Office of Inspector General

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2008	FY 2009	FY 2010		
	Enacted	Enacted	Request	$ Change	% Change
Salaries and Expenses	**$18,450**	**$26,125**	**$26,700**	**$575**	**2.2%**
Audit	$12,658	$20,116	$20,559	$443	2.2%
Investigations	$5,792	$6,009	$6,141	$132	2.2%
Subtotal, Office of Inspector General	**$18,450**	**$26,125**	**$26,700**	**$575**	**2.2%**
Offsetting Collections - Reimbursables	$6,361	$7,381	$8,000	$619	8.4%
Total Program Operating Level	**$24,811**	**$33,506**	**$34,700**	**$1,194**	**3.6%**

Explanation of Request

The Fiscal Year (FY) 2010 President's Budget request for the Office of Inspector General (OIG) will be used to provide critical audit and investigative services, ensuring the effectiveness and integrity of Treasury's programs and operations. The OIG will continue to address mandated requirements related to (1) audits of the Department's financial statements, (2) information security, and (3) failed institutions regulated by the Office of the Comptroller of the Currency or the Office of Thrift Supervision resulting in material losses to the deposit insurance fund (material loss is currently defined as the greater of $25 million or 2 percent of the institution's assets). To the extent that resources are available, the OIG will conduct audits of the Department's highest risk programs and operations. Five of those programs and operations are discussed below. This list is not all inclusive, and risks change over time and circumstance.

Programs to Ensure the Safety and Soundness of the Nation's Financial Markets – The wave of bank failures that started in 2008 underscore the need for increased audit coverage of a more prospective nature. Material loss reviews are a backward look at the quality of supervision as it relates to the failed institution under review. The OIG believes that it is important for regulators to address emerging risks in financial markets and products. The subprime mortgage crises was a costly lesson that serves to remind us that regulators need to anticipate, recognize, and control business practices that create unreasonable risk.

Another area that the OIG believes requires vigorous oversight is Treasury's responsibilities under the Housing and Economic Recovery Act of 2008. Treasury has taken on an important role to complement the Federal Housing Finance Agency's September 2008 decision to place Fannie Mae and Freddie Mac in conservatorship.

Programs to Promote Economic Recovery - With the enactment of the American Recovery and Reinvestment Act of 2009 (Recovery Act), Treasury was provided with, among other things, over $4 billion for low-income housing projects and specified energy properties of which the OIG has jurisdiction or joint jurisdiction with the Treasury Inspector General for Tax Administration. Additionally, the Community Development Financial Institutions Fund received $100 million to supplement its FY 2009 funding round for qualified program applicants.

Programs to Combat Terrorist Financing and Money Laundering – Treasury faces unique challenges in carrying out its responsibilities under the Bank Secrecy Act

(BSA) and USA PATRIOT Act to prevent and detect money laundering and terrorist financing. Past audits and Congressional hearings have surfaced serious regulatory gaps in the detection of and/or timely enforcement action against financial institutions for BSA and related violations. Furthermore, with the current distress facing so many financial institutions throughout our country, we believe that there is an increased risk that compliance with BSA may have deteriorated further and may continue to worsen.

Efforts to Ensure the Security of Treasury's Information Systems -- The Department faces serious challenges in bringing its systems into compliance with information technology security policies, procedures, standards, and guidelines. In its FY 2008 Federal Information Security Management Act independent audit, the OIG continued to report deficiencies in the Department's information security programs and practices.

Treasury's Management of Capital Investments -- Treasury needs to ensure that large acquisitions of systems and other capital investments are properly managed. The Department's record in this regard has been mixed and requires continued attention.

The requested funding will also allow the OIG to: continue to prevent fraud, waste and abuse, at all Treasury non-IRS bureaus and offices, including investigating complaints of alleged employee misconduct, and allegations of fraud and other crimes involving Treasury programs; performing oversight of the Treasury's police operations at the Bureau of Engraving and Printing and the U.S. Mint; continuing review and investigation of instances where the U.S. Mint's Coin Redemption and Bureau of Engraving and Printing's Currency Redemption Programs are used to facilitate money laundering, structuring, and other unlawful activities; and conducting proactive efforts to detect, investigate, and deter electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

Resources required to support OIG operations for FY 2010 are $26,700,000 from direct appropriations, and $8,000,000 from offsetting collections and reimbursable agreements for contract financial statement audits of other Treasury bureaus.

