

Department of the Treasury  
Office of Inspector General

Congressional Budget  
Justification and Annual  
Performance Report and Plan

FY 2019

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## **Section I – Budget Request**

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### **A – Mission Statement**

To promote the integrity, efficiency, and effectiveness of Treasury programs and operations.

### **B – Summary of the Request**

The FY 2019 request for \$36,000,000 for the OIG will be used to fund critical audit, investigative, and mission support activities to meet the requirements of the Inspector General Act of 1978, and other statutes including, but not limited to: the Cybersecurity Act of 2015; 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, the Department’s actions in implementing cyber security information sharing, material loss reviews for failed insured depository institutions regulated by the Office of the Comptroller of the Currency (OCC), and spending data submitted by the Department to USASpending.gov.

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) Cyber Threats, (2) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement, and (3) Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments, (4) Administration of the Gulf Coast Restoration Trust Fund.

In support of Treasury’s mission, the OIG established the following strategic goals:

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

### **Office of Inspector General’s FY 2019 Budget Request**

In accordance with the requirements of Section 6(f) (1) of the Inspector General Act of 1978, the Treasury Inspector General submits the following information relating to the OIG’s requested budget for FY 2019:

- The aggregate budget request for the operations of the OIG is \$45,000,000 comprised of \$36,000,000 from direct appropriations, and \$9,000,000 from reimbursable collections;
- The portion of this amount needed for OIG training is \$350,000; and

- The portion of this amount needed to support the Council of Inspectors General on Integrity and Efficiency (CIGIE) is \$78,500.

The amount requested for training satisfies all OIG training needs for FY 2019.

The Inspector General has determined that the office requires approximately \$2,500,000 above the \$36,000,000 to accomplish required audit and investigative work in FY 2019, and to carry out the OIG’s mission to promote integrity, efficiency and effectiveness of Treasury programs and operations, and to prevent fraud waste and abuse.

### 1.1 – Appropriations Detail Table

Dollars in Thousands

Office of Inspector General Appropriated Resources	FY 2017		FY 2018		FY 2019		FY 2018 to FY 2019			
	Enacted		Annualized CR		Request		Change	% Change		
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources</b>										
Audit	115	\$28,524	132	\$28,330	132	\$27,720	\$0	(\$610)	0.00%	-2.15%
Investigations	43	\$8,520	43	\$8,462	43	\$8,280	\$0	(\$182)	0.00%	-2.15%
<b>Subtotal New Appropriated Resources</b>	<b>158</b>	<b>\$37,044</b>	<b>175</b>	<b>\$36,792</b>	<b>175</b>	<b>\$36,000</b>	<b>0</b>	<b>(\$792)</b>	<b>0.00%</b>	<b>-2.15%</b>
<b>Other Resources</b>										
Reimbursables	7	\$10,500	5	\$10,000	5	\$9,000	0	(\$1,000)	0.00%	-10.00%
<b>Subtotal Other Resources</b>	<b>7</b>	<b>\$10,500</b>	<b>5</b>	<b>\$10,000</b>	<b>5</b>	<b>\$9,000</b>	<b>0</b>	<b>(\$1,000)</b>	<b>0.00%</b>	<b>-10.00%</b>
<b>Total Budgetary Resources</b>	<b>165</b>	<b>\$47,544</b>	<b>180</b>	<b>\$46,792</b>	<b>180</b>	<b>\$45,000</b>	<b>0</b>	<b>(\$1,792)</b>	<b>0.00%</b>	<b>-3.83%</b>

Note: The FY 2017 column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017, for further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

### 1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Inspector General	FTE	Amount
<b>FY 2018 Annualized CR</b>	<b>175</b>	<b>\$36,792</b>
<b>Changes to Base:</b>		
Maintaining Current Levels (MCLs):	0	\$305
Pay Annualization	0	\$117
Non-Pay	0	\$188
Subtotal Changes to Base	0	\$305
<b>Total FY 2019 Base</b>	<b>175</b>	<b>\$37,097</b>
Program Decreases	0	(\$1,097)
Data Act and Other Workload	0	(\$1,097)
<b>Total FY 2019 Request</b>	<b>175</b>	<b>\$36,000</b>

### C – Budget Increases and Decreases Description

**Maintaining Current Levels (MCLs) ..... \$305,000 / +0 FTE**  
Pay Annualization +\$117,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay raise.

