

Office of Inspector General

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2015	FY 2016	FY 2017	FY 2016 TO FY 2017	
	Enacted	Enacted	Request	\$ Change	% Change
Audit	\$28,275	\$28,304	\$29,605	\$1,301	4.60%
Investigations	\$7,076	\$7,112	\$7,439	\$327	4.60%
Subtotal, Office of Inspector General	\$35,351	\$35,416	\$37,044	\$1,628	4.60%
Offsetting Collections - Reimbursables	\$13,000	\$13,000	\$10,500	(\$2,500)	-19.23%
Total Program Operating Level	\$48,351	\$48,416	\$47,544	(\$872)	-1.80%
Direct FTE	194	194	194	0	0.00%
Reimbursable FTE	19	19	19	0	0.00%
Total FTE	213	213	213	0	0.00%

Summary

The Inspector General Act of 1978 gives the Treasury Office of Inspector General (OIG) the authority and responsibility to (1) audit and investigate the Department of the Treasury's programs and operations under its jurisdictional oversight; (2) provide leadership and coordination and recommend policies designed to promote economy, efficiency, and effectiveness, and prevent and detect fraud and waste in those programs and operations; and (3) provide a means for keeping the Secretary and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

The OIG provides independent oversight of Treasury and its bureaus except the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP). The OIG has four components, including two mission offices – the Office of Audit and the Office of Investigations. In support of Treasury's strategic goals, the OIG established the following strategic goals: (1) promote the integrity, efficiency, and effectiveness of programs and operations across the OIG's jurisdictional boundaries through audits and

investigations; (2) proactively support and strengthen the ability of programs across the OIG's jurisdictional boundaries to identify challenges and manage risks; (3) fully and currently inform stakeholders of OIG findings, recommendations, investigative results, and priorities; and (4) enhance, support, and sustain a workforce and strengthen internal operations to achieve the OIG mission, vision, and strategic goals.

The FY 2017 request for OIG will be used to fund critical audit, investigative, and mission support activities to meet the requirements of the Inspector General Act, and other statutes including, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank); Federal Information Security Modernization Act (FISMA); Government Management Reform Act; Improper Payments Elimination and Recovery Act, Digital Accountability and Transparency Act of 2014 (DATA Act); Federal Deposit Insurance Act, Small Business Jobs Act of 2010; and Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Specific mandates include audits of the Department's financial statements, the Department's compliance with FISMA, failed

depository institutions regulated by Treasury, and data submitted to USAspending.gov.

With the resources available after mandated requirements are met, OIG will conduct audits of the Department's highest risk programs and operations, and respond to stakeholder requests for specific work as appropriate. Some of the Department's highest risk programs and operations include: (1) Cyber Threats; (2) Management of Treasury's Authorities Intended to Support and Improve the Economy; (3) Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments; (4) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement; and (5) Gulf Coast Restoration Trust Fund Administration.

Cyber Threats

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

Effective public-private coordination continues to be required to address the cyber threats against the Nation's critical infrastructure. In this regard, Treasury is looked upon to provide effective leadership to financial institutions in particular, and the financial sector in general, to strengthen awareness and preparedness against cyber threats.

Management of Treasury's Authorities Intended to Support and Improve the Economy

Congress provided Treasury with broad authorities to address the recent financial crisis under the Housing and Economic Recovery Act (HERA) and the Emergency Economic Stabilization Act (EESA) enacted in 2008, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010. In response to the call for further financial reform, Congress passed Dodd-Frank in July 2010. While Treasury's program administration under these Acts has, for the most part matured, challenges remain in managing these programs and investments.

This challenge focuses on the broad authorities given to Treasury:

- Dodd-Frank established the Financial Stability Oversight Council (FSOC), which is chaired by the Treasury Secretary. FSOC's mission to identify risks to financial stability that could arise from activities of large, interconnected financial companies; promote market discipline; and respond to emerging threats to the financial system.
- The Small Business Jobs Act of 2010 created within Treasury the Small Business Lending Fund. Through that fund, Treasury invested \$4 billion in financial institutions intended to increase the availability of credit to small businesses. The Act also provided \$1.5 billion to Treasury to allocate to eligible State programs through the State Small Business Credit Initiative.
- The Small Business Jobs Act also provided Treasury with authority to guarantee bonds issued for certain community and economic development activities. That function was established through Treasury's Community Development Financial Institutions (CDFI) Fund in June 2013.

