estimates for the President's Budget.
- Economic Policy reports on current and prospective economic developments and assists in the determination of appropriate economic policies. The office is responsible for the review and analysis of domestic economic issues and developments in the financial markets.
- The Treasurer of the United States oversees the U.S. Mint and Bureau of Engraving and Printing, chairs the Advanced Counterfeit Deterrence Steering Committee, and is a key liaison with the Federal Reserve. In addition, the Treasurer serves as a senior advisor to the Secretary in the areas of community development and public engagement.
- The Office of Management, including the Chief Financial Officer (CFO), manages the Department's financial resources and oversees Treasury-wide programs, including human capital, information technology, acquisition, and diversity and inclusion.
- Other offices within Departmental Offices include General Counsel, Legislative Affairs, and Public Affairs.
- Three Inspectors General – the Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) – provide independent audits, investigations, and oversight of Treasury and its programs.

## ***Bureaus***

- The Alcohol and Tobacco Tax and Trade Bureau (TTB) collects federal excise taxes on alcohol, tobacco, firearms, and ammunition and is responsible for enforcing and administering laws covering the production, use, and distribution of alcohol products.
- The Bureau of Engraving and Printing (BEP) develops and produces U.S. currency notes that are trusted worldwide.
- The Financial Crimes Enforcement Network (FinCEN) safeguards the financial system from illicit use, combats money laundering, and promotes national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.
- The Bureau of the Fiscal Service (Fiscal Service) provides central payment services to federal program agencies, operates the U.S. Government's collections and deposit systems, provides government-wide accounting and reporting services, manages the collection of delinquent debt owed to the U.S. Government, borrows the money needed to operate the U.S. Government through the sale of marketable, savings, and special-purpose U.S. Treasury securities (including the state and local government series), and accounts for and services the public debt.
- The Internal Revenue Service (IRS) is the largest of the Department's bureaus and determines, assesses, and collects tax revenue in the United States.
- The United States Mint (U.S. Mint) designs, mints, and issues U.S. circulating and bullion coins; prepares and distributes numismatic coins and other items; and strikes Congressional Gold Medals and other medals of national significance. The U.S. Mint maintains physical custody and protection of most of the nation's gold and all of its silver assets.
- The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings associations (thrifts) to ensure that they operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. The OCC also supervises federal branches and agencies of foreign banks and has rule-making authority for all savings associations.

## **Treasury Strategic Framework**

*The Government Performance and Results Act (GPRA) of 1993 and the GPRA Modernization Act of 2010* establish the need for agencies to identify performance goals, report progress against targets, and conduct data-driven reviews. When done well, these practices serve two key purposes for stakeholders within and outside of the organization: to assess the organization's health and impact and to inform decision-making and strategy, including effective resource allocation. In this spirit, Treasury developed a strategic framework supported by best-in-class organizational performance practices to ultimately help achieve its strategic goals.

## Treasury Organizational Performance Review Cycle

Treasury’s organizational performance reviews provide a regular forum for open dialogue and coordination between Department and bureau and office leadership, bringing together different perspectives to set and align priorities, identify and solve problems, review agency performance goals, and drive results. The cycle integrates statutory requirements to conduct quarterly performance reviews of agency goals and a Strategic Objective Annual Review (SOAR), which analyzes cross-cutting performance and designates a set of strategic objectives as making “Noteworthy Progress” or as a “Focus Area for Improvement.”

|                  | Fall   | Winter  | Spring   | Summer   |
|------------------|--|---|--|--|
| Focus            | Bureau-level Performance   | Department-level Performance (SOAR)   | Bureau-level Performance   | Performance-based Budget   |
| Goals / Outcomes | <ul style="list-style-type: none"> <li>Gain a shared understanding of previous year’s progress at the bureau/office level</li> <li>Identify and align priorities</li> <li>Recognize successes</li> </ul> | <ul style="list-style-type: none"> <li>Evaluate cross-agency progress toward strategic objectives</li> <li>Identify issues to discuss with OMB at FedStat (a new annual review with OMB)</li> </ul> | <ul style="list-style-type: none"> <li>Assess progress on priorities</li> <li>Surface problems or assistance needed</li> <li>Discuss solutions</li> <li>Recognize successes</li> </ul> | <ul style="list-style-type: none"> <li>Connect priorities to future funding</li> <li>Understand performance impacts</li> </ul> |

In addition to these department-level reviews, bureaus and offices validate performance data each quarter and many run their own internal performance reviews.

## FY 2014-2017 Strategic Framework

The strategic framework comprises the Department’s FY 2014-2017 strategic goals and objectives and FY 2014-2015 Agency Priority Goals (APGs), which align to specific objectives. All bureaus and offices align their programs and performance within this framework.

|          | Strategic Goals   | Strategic Objectives/APGs  | Contributing Bureaus/Offices   |
|----------|---|--|--|
| Economic | Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system | 1.1: Promote savings and increased access to credit and affordable housing options<br>1.2: Wind down emergency financial crisis response programs<br>1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability<br>1.4: Facilitate commerce by providing trusted and secure U. S. currency, products, and services for use by the public | Domestic Finance<br>International Affairs<br>Economic Policy<br>BEP<br>Fiscal Service<br>OCC<br>TTB<br>U.S. Mint |
|          | Goal 2: Enhance U.S. competitiveness  | 2.1: Promote free trade, open markets, and foreign investment opportunities<br>2.2: Protect global economic and financial stability  | International Affairs  |

|            | Strategic Goals  | Strategic Objectives/APGs   | Contributing Bureaus/Offices                                   |
|------------|--|---|--|
| Financial  | and job creation, and promote international financial stability and more balanced global growth                      | and press for market-determined foreign exchange rates<br>2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms<br>2.4: Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems   | TFI<br>Economic Policy<br>Tax Policy                           |
|            | Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems        | 3.1: Improve the efficiency and transparency of federal financial management and government-wide accounting<br>3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government<br>3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and improve the execution of the tax code   | Domestic Finance<br>Tax Policy<br>Fiscal Service<br>IRS<br>TTB |
| Security   | Goal 4: Safeguard the financial system and use financial measures to counter national security threats               | 4.1: Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector<br>4.2: Develop, implement, and enforce sanctions and other targeted financial measures<br>4.3: Improve the cybersecurity of our nation's financial sector<br>4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards<br><i>Aligned APG: Focus Enforcement on High-Priority Threats Using Proactive Analysis</i>  | TFI<br>Domestic Finance<br>FinCEN<br>OCC                       |
| Management | Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction | 5.1: Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices<br>5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information<br>5.3: Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability<br>5.4: Create a culture of service through relentless pursuit of customer value<br><i>Aligned APG: Increasing IRS Self-Service Options for Taxpayers</i> | All Offices and Bureaus, led by the Office of Management       |