Non-Pay +\$188,000 / +0 FTE

Funds are requested for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

**Program Decreases .....-\$1,097,000/ +0 FTE**  
Data Act and Other Workload -\$1,097,000 / +0 FTE

Program decreases in Data Act and other workload.

### 1.3 – Operating Levels Table

Dollars in Thousands

Office of Inspector General Object Classification	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request
11.1 - Full-time permanent	21,000	20,750	19,739
11.3 - Other than full-time permanent	200	10	10
11.5 - Other personnel compensation	500	750	500
11.5 - Overtime	0	0	0
11.8 - Special personal services payments	675	700	600
<b>11.9 - Personnel Compensation (Total)</b>	<b>22,375</b>	<b>22,210</b>	<b>20,849</b>
12.0 - Personnel benefits	5,650	5,850	5,500
13.0 - Benefits for former personnel	0	15	0
<b>Total Personnel and Compensation Benefits</b>	<b>\$28,025</b>	<b>\$28,075</b>	<b>\$26,349</b>
21.0 - Travel and transportation of persons	510	700	600
23.1 - Rental payments to GSA	435	2,087	4,041
23.3 - Communications, utilities, and miscellaneous charges	1,000	800	300
24.0 - Printing and reproduction	19	5	5
25.0 - Other contractual services	0	2,200	2,100
25.2 - Other services from non-Federal sources	3,515	0	0
25.3 - Other goods and services from Federal sources	2,970	2,465	2,280
25.6 - Medical care	50	60	60
25.7 - Operation and Maintenance of Equipment	120	35	45
26.0 - Supplies and materials	100	145	100
31.0 - Equipment	300	200	100
92.0 - Unvouchered Expenditures	0	20	20
<b>Total Non-Personnel</b>	<b>\$9,019</b>	<b>\$8,717</b>	<b>\$9,651</b>
<b>New Budgetary Resources</b>	<b>\$37,044</b>	<b>\$36,792</b>	<b>\$36,000</b>
<b>FTE</b>	<b>158</b>	<b>175</b>	<b>175</b>

Note: The FY 2017 column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

**D – Appropriations Language and Explanation of Changes**

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY OFFICE OF INSPECTOR GENERAL <i>Federal Funds</i></p> <p style="text-align: center;">SALARIES AND EXPENSES</p> <p><i>For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, \$36,000,000, including hire of passenger motor vehicles; of which not to exceed \$100,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury; of which up to \$2,800,000 to remain available until September 30, 2020, shall be for audits and investigations conducted pursuant to section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (33 U.S.C. 1321 note); and of which not to exceed \$1,000 shall be available for official reception and representation expenses.</i></p> <p>Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.</p>	

**E – Legislative Proposals**

The OIG has no legislative proposals.

## **Section II – Annual Performance Plan and Report**

### **A – Strategic Alignment**

Through the audit and investigative functions, the OIG supports the Department of the Treasury's Strategic Plan for FY 2018-2022 including all objectives under the following goals:

- Goal 1: Boost U.S. Economic Growth
- Goal 2: Promote Financial Stability
- Goal 3: Enhance National Security
- Goal 4: Transform Government-wide Financial Stewardship
- Goal 5: Achieve Operational Excellence

The FY 2018-2022 OIG strategic plan is currently under development. The annual performance plan will be updated in the budget to reflect the new priorities.

With the publication of Treasury's Strategic Plan for FY 2018-2022, OIG will work this year to baseline performance against the new strategic objectives. This could result in changes to performance measures in the FY 2020 budget.

The FY 2019 requested resources will enable the OIG to perform audits and investigations of Treasury programs and operations under its jurisdiction, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and to keep the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action. By statute, the OIG also performs oversight of the Gulf Coast Ecosystem Restoration Council, an independent Federal agency. Major Treasury risks and challenges include:

#### ***Cyber Threats***

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. OIG conducts audits of Treasury's information systems and operations. As part of these audits, OIG conducts penetration tests of selected Treasury bureaus and offices to determine whether sufficient protections exist to prevent and detect unauthorized access to Treasury networks and systems. In addition, OIG conducts investigations into cyber intrusions of Treasury systems, the illicit removal of Treasury-protected information from Treasury systems, and cyber-enabled criminal activity impacting Treasury programs and operations, such as Business Email Compromise, Personal Email Compromise, and other schemes.