- Under HERA, Treasury supports the financial solvency of the Federal National Mortgage Association (Fannie) and the Federal Home Loan Mortgage Corporation (Freddie). To maintain the positive net worth of these two government sponsored enterprises (GSEs), Treasury invested about \$187 billion in senior preferred stock in the two GSEs. While the GSEs have not needed additional support since fiscal year 2012, their futures remain uncertain and more assistance may be needed. If such support is needed, the funding capacity available is \$117.6 billion and \$140.5 billion, to Fannie and Freddie, respectively.
- The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided Treasury with approximately \$30 billion in non-IRS funding for low-income housing and specified energy properties for which OIG provides oversight.

Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments

The DATA Act requires the Federal Government to provide consistent, reliable, and useful online data about how it spends money. As a result, the DATA Act put certain requirements on the Secretary, the Director of the Office of Management and Budget (OMB), the Inspectors General of each Federal agency, and the Comptroller General of the United States. Implementing the DATA Act is a complex task requiring a substantial level of interagency coordination and cooperation to develop, establish, and apply new financial data standards and to develop new data handling methodologies within a short timeframe.

In light of the continuing problem with improper payments (estimated at \$125 billion, or 4.5 percent of all program outlays, for fiscal year 2014), the Federal Government has

intensified efforts to reduce improper payments in major Federal programs. The Do Not Pay Initiative, and the Treasury Bureau of the Fiscal Service's (Fiscal Service) Do Not Pay Business Center, are chief components of efforts designed to prevent and detect improper payments to individuals and entities. With its potential to reduce improper payments, the Do Not Pay Program is a major and important undertaking by Fiscal Service and Treasury.

Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement

Preventing criminals and terrorists from using financial networks to sustain their operations and/or launch attacks against the U.S. continues to be a challenge. Treasury's Office of Terrorism and Financial Intelligence (TFI) is dedicated to disrupting the ability of terrorist organizations to fund their operations. TFI brings intelligence gathering and analysis, economic sanctions, international cooperation, and private-sector cooperation to identify donors, financiers, and facilitators supporting terrorist organizations, and disrupt their ability to fund such organizations. Treasury carries out its responsibilities to enhance financial transparency through the laws collectively known as the Bank Secrecy Act (BSA). The Financial Crimes Enforcement Network (FinCEN) is the Treasury bureau responsible for administering BSA, while Treasury's Office of Foreign Assets Control administers U.S. foreign sanction programs. Given the criticality of this challenge to the Department's mission, we continue to consider anti-money laundering and combating terrorist financing programs and operations as inherently high-risk.

Gulf Coast Restoration Trust Fund Administration

In response to the Deepwater Horizon oil spill, Congress enacted the RESTORE Act. This law established within Treasury the Gulf Coast

Restoration Trust Fund (Trust Fund). It requires Treasury to deposit 80 percent of administrative and civil penalties paid by responsible parties pursuant to the Federal Water Pollution Control Act (Clean Water Act) into the Trust Fund. The monies deposited are to be distributed to the affected Gulf Coast States (Alabama, Florida, Louisiana, Mississippi, and Texas) for environmental and economic restoration. As of December 2015, the Trust Fund received about \$816 million from the Federal Government's settlement with the Transocean defendants. In July 2015, BP Exploration & Production Inc. (BPXP), agreed to settle with the Federal Government and the Gulf Coast States. This will result in about \$4.4 billion plus interest expected to be deposited into the Trust Fund over a 15-year period. With the amount and timing of the money resolved, Treasury, the Gulf Coast States, and impacted local governments are challenged to meet the intent of the Act within the expected funding levels and timing of payments.

In the Investigations operational area, OIG has established five priorities for FY 2017:

Criminal and Serious Employee Misconduct

The OIG's highest investigative priorities are complaints involving alleged criminal and other serious misconduct by Treasury employees. OIG investigates allegations of the general crimes enumerated in Title 18 of the U.S. Code, other federal crimes, alleged violations of the Ethics in Government Act, and allegations of serious misconduct prohibited by the Standards of Ethical Conduct for Employees of the Executive Branch. Some Treasury bureaus and offices have additional rules and regulations relating to ethical standards for their employees. OIG also investigates those complaints and alleged violations.

Fraud Involving Contracts, Grants, Guarantees, and Funds

The OIG investigates allegations of fraud and other crimes involving Treasury contracts, grants, loan guarantees, and federal funds, including investigations made in accordance with Sections 1602 and 1603 of the Recovery Act. Such allegations often involve contractors, entities, and individuals who are providing or seeking to provide goods or services to the Department. OIG receives complaints alleging criminal or other misconduct from employees, contractors, the public, and Congress.

