

Office of Inspector General

Program Summary by Budget Activity

Dollars in thousands

Appropriation	FY 2011	FY 2012	FY 2013	FY 2012 TO FY 2013	
	Enacted	Enacted	Request	\$ Change	% Change
Audit	\$22,823	\$22,823	\$22,016	(\$807)	(3.5%)
Investigations	\$6,818	\$6,818	\$6,577	(\$241)	(3.5%)
Subtotal, Office of Inspector General	\$29,641	\$29,641	\$28,593	(\$1,048)	(3.5%)
Offsetting Collections - Reimbursables	\$8,000	\$13,200	\$15,400	\$2,200	16.7%
Total Program Operating Level	\$37,641	\$42,841	\$43,993	\$1,152	2.7%
Direct FTE	172	172	172	0	0%
Reimbursable FTE	19	19	19	0	0%
Total FTE	182	191	191	0	0%

Summary

The Inspector General Act of 1978, as amended, gives the Treasury Office of Inspector General (OIG) the authority and responsibility to (1) audit and investigate the Treasury Department'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 the Department of the Treasury and all of its bureaus except the Internal Revenue Service (IRS) and activities related to 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 goal to Foster a Prudent Use of Taxpayer Resources to Operate the Federal Government, OIG has established the following strategic goals: Promote the integrity and effectiveness of Treasury programs and operations through audits and investigations; Proactively support and

strengthen the Department's ability to identify and manage challenges, both today and in the future; Fully and currently inform stakeholders of Treasury OIG findings, recommendations, investigative results, and priorities related to Treasury programs and operations, and; Enhance, support, and sustain a workforce and strengthen internal operations to achieve the Treasury OIG mission, vision and strategic goals.

The Fiscal Year (FY) 2013 President's Budget request for the Treasury OIG will be used to fund critical audit, investigative, and support activities to meet the requirements of the Inspector General Act of 1978, the Federal Deposit Insurance Act, the Government Management Reform Act, the Federal Information Security Management Act (FISMA), the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Small Business Jobs Act of 2010, and others. 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 and investigations of the Department's highest risk programs and operations, as reported through a memorandum from the Inspector General to the Secretary of the Treasury on October 24, 2011. These include:

Programs that Support the Transformation of Financial Regulation - The Dodd-Frank 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.

Management of Treasury's Authorities to Support and Improve the Economy - The Recovery Act provided Treasury with approximately \$24 billion in non-IRS funding for low-income housing projects and specified energy properties for which the OIG must provide oversight. Funds through the Recovery Act are available through FY 2013 and beyond for the specified energy properties program. The OIG will continue this work at Departmental Offices to determine whether the funds were spent as intended. While not an ideal situation, the Treasury OIG is providing the only monitoring presence in the field by Treasury for this program. The OIG will also continue its oversight of the low-income housing program as funded projects are being brought on line. In addition, the OIG anticipates an increase of related criminal investigations as Treasury continues to disburse these funds.

Programs to Combat Money Laundering and Terrorist Financing and to Enforce the Bank Secrecy Act - Treasury faces unique challenges in carrying out its responsibilities under the Bank Secrecy Act (BSA) and the

USA Patriot Act to prevent and detect money laundering and terrorist financing. While the Financial Crimes Enforcement Network (FinCEN) is the Treasury bureau responsible for administering BSA, it relies on other Treasury and non-Treasury agencies to enforce compliance with the Act's requirements. Similarly, the Office of Foreign Assets Control (OFAC), the Treasury office responsible for administering U.S. foreign sanction programs, also relies on other Treasury and non-Treasury agencies to ensure compliance with OFAC requirements. With continued distress in many financial institutions both domestically and globally, there is an increased risk that compliance with BSA and OFAC requirements may have deteriorated. These programs will continue to be a major focus of the OIG's audit program.

Treasury's Management of Capital Investments - Treasury must ensure that the hundreds of millions of dollars being expended on large acquisitions of systems and other capital investments are properly managed. The OIG will continue to work to improve the Department's management of capital investments. The Department's record in this regard has been mixed, at best. The OIG will continue its oversight of FinCEN's BSA Information Technology Modernization program; the Treasury Network (TNet), and investments in systems for the Office of Financial Research in support of the FSOC.

OIG investigative priorities for FY 2013 include: Investigating complaints of alleged criminal and serious misconduct by Department employees and contract employees; Investigating allegations of fraud and other crimes involving Treasury contracts, procurements, grants, guarantees (fictitious instruments), and federal funds; and conducting 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 new 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 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 the 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 OIG operations in FY 2013 are \$43,993,000, consisting of (1) \$28,593,000 from direct appropriations and (2) \$15,400,000 from reimbursable funding agreements to support the financial statement audit requirements of the Department and for OIG oversight of the SBLF and SSBCI programs.