## Performance Overview

### Goal 1: Promote domestic growth and stability while continuing reforms of the financial system

Strategic Objective 1.1: Promote savings and increased access to credit and affordable housing options

Strategic Objective 1.2: Wind down emergency financial crisis response programs

Strategic Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability

Strategic Objective 1.4: Facilitate commerce by providing trusted and secure U. S. currency, products, and services for use by the public

### **Increased access to credit and savings**

*The Small Business Jobs Act of 2010* (Jobs Act), which celebrates its fifth anniversary this year, has produced impressive results. The law created the State Small Business Credit Initiative (SSBCI), which is charged with increasing the availability of credit for small businesses and generating jobs and other economic development benefits for states. Because of the program's success, Treasury seeks to reauthorize it through FY 2023. Since its passage, SSBCI has supported more than 12,400 private sector loans or investments to small businesses and helped create or retain more than 140,000 jobs, as reported by the small businesses who received the loans and investments.<sup>2</sup> As of June 30, 2015, approximately \$1.26 billion of \$1.46 billion total funds available for disbursement have been provided to the states.<sup>3</sup> As of December 2014, states had expended \$864 million of these funds to leverage \$6.4 billion in new lending or investing.

The Jobs Act also created the Community Development Financial Institutions (CDFI) Bond Guarantee Program, which is administered by the CDFI Fund. Bonds issued under the program support CDFI lending activity in underserved communities by providing a source of long-term capital. Under FY 2013 and 2014 authority, Treasury provided four bond guarantees, which supported eight bond loans totaling \$525 million. On September 29, 2015, Treasury announced that an additional nine bond loans, totaling \$327 million, were guaranteed in FY 2015.

Helping Americans save—for retirement and other goals—is a top priority for Treasury. Millions of workers in America either do not have access to an employer-sponsored retirement plan or lack options to save for retirement. In December 2014, Treasury began the initial pilot phase of *myRA*, or *my Retirement Account*, that makes saving for retirement simple, safe, and affordable. In addition, Treasury continued to lead the administration's efforts to help Americans have the financial information and skills they need to make sound choices in a complex financial system by chairing the interagency Financial Literacy and Education Commission and receiving important recommendations from the President's Advisory Council on Financial Capability for Young Americans. Additionally, Treasury worked closely with the Department of Education to improve the federal student loan system.

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<sup>2</sup> SSBCI December 2014 Annual Report

<sup>3</sup> SSBCI June 2015 Quarterly Report

### ***Economic recovery and stability***

FY 2015 also marked the fifth anniversary of the most far-reaching and comprehensive financial reforms since the Great Depression: the *2010 Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act). During the darkest moments of the 2008 financial crisis, the U.S. economy was contracting at the fastest rate in 50 years. By early 2009, companies were shedding more than 800,000 jobs a month and, eventually, the unemployment rate reached 10 percent. The crisis demonstrated that excessive risk-taking, low levels of capital, unsafe lending practices, and inadequate oversight within the financial system can have a real impact on the lives of all Americans. By enacting the Dodd-Frank Act, the U.S. Government set out to reform Wall Street to be more stable, transparent, and focused on serving customers.

Five years later, with nearly all of the major rules written, the financial system is safer, stronger, and more resilient. The economy is growing and unemployment rate has dropped to 5.0 percent as of November 2015.<sup>4</sup> Regulators have modern, common-sense tools to protect taxpayers, and banks have more capital to cover potential losses. And since financial crises do not respect national borders, Treasury is working through the Group of 20 (G-20) and Financial Stability Board (FSB) to make sure that the Department's high standards are implemented globally. This year, the FSB will finalize a new international standard on total loss absorbing capacity (TLAC) for globally systemically important banks and standards for higher loss absorbing capacity for globally systemically important insurers.

Additionally, the emergency financial crisis response programs continue to wind down effectively. In December 2014, the Troubled Asset Relief Program (TARP) fully liquidated its investment in Ally Financial and realized cumulative receipts of \$19.6 billion (\$2.4 billion more than invested). The ultimate cost to taxpayers of TARP programs dropped from the FY 2009 estimate of \$341.0 billion to \$37.2 billion as of September 2015. TARP's foreclosure prevention programs provided more than 1.5 million homeowners with permanent mortgage modifications, which equates to approximately \$38.7 billion in realized monthly mortgage payment savings for these homeowners.

Monitoring for new risks to the financial system and the broader economy remains a top priority for Treasury and other regulators. For example, on October 15, 2014, the U.S. Treasury market experienced significant volatility. To better understand the sources of that volatility, Treasury, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, the Securities and Exchange Commission, and the Commodity Futures Trading Commission conducted an analysis and issued a joint report in July 2015. The report analyzed a host of factors, including changes in global risk sentiment and investor positions, and those related to the evolution of Treasury market structure, in an effort to explain the events of that day. Treasury will continue to work with partners, including through the Financial Stability and Oversight Council (FSOC), to monitor the financial system and investigate any potential threats to financial stability.

### ***The future of currency***

During the summer of 2015, Secretary Lew announced that the \$10 bill, the first in a new family of notes, will undergo a redesign and that a woman's portrait will be featured on U.S. paper

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<sup>4</sup>U.S. Bureau of Labor Statistics, November 6, 2015 release.

currency for the first time in more than a century.<sup>5</sup> The newly designed note is also expected to incorporate a raised tactile feature that increases accessibility and usability for the blind and visually impaired community. As part of his announcement, the Secretary asked Americans to engage in the redesign process by weighing in on whose portrait should be featured and how currency can honor the country’s rich history of democracy. Treasury received more than 1.5 million responses from the public to date through face to face meetings, roundtables, town halls, Twitter, Instagram, Facebook, emails, and handwritten letters.

The Department is also working to evaluate the future of coins. The U.S. Mint provided research to Congress on potential alternative metals for coins that could drive down metal costs.

### **Facilitation of commerce**

Treasury plays an important role in facilitating commerce for certain industries, such as the alcoholic beverage industry, that rely on Treasury’s approval to enter the market. As these industries continue to expand, particularly in the small winery, brewery, and spirits areas, new businesses that are qualified to operate are waiting longer for permits. Further, increased demand for approvals of alcohol beverage labels and formulas, and declining resources to manage the approval processes, has required Treasury to work to fundamentally reshape these programs. Processing times for these approvals have also increased in recent years, which impede compliant commerce for industry members, and are particularly detrimental to small business. Recent efforts to reduce processing times—including an expanded list of label revisions allowable without new approval—have been outpaced by industry growth.