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

This challenge focuses on the difficulties Treasury faces in identifying, disrupting, and dismantling the financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats to international security that continue to be challenging. Major challenges for the U.S. and Treasury involve stopping the Islamic State of Iraq and Syria (ISIS), rogue regimes and countries, and other bad actors who want to harm people and properties and disrupt the global financial system. Enhancing the transparency of the financial system is one of the cornerstones of the effort to disrupt the ability of terrorist organizations. Through OIG's review of TFI authorities, responsibilities and programs, OIG assesses the efficiency and effectiveness of TFI components including their

ability to disrupt terrorist organizations. OIG's review includes assessing internal controls and ensuring compliance with laws and internal procedures. OIG reports any detected fraud, waste, and abuse and makes recommendations for improvement. Each day terrorists and criminals react to the increased financial institution monitoring by looking for other ways to move funds to support their illicit activities. OIG's prior audits have revealed problems relating to the detection of Bank Secrecy Act (BSA) violations, the timely enforcement of the BSA, Suspicious Activity Report (SAR) quality, and BSA system development efforts. Additionally, the universe of financial institutions required to comply with BSA requirements continues to grow as nonbank financial institutions are required to report Currency Transaction Report (CTR) and SAR data. This universe also includes the insurance industry and dealers of precious stones, metals, and virtual currencies. Given the importance of Treasury's mission to combat terrorist financing and money laundering, and the ever changing environment in which terrorist organizations operate, OIG considers anti-money laundering and combating terrorist financing to be inherently high-risk areas with a commiserate need for oversight by OIG.

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

Treasury continues to make progress in its Government-wide and Department-wide implementation of the DATA Act. The DATA Act requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars. Given the broad Government-wide implications and critical roles assigned to Treasury by the DATA Act, the OIG considers this an ongoing high-risk implementation project and management challenge. Given the department's role in the Government-wide implementation of the DATA Act, Treasury OIG has provided continuous oversight since enactment of the law. Concurrent with the work performed by the office, Treasury OIG leads a multi-agency IG community DATA Act Working Group and provides educational oversight ensuring the IG community was well positioned to execute its responsibilities under the DATA Act. As it relates to improper payments, OIG continues to identify and analyze the risks of improper payments and reviews the controls and safeguards put in place by Treasury to prevent and recover such payments as set forth in the Improper Payments Elimination and Recovery Act of 2010.

#### ***Management of the Gulf Coast Restoration Trust Fund***

To address the economic and environmental damage caused by the *Deepwater Horizon* oil spill in the Gulf Coast, Treasury was given authority to administer the Gulf Coast Restoration Trust Fund established by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act. While Treasury's program administration under this act has progressed, challenges remain in managing the program and investments.

In response to the 2010 *Deepwater Horizon* oil spill, Congress enacted the RESTORE Act. This law established within Treasury the Gulf Coast Restoration Trust Fund (Trust Fund) and requires Treasury to deposit into the Trust Fund 80 percent of administrative and civil penalties paid by responsible parties pursuant to the Federal Water Pollution Control Act (Clean Water Act). The funds are to be distributed for environmental and economic restoration activities affecting the Gulf Coast States (Alabama, Florida, Louisiana, Mississippi, and Texas). In July 2015, BP Exploration & Production Inc., agreed to settle with the Federal Government and the Gulf Coast States resulting in approximately \$4.4 billion plus interest expected to be deposited into the Trust Fund over a 15-year period. Approximately \$5.3 billion is expected to be deposited into the



Trust Fund as a result of the Federal Government's settlements with Transocean, Anadarko Petroleum Corporation, and BP Exploration & Production Inc., defendants. As of April 2017, the Trust Fund received approximately \$1.2 billion, including related interest. Going forward it is expected that demands for technical assistance from the Office of Gulf Coast Restoration will increase now that several Direct Component Multiyear Implementation Plans have been accepted by Treasury and a number of Direct Component planning assistance and construction grants have been awarded.

In the Investigations operational area, OIG has established eight priorities for FY 2019:

***Criminal and Serious Employee Misconduct***

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

***Fraud Involving Contracts, Grants, Guarantees, and Funds***

The OIG Office of Investigations conducts investigations into 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. The Office of Investigations receives complaints alleging criminal or other misconduct from employees, contractors, members of the public, and the Congress.

