

Office of Inspector General

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2014	FY 2015	FY 2016	FY 2015 TO FY 2016	
	Enacted	Enacted	Request	\$ Change	% Change
Audit	\$27,050	\$28,275	\$28,304	\$29	0.10%
Investigations	\$7,750	\$7,076	\$7,112	\$36	0.51%
Subtotal, Office of Inspector General	\$34,800	\$35,351	\$35,416	\$65	0.18%
Offsetting Collections - Reimbursables	\$12,000	\$13,000	\$13,000	\$0	0.00%
Total Program Operating Level	\$46,800	\$48,351	\$48,416	\$65	0.13%
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; (2) promote economy and efficiency and to detect and prevent fraud and waste in those programs and operations; and (3) keep the Secretary and Congress aware of problems and solutions.

The OIG provides independent oversight of Treasury and all of its bureaus except the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP). The OIG has five components, including three mission offices – the Office of Audit, the Office of Investigations, and the Office of Small Business Lending Fund (SBLF) Program Oversight (separately funded through 2017). In support of Treasury's strategic goals, the OIG established the following strategic goals: (1) promote the integrity and effectiveness of Treasury programs and operations through audits and investigations; (2) proactively support and strengthen the Department's ability to identify and manage challenges, both today and in the future; (3) fully and currently inform stakeholders of

Treasury OIG findings, recommendations, investigative results, and priorities related to Treasury programs and operations; and (4) enhance, support, and sustain a workforce and strengthen internal operations to achieve the Treasury OIG mission, vision and strategic goals.

The FY 2016 request for the OIG will be used to fund critical audit, investigative, and mission support activities to meet the requirements of the Inspector General Act, and a number of other statutes including, but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), Federal Information Security Management Act (FISMA), Government Management Reform Act (GMRA), Improper Payments Elimination and Recovery Act (IPERA), Digital Accountability and Transparency Act of 2014 (DATA Act), Federal Deposit Insurance Act (FDIA), 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 implementation

of FISMA, and failed insured depository institutions regulated by Treasury.

With the resources available after mandated requirements are met, the 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) continued implementation of Dodd-Frank; (2) management of Treasury's authorities intended to support and improve the economy; (3) anti-money laundering and terrorist financing/Bank Secrecy Act Enforcement; and (4) Gulf Coast Restoration Trust Fund Administration.

Programs That Support the Continued Implementation of Dodd-Frank - The Act established the Council of Inspectors General on Financial Oversight (CIGFO) and designated the Treasury Inspector General as Chair. The Council has statutory requirements to provide oversight of the Financial Stability Oversight Council (FSOC), which is chaired by the Treasury Secretary. CIGFO comprised of the Inspectors General of the eight federal financial regulators and the Special Inspector General for TARP, meets quarterly to share information on financial oversight, provides annual reports to FSOC and the Congress with the individual and collective perspectives of the inspectors general on ways to improve financial oversight, and evaluates FSOC activities through working groups. During FY 2016, CIGFO will continue to evaluate FSOC's activities. Apart from CIGFO, the OIG will provide oversight for four important Treasury offices established by Dodd-Frank – the Office of Financial Research, the Federal Insurance Office, and the Office of Minority and Women Inclusion within Departmental Offices and Office of the Comptroller of the Currency.

Management of Treasury's Authorities to Support and Improve the Economy - The Recovery Act provided Treasury with approximately \$29 billion in non-IRS funding for low-income housing projects and specified energy properties for which the OIG must provide oversight. Funds for the Recovery Act are available for the specified energy properties program and will require continued oversight. The OIG will continue this work at Departmental Offices to determine whether the funds were spent as intended. The OIG will continue its oversight of projects funded under Treasury's payments in lieu of tax credit programs – to persons for specified energy properties and to states for low-income housing projects over an extended period of time (5 years from the placed in-service date of the specified energy property and 15 years beginning on January 1 of the year following the placed in-service date for the low-income housing project). In addition, the OIG anticipates an increase of related criminal investigations as Treasury continues to disburse these funds.