### **Key Performance Data Highlights**

| Measure<br>(Responsible<br>Bureau/Office)   | FY 12 | FY 13 | FY 14 | FY 15 | 4-yr<br>Trend | FY 15<br>Target | Result vs<br>Target |
|---|-------|-------|-------|-------|---------------|-----------------|---------------------|
| Percentage of CDFI Program loans & investments originated to eligible distressed communities or underserved populations by dollar amount (%) (Domestic Finance - CDFI Fund) | 84.9  | 77.1  | 70.8  | 80.1  | ↔             | 60.0            | Exceeded            |
| Manufacturing costs for currency – dollar costs per thousand notes produced (BEP)   | 43.3  | 50.5  | 42.0  | 43.62 | ↔             | 55.0            | Exceeded            |
| Seigniorage per dollar issued (Mint)  | .21   | .24   | .37   | .49   | ↑             | .24             | Exceeded            |
| Percent of permit applications processed within service standards (TTB)   | 61    | 50    | 58    | 47    | ↓             | 85              | Not Met             |

<sup>5</sup> Access <https://www.thenew10.treasury.gov/> for more information.

|  |    |    |    |    |   |    |         |
|--|----|----|----|----|---|----|---------|
| Percent of label and formula applications processed within service standards (TTB) | 83 | 49 | 67 | 75 |  | 85 | Not Met |
|--|----|----|----|----|---|----|---------|

### Explanation of Results

Percentage of CDFI Program loans & investments originated to eligible distressed communities or underserved populations by dollar amount (Domestic Finance - CDFI Fund)

This measure demonstrates the impact of CDFI awardees in serving eligible distressed communities and underserved populations by lending reported during the program year. By regulation, all certified CDFIs must originate 60 percent or more of their loans and investments in eligible distressed census tracts or to underserved populations. The target is a threshold that must be met or exceeded, recognizing the need for CDFIs to balance their mission to service distressed communities and underserved populations with safety and soundness considerations. The increase over the prior year was due to full adoption of the 2010 five-year American Community Survey (ACS) data to define eligible distressed census tracts (the prior year reporting allowed the use of either 2000 decennial data or the five-year ACS data).

Manufacturing costs for currency – dollar costs per thousand notes produced (BEP)

This measure calculates the actual manufacturing cost for currency notes, which includes direct labor costs, the cost of raw materials used, and related manufacturing overhead charges. The FY 2015 cost of manufacturing was lower than anticipated due to savings resulting from increased volume and decreased spoilage.

Seigniorage per dollar issued (Mint)

This measure calculates the difference between the face value and the cost of minting and issuing circulating coins. Seigniorage per dollar issued is the seigniorage generated from each dollar of circulating coinage face-value shipped to Federal Reserve Banks. FY 2015 results exceeded the target and prior year performance due to a 24 percent increase in circulating shipment volumes coupled with a 9 percent reduction in general and administrative costs.

Percent of permit applications processed within service standards (TTB)

This measure indicates how often TTB processes permit applications within the established customer service standards, which are reviewed annually for new businesses seeking to engage in alcohol or tobacco manufacturing or distribution to ensure timely market entry for qualified individuals. As the majority of permit applications are filed electronically, TTB implemented system enhancements in FY 2015 to reduce bottlenecks in the approval process. However, the volume of applications, particularly in the manufacturing segments of small wineries, breweries, and distilleries, offset gains and resulted in continued processing delays.

Percent of label and formula applications processed within service standards (TTB)

This measure indicates how often TTB processes alcohol beverage label and formula applications within the customer service standards established for the respective programs to improve consistency and reliability for the business community served. Service standards are annually reviewed and updated to account for various factors, including workload and resources. Though TTB achieved substantial improvement in performance in the last two years, performance remains below target as TTB efforts to manage the volume of submissions by reducing filing requirements associated with label and formula approval have been offset by increased applications due to industry growth.

**Goal 2: Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth**

Strategic Objective 2.1: Promote free trade, open markets, and foreign investment opportunities

Strategic Objective 2.2: Protect global economic and financial stability and press for market-determined foreign exchange rates

Strategic Objective 2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms

*Identified as a Focus Area for Improvement in FY 2015 due mainly to external factors slowing progress, specifically securing congressional approval of the International Monetary Fund (IMF) Reform package.*

Strategic Objective 2.4: Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems

*Identified as making Noteworthy Progress in FY 2015 due to the Office of Technical Assistance's (OTA) reputation in program management and the results of recently completed projects, particularly in Latin America where OTA helped to establish Latin America's first Tax Inspector General.*

**Progress toward balanced growth**

Leveraging multilateral mechanisms, Treasury made progress enhancing global economic growth prospects by securing commitments from the G-20 countries at the Brisbane Leaders' Summit in November 2014 to boost near-term demand through comprehensive growth strategies and to establish the Global Infrastructure Hub to increase global investment. The plan's emphasis on comprehensive growth strategies to boost demand over the near-term reflected an important U.S. policy priority. Additional commitments to boost growth have been secured through the G-20 process in 2015.

In addition, Treasury defined the policy framework for development finance for the next 15 years by successfully negotiating the adoption of the *Addis Ababa Action Agenda* at the Third International Conference on Financing for Development in July 2015. The conference provided a forum to promote a modern and updated approach to development finance, including a bold vision for achieving a prosperous, inclusive, and sustainable world free from extreme poverty. It also provided the financing framework for the *2030 Agenda for Sustainable Development* adopted by world leaders in September 2015. The 2030 agenda includes 17 development goals in the areas of domestic resource mobilization, private sector investment, combatting illicit finance, sustainable infrastructure, improved data, maternal and child health, and others.

With the United States Trade Representative (USTR), Treasury co-leads the negotiation of financial services chapters of free trade agreements. In June 2015, Congress passed Trade Promotion Authority (TPA), which granted the President the authority to negotiate trade deals that will then be considered by Congress under an expedited approval process. Notable progress was made promoting free trade and open markets by reaching agreement on the largest regional trade accord in history, the Trans-Pacific Partnership (TPP) agreement, and by advancing the Transatlantic Trade and Investment Partnership and the broader U.S. trade agenda.

### ***Efforts to promote global stability***

Treasury protects and supports American economic prosperity by strengthening the external environment for U.S. growth, preventing and mitigating global financial instability, and managing key global challenges. New commitments secured from China at the June 2015 Strategic and Economic Dialogue (S&ED) will lead to implementation of economic reforms and pro-market policies that will create new opportunities and a more level playing field for U.S. workers and firms. They also included commitments from China on the negotiation of international export credit disciplines, exchange rate policy and transparency, market access for U.S. high-technology goods and services, and expanded participation in China's markets by U.S. financial services providers. Further commitments were secured during the September 2015 State Visit of China's president in the areas of development finance and foreign investment policy. These commitments will serve to protect global economic and financial stability.