***Financial Programs and Operations Crime***

Investigations relating to Treasury financial programs and operations that involve Treasury bureaus issuing licenses, providing benefits, and exercising oversight of U.S. financial institutions; frauds involving improper Federal payments such as those involving stolen, counterfeit, altered or fraudulently obtained Treasury checks and ACH payments; frauds involving improper Federal payments such as those involving Treasury checks and the *Check Forgery Insurance Fund*; crimes involving the improperly-redireted 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. These problems, particularly the production of counterfeit and altered Treasury checks, have significantly increased in the last few years. These matters require prompt attention to protect the public and the integrity of the department.

***Threats Against Treasury Employees and Facilities***

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

***Cyber Threats against Treasury Systems and Cyber Enabled Financial Crimes Fraud***

The OIG conducts investigations into Cyber intrusions of Treasury systems, the illicit removal of Treasury protected information from Treasury systems and Cyber enabled criminal activity impacting Treasury programs and operations, such as Business Email Compromise, Personal Email Compromise and other schemes.

***Treasury Employee and Bureau Impersonation Scams***

Investigations relating to scammers who represent themselves as Treasury employees in order to defraud the citizens of the U.S. and other countries by the impersonation of Treasury employees and/or the fraudulent use of the Treasury and Bureau seals. This is a problem that has significantly increased in the last few years. These matters require prompt attention to protect the public and the integrity of the Department.

***Investigating Fraud Related to Persons Representing Themselves as “Sovereign Citizens” Submitting Fictitious Financial Instruments to Treasury, Financial Institutions, and Private Companies***

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

***Identifying and Investigating Fraud Related to the RESTORE Act***

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

## B – Budget and Performance by Budget Activity

### 2.1.1 Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	\$21,801	\$24,947	\$27,653	\$26,014	\$23,982	\$28,330	\$27,720
Reimbursable	\$8,671	\$8,525	\$7,299	\$6,726	\$10,500	\$10,000	\$9,000
<b>Budget Activity Total</b>	<b>\$30,472</b>	<b>\$33,472</b>	<b>\$34,952</b>	<b>\$32,740</b>	<b>\$34,482</b>	<b>\$38,330</b>	<b>\$36,720</b>
<b>FTE</b>	<b>139</b>	<b>135</b>	<b>133</b>	<b>137</b>	<b>115</b>	<b>132</b>	<b>132</b>

Measure	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2017	FY 2018	FY 2019
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Number of Completed Audit Products	72	75	86	98	90	86	74	74
Percent of Statutory Audits Completed by the Required Date	100	100	100	100	100	100	100	100

### Audit Budget and Performance

*(\$27,720,000 from direct appropriations, and \$9,000,000 from reimbursable resources):*

The Office of Audit conducts audits intended to ensure the accountability of resources, protect information, and provide recommendations for improving the integrity, economy, efficiency, effectiveness, and integrity of programs and operations under its jurisdiction, which include those of Treasury and the Gulf Coast Ecosystem Restoration Council. The requested funding for FY 2019 is necessary to perform mandated work, including Material Loss Reviews of failed insured national banks and trusts as part of general oversight of the OCC, and maintain an appropriate level of oversight of these programs and operations consistent with the OIG's responsibilities under the Inspector General Act of 1978. In FY 2019, OIG will also continue to provide oversight of Treasury's government-wide role and responsibilities under the DATA Act. Reimbursable funding agreements support financial audits of Treasury and oversight of the Small Business Lending Fund.

#### Description of Performance:

The Office plans to complete 74 audit products in FY 2018, and 74 in FY 2019. The number of audit products was reduced in FY 2018 as a result of a significant rent increase in FY 2018 that will consume resources that would otherwise be used to fully staff the Office of Audit. The same target will apply in FY 2019. In FY 2017, the Office of Audit completed 90 audit products, and met all statutory audit timelines. Audit products include audit reports, evaluation reports, the Inspector General's Semi-Annual Reports to the Congress, and the Inspector General's annual memoranda to the Secretary of the Treasury and the Secretary of Agriculture, as the designated Chairperson of the Gulf Coast Ecosystem Restoration Council, on the most significant management and performance challenges facing the Department and Gulf Coast Ecosystem Restoration Council, respectively. Audit products can also include responses to specific information requests by the Congress. By completing independent and timely assessments of

programs and operations under its jurisdiction, the Office supports the OIG’s mission of promoting efficiency, effectiveness, and integrity of those programs and operations. The recommendations for improvement in programs and operations noted through OIG’s assessments directly support the Treasury Department in achieving its strategic goals and the Gulf Coast Ecosystem Restoration Council in meeting its mission.