Another area that requires vigorous oversight by the OIG is Treasury's responsibilities under the Housing and Economic Recovery Act of 2008 (HERA). Under HERA, Treasury continued to support the financial solvency of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) which is under the conservatorship of the Federal Housing Finance Agency. As of July 2014, Treasury invested \$187 billion in the two entities to cover their losses and maintain a positive net worth. Although Fannie Mae and Freddie Mac did not require Treasury's support in recent years, the futures of both remain in question and prolonged assistance may be required. During FY 2016, audit oversight of the Preferred Stock Purchase Agreement Program, the program through which Treasury provides its financial support

to Fannie Mae and Freddie Mac, will continue. The OIG's planned HERA oversight work in FY 2016 also includes the Housing Finance Agency (HFA) Initiative's New Issue Bond Program (\$15.3 billion). This program includes participation of over 90 state and local HFAs.

Programs to Combat Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement - Ensuring criminals and terrorists do not use our financial networks to sustain their operations and/or launch attacks against the U.S. continues to be a challenge. Given the criticality of this challenge to the Department's mission, the OIG continues to consider anti-money laundering and combating terrorist financing as inherently high-risk, and an area that demands a major focus of its self-directed resources.

Gulf Coast Restoration Trust Fund Administration - In response to the Deepwater Horizon oil spill, Congress established within Treasury the Gulf Coast Restoration Trust Fund and requires Treasury to deposit in the Trust Fund 80 percent of administrative and civil penalties paid by responsible parties, which will be distributed for eligible activities affecting the Gulf Coast states (Alabama, Florida, Louisiana, Mississippi, and Texas). Treasury OIG is charged with providing oversight of all programs, processes, and activities of the Trust Fund.

Treasury OIG's investigative priorities for FY 2016 include:

- Complaints of alleged criminal and serious misconduct by Department employees and contract employees;
- Allegations of fraud and other crimes involving Treasury contracts, procurements, grants, guarantees (fictitious instruments), and federal funds;

- Complaints related to financial programs and operations involving issuing licenses, providing benefits and exercising oversight of U.S. financial institutions;
- Threats against Treasury employees and facilities; and
- Proactive efforts in detecting, investigating, and deterring electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

In addition to audit and investigative responsibilities cited above, the OIG will continue to provide audit and investigative oversight over two additional Treasury programs—the Small Business Lending Fund (SBLF) and State Small Business Credit Initiative (SSBCI). The SBLF is a \$30 billion fund that is used by Treasury to inject capital into small and medium banks with incentives to encourage them to increase their lending. The SSBCI provides Treasury with \$1.5 billion to support state programs designed to increase access to credit for small businesses. To ensure proper oversight of the SBLF, in 2010 the OIG established the SBLF Program Oversight Office headed by a Special Deputy Inspector General with responsibility for all audit and investigative activities relating to the program and for recommending program improvements. Congress also directed the OIG to audit the use of SSBCI funds by participating states and required Treasury to recoup any misused funds identified by such audits. To comply with its mandates, the OIG will continue to assess Treasury's implementation of these two programs, continually monitor recipient compliance with program requirements and use of funds, and evaluate the impact of these programs on small business lending.

Total resources required to support the OIG's operations in FY 2016 are \$48,416,000,

consisting of (1) \$35,416,000 from direct appropriations and (2) \$13,000,000 from reimbursable funding agreements to support the financial statement audit requirements of the Department and for oversight of the SBLF and SSBCI programs.