Additionally, Treasury continued efforts with European counterparts to encourage institutional development in the euro area and remained engaged with the International Monetary Fund (IMF) to monitor progress toward economic stabilization in vulnerable countries like Ukraine and Greece. In May 2015, the U.S. Agency for International Development (USAID) and the Hashemite Kingdom of Jordan (Jordan) signed a third sovereign loan guarantee agreement that will help Jordan continue to provide critical services to its citizens and support specific economic reforms to promote economic stability and growth. These guarantees, which Treasury helped to design, have proven successful in supporting Jordan's reform efforts during a time of regional instability.

### ***International leadership and assistance***

Treasury continues to engage with G-20 members to leverage the FSB to collective advantage, supporting the FSB's objectives of greater financial stability, strong, sustainable, and balanced growth, and a level playing field for firms both in the United States and globally. Progress was made on the key objectives for global regulatory reform set out at the Pittsburgh Summit in 2009, including: building more resilient financial institutions with higher capital requirements and better quality capital; making the over-the-counter (OTC) derivatives markets safer and more transparent; addressing the risks posed by the largest, most complex financial institutions; and monitoring potential emerging threats to financial stability.

While Treasury made progress on several key international issues, evolving global geopolitical and financial crises and slowing economic growth in key regions and countries required Treasury to respond nimbly to immediate priorities, leaving less time for longer-term goals.

Compounding these external challenges, Congress again failed, in FY 2015, to approve the 2010 IMF Quota and Governance Reforms and provide sufficient support for multilateral assistance priorities. This strains the ability of the United States to lead in these institutions and can adversely impact the willingness of other countries to engage in advancing U.S. priorities.

Despite these challenges, Treasury continues to provide critical technical assistance to finance ministries and central banks in developing countries. In FY 2015, Treasury's Office of Technical Assistance (OTA) successfully completed several projects in Latin America to provide regional models of excellence in public financial management. For example, Treasury's assistance enabled the establishment of the first tax inspector general within the Colombian

government, now seen as a leader and model for surrounding countries. In FY2015, OTA also continued to provide technical assistance to the Ukrainian government as part of the U.S. Government’s rapid response to stabilize the banking sector and strengthen government finances.

### Key Performance Data Highlights

| Measure<br>(Responsible<br>Bureau/Office)   | FY 12 | FY 13 | FY 14 | FY 15 | 4-yr<br>Trend | FY 15<br>Target | Result<br>vs<br>Target |
|---|-------|-------|-------|-------|---------------|-----------------|------------------------|
| Timely review of Committee for Foreign Investment in the U.S. (CFIUS) cases (%) (International Affairs)                       | N/A   | 100   | 100   | 100   |               | 100             | Met                    |
| Impact of Technical Assistance Programs - Changes that result from project engagement – 5 point scale (International Affairs) | 3.1   | 3.0   | 2.9   | 2.9   |               | 3.1             | Not met                |
| Traction of Technical Assistance Programs – scope and intensity of engagement – 5 point scale (International Affairs)         | 3.9   | 3.8   | 3.7   | 3.8   |               | 3.6             | Exceeded               |

### Explanation of Results

#### Timely review of CFIUS cases (%) (International Affairs)

By statute and regulation, CFIUS must complete its consideration of a covered transaction within 75 days of acceptance of a notice regarding the transaction, except for transactions that the parties have voluntarily withdrawn. The 100 percent result for FY 2015 reflects that CFIUS timely reviewed all such notified transactions for national security concerns and concluded action transactions after determining there were no unresolved national security concerns.

#### Impact and Traction of Technical Assistance Programs (International Affairs)

Traction is the degree to which OTA’s foreign counterparts are engaging proactively and constructively with OTA advisors, particularly at the working level. Traction was relatively high during the reporting period. Impact measures the extent to which a project is achieving the intermediate goals and ultimate outcomes described in the project’s terms of reference and work plan during the fiscal year – such as passage of law or regulation, an increase in government revenues, an improvement in a government’s credit rating, or a reduction in financial crimes. The impact measure is primarily a function of the extent to which OTA’s foreign counterparts actually make use of OTA’s technical advice and is dependent on a range of factors not within OTA’s control, including the policy and political environment, the commitment of in-country actors to reform, overall economic conditions, and in some cases, the country’s security environment. Taken together, these factors resulted in a lower average score during this reporting period. OTA is sometimes called upon to engage in countries where US foreign policy and national security interests are compelling but where the overall political economy and security environment is especially challenging and impact is hard to achieve. Sustaining traction in these difficult assistance projects is a mark of the program’s strength. It should also be noted

that relatively minor deviations from the baseline target are to be expected in assigning an aggregate numerical value to a program that consists of many individual projects – the traction and impact figures above are the average of more than 150 individual project ratings – implemented over multiple countries with different policy and political environments.

**Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems**

Strategic Objective 3.1: Improve the efficiency and transparency of federal financial management and government-wide accounting

*Identified as a Focus Area for Improvement in FY 2015 due to anticipated work that will be done in FY 2016 to implement the DATA Act and USAspending.gov improvements.*

Strategic Objective 3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government

Strategic Objective 3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and improve the execution of the tax code

***Innovations in federal financial management***

Treasury constantly seeks to lead the government in modernizing federal financial management. As a co-lead with OMB in implementing the *Digital Accountability and Transparency Act of 2014* (DATA Act), Treasury engaged with communities that create and use federal financial data to make it more transparent and available to the American people.<sup>6</sup> Once implemented, the DATA Act will make federal spending data more accessible, searchable, and reliable. In FY 2015, Treasury and OMB published new data standards based on public input that will help improve the quality of federal spending data and enable agencies to use common standards when reporting information. Treasury is also developing resources to support federal agencies in adopting the data standards and increasing spending transparency based on the DATA Act requirements. Treasury will continue to engage the public in the development of new online tools to support greater access to data and, by May 2017, further improve data accuracy on USAspending.gov.

The amount of college debt increased substantially in recent years, and the United States needs a world-class student lending system on par with its higher education system. To develop new solutions to this growing problem, the Department of Education partnered with Treasury to launch a pilot in February 2015 that allows Treasury to work directly with defaulted student loan borrowers. The pilot will yield valuable data and first-hand experience with the collections process, which should provide a better understanding of best practices and how to improve borrower outcomes.

***Fiscal responsibility***

Treasury is entrusted with managing the nation's finances, collecting money and making payments on behalf of the United States. Treasury also determines and executes a borrowing strategy that meets the federal government's needs at the lowest cost over time. Furthermore,

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<sup>6</sup> For more information on Treasury's efforts to implement the DATA Act, access <https://www.usaspending.gov/Pages/Data-Act.aspx>.