OIG FY 2013 Budget Highlights

Dollars in thousands

Office of Inspector General	FTE	Amount
FY 2012 Enacted	172	\$29,641
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$225
Maintaining Current Levels	-	\$225
Non-Recurring Costs:	-	(\$784)
Decrease in Material Loss Review Workload	-	(\$784)
Subtotal FY 2013 Changes to Base	-	(\$559)
Total FY 2013 Base	172	\$29,082
Program Changes:		
Program Decreases:	-	(\$549)
Workload Management	-	(\$549)
Program Increases:	-	\$60
Council of the Inspectors General on Integrity and Efficiency	-	\$60
Total FY 2013 Request	172	\$28,593

FY 2013 Budget Adjustments

Maintaining Current Levels (MCLs)

Maintaining Current Levels +\$225,000 / +0 FTE

Funds are requested for inflation adjustments (1.7 percent) in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employees Retirement System participation. Funds are also requested for the proposed 2013 pay raise (0.5 percent).

Program Decreases

Decrease in Material Loss Review Workload - \$784,000 / +0 FTE

Decreased workload related to MLRs due economic improvement and decreasing bank failure rate.

Workload Management -\$549,000 / +0 FTE

Decrease in mandatory and high-risk program and process oversight, attrition management and oversight of other estimated high return programs.

Program Increases

Council of the Inspectors General on Integrity and Efficiency +\$60,000 / +0 FTE

Increase required for contribution to the Council of Inspectors General for Integrity and Efficiency.

Explanation of Budget Activities

Audit (\$22,016,000 from direct appropriations, \$15,400,000 from reimbursable resources)

The Office of Audit conducts audits, provides firsthand, unbiased perspectives and recommendations for improving the economy, efficiency, and effectiveness of Treasury programs and operations under its jurisdiction. The Office produces more than 60 products annually. The requested funding for FY 2013 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 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 (\$6,577,000 from direct appropriations)

The Office of Investigations 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. Additionally, investigative oversight also extends to that of performing quality assurance reviews of the Treasury's police operations at BEP and the U.S. Mint.

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 and the need to identify strengths and weaknesses in Community Development Financial Institutions (CDFI) Fund. Compliance and oversight of dispersed grant funds to ensure that CDFI funds provided are being used in accordance with the grant award.

The OIG is also actively investigating numerous allegations in conjunction with failed banks.

Legislative Proposals

The OIG has no legislative proposals.

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
		Actual	Actual	Actual	Target	Target
Audit	Number of Completed Audit Products	68	68	126	70	70
Audit	Percent of Statutory Audits Completed by the Required Date	100.0	50.0	100.0	100.0	100.0
Investigations	Percentage (%) of Investigations that were referred for Criminal, Civil or Treasury administrative action	N/A	N/A	85.0	80.0	80.0

Key: DISC - Discontinued and B - Baseline

Description of Performance

In FY 2011, the Office of Audit met its mandated audit requirements, completing 126 audit products, and all statutory audits by the due dates. The OIG employs a risk-based planning process to determine its annual workload based on identifying all mandatory audits and the resources required to complete the audits on time. OIG then reviews all remaining potential Treasury audits with an eye toward critical and high-risk programs, and determines which audits should be scheduled to best utilize the remaining resources. The Office plans to complete 70 audit products and to complete 100 percent of statutory audits on time in FYs 2012 and 2013 by maintaining a trained and qualified professional audit staff.

In FY 2011, the OIG exceeded the target of 80 percent for the new investigative performance measure, Percentage (%) of Investigations that were referred for Criminal, Civil or Treasury Administrative Action. After senior leadership review, the OIG determined that the two previous performance measures did not accurately reflect investigative performance, and replaced them with this single measure. OIG also opened 84 new investigations, closed

68 investigations, and referred 100 percent of investigations that substantiated administrative violations against a Treasury employee to the appropriate bureau for action. In addition, the OIG referred 83 investigations for criminal prosecution, with 58 percent of those accepted for 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 FDIC Office of Inspector General (FDIC OIG) and the OIG Office of Audit regarding potential prosecution of acts which may have contributed to the bank failures. In determining investigative workload, the OIG reviews each complaint or referral received to determine the appropriate approach to resolution – refer to the relevant office or bureau for administrative action; conduct an investigation that might result in criminal or civil convictions and penalties, or recommend no further action. At the planned staffing level with experienced criminal investigators and a consistent approach to all cases, the OIG expects to meet or exceed the performance target in FYs 2012 and 2013.