OIG FY 2016 Budget Highlights

Dollars in Thousands

Office of Inspector General	FTE	Amount
FY 2015 Enacted	194	\$35,351
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$549
Pay-Raise	-	\$283
Pay Annualization	-	\$72
FERS Contribution Increase	-	\$107
Non-Pay	-	\$87
Efficiency Savings		(\$484)
Administrative Reduction		(\$484)
Subtotal Changes to Base	-	\$65
Total FY 2016 Base	194	\$35,416
Total FY 2016 Request	194	\$35,416

FY 2016 Budget Adjustments

Adjustments to Request

Maintaining Current Level (MCLs)

Pay-Raise +\$283,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +\$72,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +\$107,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$87,000 / +0 FTE

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

Efficiency Savings

Administrative Reduction -\$484,000 / +0 FTE

OIG will reduce its administrative expenses and achieve savings due to delays in on-boarding staffing.

Explanation of Budget Activities

Audit (\$28,304,000 from direct appropriations, \$13,000,000 from reimbursable resources)

The Office of Audit conducts audits aimed 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. The requested funding for FY 2016 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. In FY 2016 the OIG must continue to provide oversight of Gulf Coast Restoration Trust Fund programs, projects and activities, as well as Treasury's roles and responsibilities under the DATA Act. Reimbursable funding supports agreements for contract audits of other Treasury bureaus, as well as oversight of the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI) programs. SBLF/SSBCI program oversight and expected performance is detailed in the SBLF/SSBCI Program Office budget submission.

Investigations (\$7,112,000 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. OI

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, OI faces greater challenges and anticipated increases in grant fraud. In addition, with the establishment of the Gulf Coast Restoration Trust Fund, outreach efforts are being made in an effort to

prepare for future investigative referrals and complaints aimed at suspected fraud involving these funds.

Additionally, OI remains committed to investigating benefit, payment and other monetary fraud associated with the programs and operations of the Treasury Department.

Legislative Proposals

OIG has no legislative proposals.

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
		Actual	Actual	Actual	Target	Target
Audit	Number of Completed Audit Products	91	72	75	75	77
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	91.0	84.0	84.0	80.0	80.0

Key: DISC - Discontinued and B - Baseline

Description of Performance

The Office of Audits expects to complete 75 audit products in FY 2015 and 77 in FY 2016. In FY 2014 the Office of Audit completed 75 audit products, exceeding the planned target of 70. In FY 2014, the Office of Audit met its mandated audit requirements. Audit products include audit reports, evaluation reports, the Inspector General’s Semi-Annual Report to the Congress, and the Inspector General’s annual memorandum to the Secretary on the most significant management and performance challenges facing the Department. Audit products can also include responses to specific information requests by the Congress on a variety of subjects. By completing independent and timely assessments of Treasury’s programs and operations under our jurisdiction, the OIG supports its mission of

promoting efficiency, effectiveness, and integrity of Treasury programs and operations. The recommendations for improvement in Treasury programs and operations noted through OIG’s assessments directly support the Treasury Department in achieving its strategic goals. It should be noted that a number of these assessments are mandated in law with specific reporting deadlines so that decision makers have timely information.

The OIG has a mature audit operation that can well estimate, based on historical performance, a highly accurate prediction of future performance. That said, OIG has, over time, demonstrated agility at redirecting resources as necessary to address new challenges and mandates of its stakeholders.

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 and effectiveness of Treasury programs and operations while looking for opportunities to improve them.

In FY 2014, the OIG exceeded the Investigative Performance Measure target, opened 81 new investigations, closed 92 investigations, and referred 48 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 65 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.

The Investigative performance measure is the percentage of all cases closed by OI during the fiscal year that were referred for administrative action or for criminal or civil prosecution by Federal or local prosecutors. Meeting or exceeding this goal demonstrates that OI is responsive to allegations and complaints and does an excellent and thorough job in analyzing and evaluating incoming complaints, investigating complaints that warrant full investigation and achieving a measurable result by way of either an Administrative or Criminal referral for action against the subject of the investigation. The low percentage of investigations closed had no actionable findings. OI's excellent performance continues to assist the Department in maintaining the integrity of its programs and operations, subsequently ferreting out fraud, waste, and abuse. This

goal was developed to achieve OIG's goal of positively impacting Treasury's strategic goals and providing a more meaningful measurement of investigative performance.