Treasury accounts for, and reports on, the U.S. Government's finances to the American people. Sound financial management enables the continual operation of essential government services.

In May 2015, Treasury changed its cash management policy to hold a higher level of cash to cover one week of average disbursements in the case of events that limit market access, such as cyberattacks or natural disasters. This change was based on a review of policies, recommendations from the Treasury Borrowing Advisory Committee, and an assessment of emerging threats.

Treasury also made strides in facilitating agencies' compliance with the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). In FY 2015, Treasury enhanced its systems to allow for real-time matching of payments against death and vendor data. In addition, the incorporation of Privacy Act-restricted data improved vendor data matching and reduced false positives by 99.8 percent. Treasury also improved its analytics capabilities and developed agency-specific reports that provide a particular agency or program within the agency a high-level summary of statistical observations that may contribute to improper payments. These reports provide a means to inform agency management about these observations and to determine whether or not the observations call for a more in-depth analytical project in partnership with the agency, to assess the issue, determine root cause, and develop internal control methodologies to eliminate the issue in the future.

Despite this progress, challenges inhibiting eligibility verification remain, specifically in gaining access to additional data sources that will help prevent improper payments. To help mitigate some of these challenges, the *FY 2016 President's Budget* included a number of legislative proposals that would, if enacted by Congress, provide Treasury with additional tools to combat waste and fraud as well as greater authority to take actions that will prevent payment errors and improve compliance.

### ***Tax reform and administration***

Pursuing tax reform remains a top priority for Treasury, along with implementing tax provisions of the *Affordable Care Act* (ACA) and the *Foreign Account Tax Compliance Act* (FATCA) and administering the existing tax code fairly and effectively. In FY 2015, Treasury continued negotiating and signing FATCA agreements. At the end of FY 2015, there were 76 signed agreements, including 30 signed during the year, and an additional eight agreements in substance were reached. In July 2015, Treasury finalized the first-ever comprehensive tax treaty between the United States and Vietnam, which represents a significant step in expanding the U.S. tax treaty network (pending Senate approval).

To bring better transparency to the tax system and improve enforcement, Treasury successfully persuaded the Organization for Economic Cooperation and Development (OECD) to adopt the U.S. model to tighten the net on tax evaders. As part of the *FY 2016 President's Budget*, Treasury also introduced annual revenue proposals to Congress, including 27 new proposals. *The Administration's Fiscal Year 2016 Revenue Proposals* included an international tax reform section addressing inversions and 45 proposals for business tax reform. Finally in this area, TTB worked with the Department of Homeland Security's (DHS) Customs and Border Protection and other law enforcement partners to address illicit trafficking of products through customs bonded

warehouses and foreign trade zones. TTB also plans to complete full integration into the International Trade Data System to improve excise tax enforcement efforts.

Despite these successes, effective tax administration grows more challenging every year due to the worsening IRS funding situation. In the past five years, IRS funding has been reduced by \$1.2 billion, causing the IRS to implement severe controls on all expenditures. These controls, which include restrictions on staff replacement, led to a reduction of almost 15,500 full-time employees since FY 2010. The funding constraints also significantly affected the IRS’s ability to modernize infrastructure and adequately staff systems. By prioritizing resources, the IRS delivered another successful filing season in 2015 in terms of return processing: opening on schedule and implementing new provisions of FATCA and ACA. The IRS also issued nine out of ten refunds in less than 21 days. The filing season was more challenging in terms of customer service, which is discussed further under Goal Five.

The IRS also dedicated significant resources to address tax fraud, resulting in the successful recovery of \$813 million in 2015 and leading to a public-private partnership with software developers, banks, and other industries to identify and enact a series of steps to further protect taxpayers from tax-related identity theft in 2016. In 2015, through September, the IRS rejected or suspended the processing of 4.5 million suspicious returns and stopped 1.2 million confirmed identity theft returns, totaling \$7.2 billion. Additionally, through September, the IRS stopped \$2.3 billion worth of refunds in other types of fraud, totaling \$9.5 billion defended against confirmed fraudulent returns.

### Key Performance Data Highlights

| Measure<br>(Responsible<br>Bureau/Office)   | FY 12 | FY 13 | FY 14 | FY 15 | 4-yr<br>Trend | FY 15<br>Target | Result<br>vs<br>Target |
|---|-------|-------|-------|-------|---------------|-----------------|------------------------|
| Percentage of Treasury payments and associated information made electronically (%) (Fiscal Service)   | 88.3  | 92.5  | 94.4  | 94.8  | ↑             | 94.9            | Not Met                |
| Percentage of total dollar amount of U.S. Government receipts collected electronically (%) (Fiscal Service)   | 97.0  | 97.0  | 98.0  | 98.0  | ↑             | 98.0            | Met                    |
| Percentage of individual returns processed electronically (IRS)   | 80.5  | 82.5  | 84.1  | 85.3  | ↑             | 84.6            | Exceeded               |
| Taxpayer Self-Assistance Rate (IRS)   | 78.5  | 83.3  | 84.7  | 88.7  | ↑             | 85.0            | Exceeded               |
| <b>Explanation of Results</b>   |       |       |       |       |               |                 |                        |
| Percentage of Treasury payments and associated information made electronically AND Percentage of total dollar amount of U.S. Government receipts collected electronically (Fiscal Service)<br>Fiscal Service has been promoting the Paperless Treasury initiative for several years in an effort to disburse payments, as well as receive and settle collections, through electronic means. Fiscal Service will |       |       |       |       |               |                 |                        |

expand the number of digital wallet providers and online bill payment agencies and will work with partner agencies to identify the best tools and strategies for transitioning more of their customers to electronic alternatives.

Percentage of individual returns processed electronically (IRS)

The number of electronically filed individual tax returns divided by the total individual returns filed. The IRS exceeded its FY 2015 target and FY 2014 performance for individual returns processed electronically. This increase is attributed to taxpayers' increasing use of tax software and tax preparers to file their tax returns. The IRS will continue to process individual returns as efficiently as possible to meet future plans.

Taxpayer Self-Assistance Rate (IRS)

The percentage of taxpayer assistance requests resolved using self-assisted automated services. In FY 2015, the Taxpayer Self-Assistance Rate was at an all-time high of 88.7 percent, which was 3.7 percent above target and 4.0 percent more than FY 2014. The increase was due to taxpayers' use of Web Services, particularly the "Where's My Refund" application. The IRS will continue to promote the web-first strategy to taxpayers, offering a more convenient, efficient, and effective way to meet their needs.