Financial Programs and Operations Crime

Investigations relating to Treasury financial programs and operations involve issuing licenses, providing benefits, and exercising oversight of U.S. financial institutions; fraud involving improper Federal payments such as those involving Treasury checks and the *Check Forgery Insurance Fund* ("CFIF"); crimes involving the improperly-redistributed benefits of federal government payees; and false claims of any kind that generate inappropriate Federal payments, including federal income tax refunds, Social Security benefits, and Veterans' Administration payments.

Threats Against Treasury Employees and Facilities

Investigative efforts into threats against Treasury employees and facilities are critical in ensuring safety. These matters require prompt attention and coordination with federal, State, and local authorities in order to protect those involved.

Treasury Employee and Bureau Impersonation Scams

Investigations relating to scammers who defraud the citizens of the U.S. and other countries by impersonating Treasury employees and/or by fraudulently using the Treasury and Bureau seals. These scams have significantly increased in the last few years,

and require prompt attention to protect the public and the integrity of the Department.

OIG FY 2017 Budget Highlights

Dollars in Thousands

Office of Inspector General	FTE	Amount
FY 2016 Enacted	194	\$35,416
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$508
Pay-Raise	-	\$269
Pay Annualization	-	\$89
Non-Pay	-	\$150
Subtotal Changes to Base	-	\$508
Total FY 2017 Base	194	\$35,924
Program Changes:		
Program Increases:	-	\$1,120
DATA Act and Other Audit Workload	-	\$1,120
Total FY 2017 Request	194	\$37,044

FY 2017 Budget Adjustments

Adjustments to Request

Maintaining Current Level (MCLs)

Pay-Raise +\$269,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$89,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.

Non-Pay +\$150,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments postage, supplies, and equipment.

DATA Act and Other Audit Workload +\$1,120,000 / +0 FTE

Funds are requested for anticipated increase in DATA Act and other audit workload.

Explanation of Budget Activities

Audit (\$29,605,000 from direct appropriations, \$10,500,000 from reimbursable resources)

The Office of Audit conducts audits to ensure the accountability of resources, protect information, and provide recommendations for improving the economy, efficiency,

effectiveness, and integrity of Treasury programs and operations under its jurisdiction, which include those of Treasury and the Gulf Coast Ecosystem Restoration Council. The requested funding for FY 2017 is necessary to perform mandated work and maintain an appropriate level of oversight of Treasury programs and operations consistent with its responsibilities under the Inspector General Act. The OIG also responds to requests by Treasury officials and the Congress for specific work. Reimbursable funding supports agreements for contracted audits as well as oversight of the SBLF/SSBCI programs. SBLF/SSBCI program oversight and expected performance is detailed in the SBLF/SSBCI Program Office budget submission.

Investigations (\$7,439,000 from direct appropriations)

The Office of Investigations (OI) prevents, detects, and investigates complaints of fraud, waste, and abuse. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office refers its cases to the Department of Justice, State or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

With the increased risk of the Recovery Act grant programs for low-income housing and specific energy properties, the Office of Investigations faces greater challenges and anticipated increases in grant fraud. Investigative efforts are being directed towards those that subvert bank examination processes, subsequently defrauding the system and eroding the public's trust.

OI also has substantially increased its focus on the investigation of Treasury related improper payment fraud and scams targeting U.S. citizens where Treasury employees are being

impersonated and Treasury seals are being used to defraud victims.

Legislative Proposals

OIG has no legislative proposals.

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2017 Target
Audit	Number of Completed Audit Products	72	75	86	77	86
Audit	Percent of Statutory Audits Completed by the Required Date	100.0	100.0	100.0	100.0	100.0
Investigations	Percentage (%) of All Cases Closed During Fiscal Year that were Referred for Criminal/Civil Prosecution or Treasury Administrative Action	84.0	84.0	87.0	80.0	80.0

Key: DISC – Discontinued

Description of Performance

The Office plans to complete 86 audit products in FY 2017 and 77 in FY 2016. In FY 2015, the Office of Audit completed 86 audit products, exceeding the planned target of 75. In FY 2015, the Office met its mandated audit requirements and identified \$48.9 million in monetary benefits.

In keeping with the OIG’s strategy to maintain a highly skilled and motivated workforce, the OIG plans and executes a meaningful body of work designed to help ensure the integrity, efficiency, and effectiveness of programs and operations across OIG’s jurisdiction while looking for opportunities to improve them.

In FY 2015 the OIG exceeded the Investigative Performance Measure target, opened 133 new investigations, and closed 70 investigations. The OIG also referred 27 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 72 investigations for criminal prosecution. The OIG received investigative referrals regarding potential criminal misconduct that occurred prior to or during bank failures, and has worked criminal investigations with the Federal Deposit Insurance Corporation Office of Inspector General and the OIG Office of Audit regarding potential prosecution of acts which may have contributed to the bank failures.