The OIG has a mature audit operation that uses historical performance to estimate future performance. It 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 programs and operations across its jurisdiction while looking for opportunities to improve them.

### 2.1.2 Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
Appropriated Resources	\$5,582	\$5,451	\$6,237	\$6,913	\$7,164	\$8,462	\$8,280
Other Resources	0	0	0	0	0	0	0
<b>Budget Activity Total</b>	<b>\$5,582</b>	<b>\$5,451</b>	<b>\$6,237</b>	<b>\$6,913</b>	<b>\$7,164</b>	<b>\$8,462</b>	<b>\$8,280</b>
<b>FTE</b>	<b>35</b>	<b>34</b>	<b>33</b>	<b>33</b>	<b>43</b>	<b>43</b>	<b>43</b>

Measure	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2018 Target	FY 2019 Target
Percentage (%) of All Cases Closed During Fiscal Year that were Referred for Criminal/Civil Prosecution or Treasury Administrative Action	84	84	87	84	84	80	80	80

### Investigations Budget and Performance

(\$8,280,000 from direct appropriations):

The Office of Investigations prevents, detects, and investigates complaints of fraud, waste, and abuse impacting Treasury programs and operations. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations 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, the Office of Investigations faces greater challenges and anticipated increases in grant fraud. In addition, with the establishment of 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 the funds with this program.

In addition to the grant programs listed above, the Office of Investigations has seen a noted increase in fraud impacting other significant Treasury programs and operations including fraud impacting the Treasury Direct program and the Treasury payment processing service operated by the Bureau of Fiscal Service. Fraud impacting the Treasury Direct program includes identity theft, account takeover, attempts to launder money and create fraudulent accounts. In 2017 the Bureau of Fiscal Service reported an over eightfold increase in some types of fraud over 2015. The Office of Investigations has seen substantial increases in improper payment fraud impacting the Bureau of Fiscal Service, which makes 85 percent of the payments for the Federal Government. This fraud includes marked increases in fraud impacting the Direct Express program, including lost card fraud, stolen card fraud, counterfeit card fraud, “account take over” or redirected benefit fraud, “card not present” fraud as well as stolen, altered and counterfeit Treasury checks and ACH payments. Fraud impacting the Direct Express program nearly tripled in dollar terms from November 2015 to December 2017. Stolen card fraud more than quadrupled from April to October 2017. Card not present fraud increased over twenty percent from February to September 2017. Lost card fraud nearly doubled from February to June 2017. Counterfeit credit card fraud more than tripled from July to December 2017.

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

*Description of Performance:*

In FY 2017 the Office of Investigations exceeded the Investigative Performance Measure target (Target – 80 percent; Actual – 84 percent), opened 144 new investigations and closed 72 investigations. The OIG also referred 43 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 154 investigations for criminal prosecution and 17 investigations for civil prosecution. In FY 2017 the Office of Investigations arrested 160 subjects, 52 of which have been sentenced in investigations that resulted in fines, seizures, restitution, penalties and settlements of more than \$639 million.

The Investigative Performance Measure is a percentage of all cases closed by the Office of Investigations during the fiscal year referred to Department Bureaus for administrative action or for criminal or civil prosecution by Federal or local prosecutors. The goal for Office of Investigations is that at least 80 percent of closed cases meet the aforementioned criteria of closed cases in the fiscal year. Meeting or exceeding this goal demonstrates that the Office of Investigations is responsive to allegations and complaints referred to the office and when these referrals require investigation, the cases are timely, thoroughly and accurately reported to assist the Department in maintaining the integrity of its programs and operations, subsequently ferreting out fraud, waste, and abuse. The office is working to meet or exceed this measure in both FY 2018 and FY 2019.

With the publication of the Treasury Strategic Plan for FY 2018-2022, OIG will work this year to baseline its performance against the new strategic objectives. This could result in changes to performance measures in the FY 2020 budget.

## **Section III – Additional Information**

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### **A – Summary of Capital Investments**

OIG has no capital investments. Capital investments that support OIG are included in the Departmental Offices plan.

A summary of capital investment resources, including major information technology and non-technology investments can be found at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.