**Goal 4: Safeguard the financial system and use financial measures to counter national security threats**

Strategic Objective 4.1: Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector

*Identified as making Noteworthy Progress in FY 2015 due to the progress made in applying little-used authorities to share information and implementing the new business system and advanced algorithms to identify targets and pursue enforcement actions as a result of the intelligence.*

Strategic Objective 4.2: Develop, implement, and enforce sanctions and other targeted financial measures

*Identified as making Noteworthy Progress in FY 2015 due to the Joint Comprehensive Plan of Action signed in FY 2015 and the new regulations regarding Cuba sanctions*

Strategic Objective 4.3: Improve the cybersecurity of our nation's financial sector

*Identified in FY 2015 as making Noteworthy Progress due to the significant progress made in coordinating and engaging with industry and as a Focus Area for Improvement due to ever-evolving threats and complexities in sharing information.*

Strategic Objective 4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards

*Aligned APG: Focus Enforcement on High-Priority Threats Using Proactive Analysis*

***Improved protection of the financial system***

Treasury works to protect the integrity of the financial system and advance key national security and foreign policy objectives through outreach, coordination, and collaboration with public and private sector partners; regulation, enforcement, financial intelligence analysis; and targeted financial activities and measures. One of Treasury's FY 2014-2015 Agency Priority Goals (APGs) was to use proactive analytics to focus enforcement on high-priority threats. By focusing on this APG, Treasury implemented advanced analytics capabilities and improved the use and sharing of information on threats to the financial system. In FY 2015, FinCEN initiated daily tactical reporting to law enforcement, foreign partners, and the intelligence community

through the use of new information technology capabilities. By developing and employing business rules in a modernized system, FinCEN automatically screened Bank Secrecy Act (BSA) reports daily on topics of national security concern, including terrorist financing, cyber threats, and Ukraine kleptocracy. As a result of the efforts, FinCEN quadrupled the intelligence products provided and increased completed enforcement actions in FY 2015, compared to FY 2014.

FinCEN also moved the global community forward on anti-money laundering and counter-terrorism financing policies and coordinated multi-lateral efforts to support Ukraine's efforts to recover misappropriated assets. FinCEN issued the first civil enforcement action against a virtual currency exchanger, Ripple Labs, for willfully violating the BSA.

### ***Effectiveness of sanctions programs***

Through a steady campaign to expose Iran's deceptive activities in the financial arena, Treasury isolated Iran's banks from the world's financial centers, wounding its trade and financial strength. Since 2010, these and other efforts led to the diplomatic process that produced the Joint Comprehensive Plan of Action in July 2015. This plan will ensure Iran's nuclear program remains exclusively peaceful and, in turn, will lift specified nuclear-related sanctions on Iran upon verification from the International Atomic Energy Agency that Iran has implemented key nuclear commitments. This success proves that smart, creative, persistent financial efforts, when backed by the superb support of the U.S. intelligence community, can change behavior.

In December 2014, the President announced a set of diplomatic and economic changes to chart a new course in U.S. relations with Cuba and further engage and empower the Cuban people. Treasury and the Department of Commerce published revised *Cuban Assets Control Regulations and Export Administration Regulations*, effective in January 2015, that will facilitate travel to Cuba for authorized purposes, approve processing of certain financial transactions, and allow other activities in the areas of telecommunications, financial services, trade, and shipping. In September 2015, Treasury and Commerce announced additional amendments to the Cuba sanctions regulations. These regulatory changes build upon the January amendments and will further facilitate the normalization process between Cuba and the United States.

### ***Financial sector cyber security***

Cyber threats are vast and evolving—not just increasing in number, but also in types of incidents and means for intrusion. The prevalence of cyber risks creates a persistent and complex challenge for financial institutions spanning the sector. The financial costs of cyber-attacks are real and increasing; disruption of business, erosion of customers, loss of revenue, reputational damage and loss of confidence, and theft of intellectual property are just a few ways cyber-attacks hurt the financial system.

As the Sector Specific Agency for Financial Services, defined under Presidential Policy Directive 21, *Critical Infrastructure Security and Resilience*, Treasury participates in interagency and cross-sector initiatives and plays a key role in managing responses to disruptive events. While Treasury's sector-specific responsibilities include all hazards, whether natural or man-made, in recent years the Department has increasingly focused on promoting improvements in cybersecurity across the financial sector. In FY 2015, Treasury worked with industry to organize

cybersecurity initiatives on a national level using the following themes: baseline protections, information sharing, and response and recovery.

In February 2015, the President signed an executive order encouraging and promoting the sharing of cybersecurity threat information within the private sector and between private and government entities. Treasury assisted DHS in promoting information sharing and analysis and worked this year to automate the information-sharing process.

To enable effective incident response, Treasury established and convened the first-ever meetings of the Financial and Banking Information Infrastructure Committee at the principal level and spearheaded the development of tabletop exercises to test cyber-incident response processes. In FY 2015, Treasury hosted three cyber-related exercises with more than 25 public and private sector organizations.

Protecting Treasury’s infrastructure is critical to maintaining a secure financial infrastructure. Consequently, Treasury fully committed to OMB’s government-wide cyber-sprint and created an internal cyber dashboard to monitor progress and potential threats. As of August 2015, Treasury met OMB’s requirement for strong authentication of users with privileged access and was considered a top-performing federal agency for cybersecurity cross-agency priority goal.

### Key Performance Data Highlights

| Measure<br>(Responsible<br>Bureau/Office)  | FY 12 | FY 13 | FY 14 | FY 15 | 4-yr<br>Trend   | FY 15<br>Target | Result vs<br>Target |
|--|-------|-------|-------|-------|---|-----------------|---------------------|
| Percentage of users finding that the financial intelligence collected by FinCEN pursuant its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing | 90    | 80    | 81    | 83    |  | 82              | Exceeded            |
| Impact of TFI programs and activities – 10 point scale (TFI)   | 8.1   | 8.3   | 8.5   | 8.8   |  | 8.5             | Exceeded            |

### Explanation of Results

Percentage of users finding that the financial intelligence collected by FinCEN pursuant its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing (FinCEN)  
 Survey data that looks at the value of FinCEN data, such as whether the data (1) provided unknown information, (2) supplemented or expanded known information, (3) verified information, (4) helped identify new leads, (5) opened a new investigation or examination, (6) supported an existing investigation or examination, or (7) provided information for an investigative or examination report. While the FY 2015 results remain lower than the FY 2012 level, FinCEN exceeded its target of 82 percent and the results have increased steadily for the past three years. FinCEN introduced a new query tool late in FY

2013 that changed how users access financial intelligence products. While this new tool provides enhanced search capabilities, it appears that limited training opportunities for users in FY 2013 caused a drop in results. As a result, since FY 2013, FinCEN has placed greater emphasis on both in-person and on-line training that will better assist users and continue to improve performance in this area.

