

## Office of Inspector General

### Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2012	FY 2013	FY 2014	FY 2012 TO FY 2014	
	Enacted	Annualized CR Rate	Request	\$ Change	% Change
Audit	\$22,823	\$22,963	\$24,385	\$1,562	6.84%
Investigations	\$6,818	\$6,859	\$6,966	\$148	2.17%
<b>Subtotal, Office of Inspector General</b>	<b>\$29,641</b>	<b>\$29,822</b>	<b>\$31,351</b>	<b>\$1,710</b>	<b>5.77%</b>
Offsetting Collections - Reimbursables	\$13,200	\$15,400	\$14,500	\$1,300	9.85%
<b>Total Program Operating Level</b>	<b>\$42,841</b>	<b>\$45,222</b>	<b>\$45,851</b>	<b>\$3,010</b>	<b>7.03%</b>
Direct FTE	173	172	194	21	12.14%
Reimbursable FTE	19	19	19	0	0.00%
<b>Total FTE</b>	<b>192</b>	<b>191</b>	<b>213</b>	<b>21</b>	<b>10.94%</b>

### 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 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 goal to Foster a Prudent Use of Taxpayer Resources to Operate the Federal Government, OIG 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 FY 2014 budget request will be used to fund critical audit, investigative, and support activities to meet the requirements of the Inspector General Act of 1978, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Federal Information Security Management Act (FISMA), the Government Management Reform Act, the Federal Deposit Insurance Act, the Small Business Jobs Act of 2010, the Improper Payments Elimination and Recovery Act (IPERA), and the American Recovery and Reinvestment Act of 2009 (Recovery Act), among others. Specific mandates require that OIG audit the Department's financial statements, the Department's implementation of FISMA, the Department's implementation of IPERA, and failures of Treasury-regulated banks. Recently, with passage of the

Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act), the OIG is authorized to conduct, supervise, and coordinate audits and investigations of projects, programs, and activities of the Gulf Coast Restoration Trust Fund (Trust Fund).

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 25, 2012. 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 \$22 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 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/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).

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; Investigating complaints related to financial programs and operations involving issuing licenses, providing benefits and exercising oversight of U.S. financial institutions; Conducting investigations into 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 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 OIG operations in FY 2014 are \$45,851,000, consisting of (1) \$31,351,000 from direct appropriations and (2) \$14,500,000 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 2014 Budget Highlights

Dollars in Thousands

Office of Inspector General	FTE	Amount
FY 2012 Enacted	173	\$29,641
FY 2013 Annualized CR Rate	172	\$29,822

### Changes to Base:

Adjustment to Request	-	(\$1,229)
Non-Recur CR Increase	-	(\$181)
Non-Recur Workload Management & Decrease in Material Loss Review from FY 2013	-	(\$1,048)
Maintaining Current Levels (MCLs):	-	\$283
Pay-Raise	-	\$196
Non-Pay	-	\$87
Efficiency Savings:	-	(\$325)
Program Efficiencies	-	(\$325)
Subtotal Changes to Base	-	(\$1,271)
<b>Total FY 2014 Base</b>	<b>172</b>	<b>\$28,551</b>

### Program Changes:

Program Increases:	22	\$2,800
Gulf Coast Restoration Trust Fund Oversight	22	\$2,800
<b>Total FY 2014 Request</b>	<b>194</b>	<b>\$31,351</b>

## FY 2014 Budget Adjustments

### Adjustments to Request

*Non-Recur CR Increase -\$181,000 / +0 FTE*

The across-the-board 0.612 percent increase provided in the CR through March 27, 2013 is non-recurred.

*Non-Recur Workload Management & Decrease in Material Loss Review from FY 2013 -\$1,048,000 / +0 FTE*

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

### Maintaining Current Level (MCLs)

*Pay-Raise +\$196,000 / +0 FTE*

The President’s Budget proposes a 1 percent pay-raise for federal employees in 2014.

*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

*Program Efficiencies -\$325,000 / +0 FTE*

General operational efficiencies due to careful and aggressive review of all expenditures and

imposition of reductions where possible. OIG will continue to very tightly and conservatively manage attrition, since the OIG budget is 80 percent personnel costs, there is not significant discretionary spending to reduce without impacting people and performance. OIG will constrain spending to the minimum necessary to accomplish the savings.

### **Program Increases**

#### *Gulf Coast Restoration Trust Fund Oversight +\$2,800,000 / +22 FTE*

The RESTORE Act authorizes the Treasury Office of Inspector General (OIG) to conduct, supervise, and coordinate audits and investigations of projects, programs, and activities funded under the act. The OIG reviewed the RESTORE Act and based on experience determined that additional resources will be required to support an additional Audit Directorate of 19 FTE, one additional investigative FTE for the Office of Investigations along with two support FTE to provide required audit oversight and coordination for the Trust Fund projects, programs, and activities.

### **Explanation of Budget Activities**

#### *Audit (\$24,385,000 from direct appropriations, \$14,500,000 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 2014 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. As a newer

responsibility, in FY 2014 the OIG must also provide oversight of Gulf Coast Restoration Trust Fund programs, projects and activities. 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 (\$6,966,000 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.

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.

Additionally, the OI remains committed to investigating those that threaten, intimidate, or harass Treasury employees in the performance of their duties. These types of complaints are received frequently given the ongoing economic climate.

### **Legislative Proposals**

OIG has no legislative proposals.

## OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
		Actual	Actual	Actual	Target	Target
Audit	Number of Completed Audit Products	68	126	91	70	75
Audit	Percent of Statutory Audits Completed by the Required Date	50.0	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	93.0	85.0	91.0	80.0	80.0

Key: DISC - Discontinued and B - Baseline

### Description of Performance

In FY 2012, the Office of Audit completed a total of 91 audit products. The Office plans to complete 70 audit products in FYs 2013 and 75 audit products in FY 2014. In FY 2012, the Office 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, with the stand-up of the Consumer Financial Protection Bureau and Treasury's contingency planning during the 2011 debt limit crisis being recent examples. By completing independent and timely assessments of Treasury's programs and operations under jurisdiction, OIG supports its mission of promoting economy, 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 four of its five strategic goals (OIG also incidentally supports Treasury's strategic goal of "Pursue Comprehensive Tax and Fiscal Reform"). 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 Office of Inspector General 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.

OIG's strategy is to continue to maintain a highly skilled and motivated workforce. One way this is done is through planning and executing 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 2012, the OIG exceeded the Investigative Performance Measure target, opened 129 new investigations, and closed 85 investigations. The OIG also referred 100 percent of investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 109 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 percentage of all cases closed by OI during the fiscal year referred for administrative action or for criminal or civil prosecution by Federal or local prosecutors. The goal for OIG is that at least 80 percent of closed cases meet the aforementioned criteria of closed cases in a fiscal year. Meeting or exceeding this goal demonstrates that OI is responsive to allegations and complaints referred to OI and that 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. This goal was developed for use beginning in FY 2012 to achieve OIG's goal of positively impacting Treasury's strategic goals and providing a more meaningful measurement of investigative performance.