#### Impact of TFI programs and activities (TFI)

There are several things that account for TFI's increase in program impact and activities to include the signed Joint Comprehensive Plan of Action in FY 2015 that implements sanctions relief to Iran in exchange for Iran taking steps to ensure a peaceful nuclear program, as well as the new regulations regarding Cuba sanctions. Additionally, TFI has advanced the rulemaking process for Beneficial Ownership, and TFI has continued funding Third Party Money Laundering cases and their operational needs.

### Goal 5: Create a 21st Century approach to government by improving efficiency, effectiveness, and customer interaction

Strategic Objective 5.1: Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices

Strategic Objective 5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information

Strategic Objective 5.3: Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability

*Designated as a Focus Area for Improvement in FY 2015 due to the challenges facing Treasury shared service providers and the anticipated efforts in the coming year to standardize products and services.*

Strategic Objective 5.4: Create a culture of service through relentless pursuit of customer value

*Aligned APG: Increasing IRS Self-Service Options for Taxpayers*

#### **Pursuit of best-in-class business practices**

Treasury's future success, both immediate and long term, depends on sustaining and developing the resources required to achieve the Department's mission. These critical resources include finances, physical assets, technology, and most importantly, people. In the FY 2014-2017 strategic plan, Treasury committed to capitalizing on 21st century advances in knowledge, methods, and technology to manage resources as effectively and efficiently as possible, creating the best value for all constituents.

During FY 2015, Treasury advanced several leading management practices. Treasury continued the workforce planning effort that began in FY 2014 and will focus next on the cybersecurity workforce. Treasury also established the Office of Risk Management, headed by the Chief Risk Officer, and Treasury's Deputy Secretary established the Treasury Risk Management Committee, which she co-chairs with the Chief Risk Officer, and introduced a more robust risk discussion in Treasury's organizational performance reviews for leaders from different areas to surface potential risks and identify effective mitigation actions.

### ***Employee engagement***

Recent events, including the cybersecurity breaches at the Office of Personnel Management (OPM) and sustained fiscal uncertainty, test employees' morale and ability to remain engaged. Fortunately, 94 percent of the Treasury responses to the Federal Employee Viewpoint Survey reflect that employees remain willing to put in extra effort to get a job done and 88 percent are constantly looking for ways to do their jobs better. In FY 2015, Treasury remained committed to fostering an environment where leaders and employees feel encouraged to focus on important principles of good government and empowered to take action. Treasury has institutionalized a focus on employee engagement by adopting an annual engagement program cycle of data-based action planning, program implementation, and periodic performance reviews. Additionally, the management offices responsible for individual and organizational performance management policy and implementation created the Performance Alignment Work Group to further improve alignment of individual actions to organizational results within Treasury.

Treasury also continued to foster an environment where every employee feels equally valued. In FY 2015, more than 200 supervisors and managers participated in a cultural transformation effort focused on diversity and inclusion principles. Human capital issues, including diversity and inclusion, were regular topics at the organizational performance reviews and remain a top priority for Treasury leadership.

### ***Service to customers***

In Treasury's efforts to lead more efficient practices in government, Treasury expanded its customer base for shared administrative services this year to include the Department of Housing and Urban Development and DHS. While this is an indicator of the high quality of Treasury's products and services, customer feedback indicates that their needs and expectations vary greatly. Consequently, Treasury is working to improve communications and standardize services, products, and processes to sustain the cost efficiencies of the model and improve customer satisfaction.

Few government agencies have greater interaction with the American people than the IRS, and providing top quality service to taxpayers, including helping them understand and meet their tax obligations, remains a central focus for the IRS. That is why Treasury's second FY 2014-2015 APG focused on increasing self-service options for taxpayers, who increasingly expect on-demand web-based interactions. In FY 2015, the IRS continued to invest in and prioritize online services to meet taxpayer demand for anytime, anywhere, any-device access, delivering innovative digital interactions and enhanced support and communication with the tax community and government partners.

Online service options cost comparatively less and have a greater capacity to assist larger numbers of taxpayers than other service channels. At the same time, the IRS recognizes that telephone contact remains a critical and preferred mechanism for many taxpayers and, consequently, committed as many resources as possible in FY 2015 to maintaining telephone service at acceptable levels. As referenced earlier in this report, between FY 2010 and FY 2015, Congress cut the IRS budget by more than \$1.2 billion, which represents a cut of nearly 10 percent in nominal dollars and more than 17 percent with inflation. This impacted the IRS's ability to serve taxpayers, contributing to the level of service falling to 38.1 percent in FY 2015.

The IRS also experienced increased call volume in FY 2015 and issued 17.6 million disconnects, which are automatic call terminations by the IRS after a fixed waiting period. These “courtesy” disconnects are designed to limit excessive wait time and direct callers to alternative service channels.

Increasing the use of online services, however, results in additional challenges. In May 2015, the IRS determined that unauthorized third parties used taxpayers’ personal information obtained from sources outside of the IRS to access its “Get Transcript” application by using stolen information to clear the application’s multi-step user authentication process. The required prior personal knowledge about the taxpayer included social security number, date of birth, filing status, street address, and answers to several identity verification questions typically known only to the taxpayer. The IRS believes some of this information may be used to file fraudulent tax returns during the upcoming 2016 filing season. Immediately after this incident, the IRS suspended the “Get Transcript” application and contacted impacted taxpayers, directing them to identity theft protection tools available through the IRS and credit-monitoring services made available at the IRS’s expense. The IRS also flagged impacted accounts in its core processing system to protect taxpayers moving forward. Securing systems and protecting taxpayers’ personal information continues to be a top priority for Treasury.

Despite the threat of identity theft, taxpayers’ demand for self-service and electronic service options continues to increase. The IRS plans to create a more secure online environment by focusing on developing and maintaining strong authentication and identity management capabilities. In addition, the IRS provides year-round assistance through outreach and education programs, tax forms and publications, and toll-free call centers, taxpayer assistance centers, volunteer income tax assistance sites, and tax counseling for the elderly sites.

### Key Performance Data Highlights

| Measure<br>(Responsible<br>Bureau/Office)  | FY 12  | FY 13  | FY 14  | FY 15  | 4-yr<br>Trend   | FY 15<br>Target | Result vs<br>Target |
|--|--------|--------|--------|--------|---|-----------------|---------------------|
| Federal Employee Viewpoint Survey (FEVS) Engagement Index – 1 to 100 (%)<br>(Management) | 70     | 68     | 66     | 66     |  | 67              | Not Met             |
| Treasury-wide Footprint in Thousands of Sq. Ft.<br>(Management)                          | 37,998 | 37,320 | 36,418 | 35,439 |  | 36,031          | Exceeded            |
| Customer Service Representative Level of Service (%) (IRS)                               | 67.6   | 60.5   | 64.4   | 38.1   |  | 38.0            | Exceeded            |

## Explanation of Results

### Federal Employee Viewpoint Survey (FEVS) Engagement Index – 1 to 100 (%) (Management)

The FEVS Engagement Index denotes the extent to which employees are engaged in their work and motivated by their organization's leadership. Treasury's Engagement Index remained constant at 66 percent from 2014 to 2015. Eight out of eleven Treasury components increased their Engagement Index by 1 to 5 points from 2014 to 2015. Because of IRS's size, however, a decline of 1 point in its Engagement Index neutralized the effect of other bureau increases.

### Treasury-wide Footprint in Thousands of Sq. Ft. (Management)

This measures the total square footage occupied by Treasury's owned and leased buildings. The Department's real property footprint was reduced by an estimated three percent (almost one million square feet) during FY 2015. The reduction was achieved through better use of existing office space, consolidations and co-locations, increased use of telework, and the implementation of new space design standards that use a reduced footprint to optimally right-size the portfolio consistent with Department mission and essential program needs. The Department projects that the footprint will be reduced by another 600,000 square feet in FY 2016.

### Customer Service Representative Level of Service (%) (IRS)

This measure is defined as the number of toll free callers that either speak to a Customer Service Representative or receive information messages divided by the total number of attempted calls. In FY 2015, the Customer Service Representative Level of Service (LOS) target was lowered due to decreased resources and staffing and a projected increase in the number of ACA inquiries. During the filing season, the level of service was 37.4 percent; however, the overall fiscal year target was exceeded by 0.1 percent. FY 2015 Assistor Calls Answered decreased 21 percent and automatic disconnections based on wait times increased 11.6 percent when compared to FY 2014. Through extensive communication, the IRS encourages taxpayers to use the Web or automated tools and alternate channels to resolve their concerns.

## Summary of Management and Performance Challenges

Several cross-cutting challenges were identified and discussed in Treasury's FY 2015 organizational performance reviews that affect efforts to achieve its strategic priorities:

- **Changing international conditions and evolving threats:** As previously discussed, evolving and unpredictable global economic and geopolitical conditions affect Treasury's negotiations and program implementation. The nature of the threats that Treasury faces in the cybersecurity, anti-money laundering, and terrorist financing realms are also fast-growing and constantly changing. Additionally, while the economy has largely recovered, Treasury must remain vigilant to new threats to financial stability and economic growth.
- **Uncertain fiscal and legislative environments:** The pattern of continuing resolutions and the potential for a lapse in appropriations constrains Treasury's ability to plan strategically, impacts its ability to effectively manage the country's debt, and reduces the level of service to taxpayers. Additionally, reauthorization of certain programs and congressional approval of key reforms would enable Treasury to better achieve U.S. objectives but is difficult to predict and, consequently, to plan for its execution.
- **Increased expectations and demand:** Treasury has, in recent years, been asked to lead government-wide implementation of new laws and policies (such as ACA and DATA Act), including the launch of innovative new tools and pilots, while adjusting to reduced resources and staffing levels.

- **Effectiveness of the hiring process:** The federal hiring process poses challenges to Treasury organizations aiming to quickly recruit and hire top talent. Treasury seeks skills that are in high demand in the private sector, which has more flexibility in hiring practices and incentives.
- **Availability of data and analytic capability:** Reliance on third party or private sector analysis poses a risk to the quality of the analysis and recommendations that Treasury provides to senior government officials. Treasury faces challenges in its efforts to improve decision-making by reducing reliance on third-party analysis. Additionally, Treasury is structured and, in some cases, statutorily required, to protect data. Reshaping Treasury's ability to meet increasing calls in recent years to share data across organizations may require additional infrastructure and staff.

In addition to the performance challenges discussed above and in previous sections of this report, OIG and TIGTA have identified the most significant management and performance challenges facing the Department, in accordance with the Reports Consolidation Act of 2000.<sup>7</sup> These challenges do not necessarily indicate deficiencies in performance; some represent inherent risks that require continuous monitoring. Refer to *Section C of Part 3, Other Information*, for a detailed discussion of these challenges, including Treasury's progress toward addressing them.

#### **OIG-Identified Treasury-Wide Management Challenges**

- Cyber Threats
- Management of Treasury's Authorities Intended to Support and Improve the Economy
- Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
- Gulf Coast Restoration Trust Fund Administration

#### **TIGTA-Identified IRS Management Challenges**

- Security for Taxpayer Data and IRS Employees
- Implementing ACA and Other Tax Law Changes
- Tax Compliance Initiatives
- Fraudulent Claims and Improper Payments
- Achieving Program Efficiencies and Cost Savings

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<sup>7</sup> SIGTARP does not provide an annual report to the Secretary because it provides oversight over a program that spans multiple agencies.

- Improving Tax Systems and Online Services
- Providing Quality Taxpayer Service Operations
- Globalization
- Taxpayer Protection and Rights
- Human Capital

### **FY 2016 Outlook**

In considering the challenges and risks to successful mission delivery facing the Department, Treasury identified several initiatives to pursue in FY 2016, including two new agency priority goals (APGs) for FY 2016-2017:

- Increase secure self-service options for taxpayers (FY 2016-2017 APG led by the IRS).
- Develop and promote financial transparency policies and their adoption by leading, in collaboration with OMB, the government-wide implementation of the DATA Act (FY 2016-2017 APG led by the Fiscal Assistant Secretary).
- Continue Treasury's efforts to expand access to credit and bring private capital back into the housing market by completing comprehensive housing finance reform; securing the reauthorization of the SSBCI and CDFI Bond Guarantee programs; and expanding access to long-term savings opportunities for more Americans by continuing to improve the *myRA* program and increase its enrollments.
- Secure congressional approval of the 2010 IMF quota and governance reform proposal and confirmations of nominations to ensure stable and effective U.S. representation at International Financial Institutions.
- Present to the President key findings and potential opportunities to improve the student loan collections process for defaulted borrowers.
- Secure the funding necessary for the IRS to maintain a balanced enforcement program and deliver the web-first service model.
- Increase coordination and information sharing efforts across government and private sectors to protect the stability of the financial system and the interests of American citizens.
- Partner with OMB and the General Services Administration to increase the flexibility with which agencies can acquire and share data sets and analytic capability.
- Transform the Departmental Offices' hiring process using Lean Six Sigma process improvement methodologies, providing best practices for other organizations and making Treasury more competitive as an employer.