Purpose of Program

The Treasury OIG plays a major role in support of the Department of the Treasury's goal to ensure accountability and transparency, to protect the integrity of the Department, and to improve overall efficiency and effectiveness in Treasury programs and operations. OIG conducts audits and investigations of all non-IRS offices in accordance with the Inspector General Act, as amended, to (a) promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations; (b) prevent and detect fraud, waste, and abuse in Treasury programs and operations; and (c) keep the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

There are also appropriated to the Department of the Treasury funds specifically identified for the annual audit of the Treasury-wide financial statements.

OIG FY 2010 Budget Highlights
(Dollars in thousands)

Appropriation	Amount
FY 2009 Enacted	26,125
Changes to Base:	
Maintaining Current Levels (MCLs):	$575
Across the Board program reduction	(9)
Non-Pay Inflation Adjustment	90
Pay Annualization	166
Pay Inflation Adjustment	328
Subtotal FY 2010 Changes to Base	$575
Total FY 2010 Base	26,700
Total FY 2010 President's Budget Request	**26,700**

FY 2010 Budget Adjustments

FY 2009 Enacted

The FY 2009 enacted direct appropriation for OIG is $26,125,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +$575,000 / +0 FTE Funds are requested for: FY 2010 cost of the January 2009 pay increase of $166,000; proposed January 2010 pay raise of $328,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of $90,000.

Explanation of Budget Activities

Salaries and Expenses

Audit ($20,559,000 from direct appropriations and $8,000,000 from reimbursable programs) The Treasury OIG plays a major role in support of the Department of the Treasury's goal to ensure accountability and transparency, to protect the integrity of the Department, and to improve overall efficiency and effectiveness in Treasury programs and operations. OIG conducts audits and investigations of eight Treasury bureaus and all non-IRS Treasury offices in accordance with the Inspector General Act, as amended, to (a) promote economy, efficiency, and effectiveness in the administration of Treasury programs and
OIG Performance by Budget Activity
operations, (b) prevent and detect fraud, waste, and abuse in Treasury programs and operations; and (c) keep the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

There are also appropriated to the Department of the Treasury funds specifically identified for the annual audit of the Treasury-wide financial statements. This audit is performed by an independent public accounting firm under the supervision of OIG. These funds are not available for OIG programs and operations.

Investigations ($6,141,000 from direct appropriations) The Office of Investigations prevents, detects and investigates complaints of fraud, waste and abuse at eight Treasury bureaus and all non-IRS Treasury offices. 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 and state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

Legislative Proposals

The OIG has no legislative proposals for FY 2010.

Budget Activity	Performance Measure	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Target Met?	FY 2009 Target	FY 2010 Target
Audit	Number of completed audit products (Ot)	57	64	64	Yes	60	62
Audit	Percent of statutory audits completed by the required date (%) (E)	100	100	100	Yes	100	100
Investigations	Percent of all cases that were accepted by prosecutors, referred for agency action, or closed during fiscal year and were completed within 18 months of case initiation (Oe)					Baseline	70
Investigations	Percentage of all cases closed during fiscal year that were referred for criminal/civil prosecution or Treasury Administrative action (%) (E)					Baseline	70

Description of Performance

In FYs 2007 and 2008, the Office of Audit completed 128 audit products, identified potential monetary benefits totaling nearly $7 million for bureaus and programs and completed all statutory audits by the required deadlines.

In FY 2008, the Office of Audit performed or supervised contractors to meet its financial statement and information security mandated audit requirements. It also performed mandated material loss reviews of failed financial institutions supervised by Treasury. Furthermore, the Office of Audit directed its self-initiated work toward addressing Treasury's major management and performance challenges. The Office of Audit completed 64 audit products, and met all statutory completion requirements.

In FY 2008, the Office of Investigations continued investigating all reports of fraud, waste and abuse and other criminal activity. The Office of Investigations also continued to conduct a limited number of proactive integrity projects such as the fraudulent improper payments project initiated in FY 2006. The Office of Investigations referred 93 investigations for criminal prosecution, civil litigation, or corrective administrative action. The Office of Investigations undertook a thorough review of its performance measure methodology, and has developed better and more realistic measures with which to gauge its investigative performance. These new measures went into effect in FY 2009, and will be evaluated throughout the year.

In FY 2009, the OIG expects to maintain performance at a level consistent with FY 2008, and will continue to direct a significant portion of its limited resources to conducting the increasing number of material loss reviews of failed banks. Furthermore, the OIG will begin to provide oversight of more than $4 billion for low-income housing projects and specified energy properties grants authorized by the Recovery Act.

FY 2010 requested resources will enhance OIG's ability to complete mandated material loss reviews by the statutory deadline. OIG will continue to direct much of its remaining resources to auditing Treasury programs: to ensure the safety and soundness of the Nation's financial markets; to promote economic recovery; to combat terrorist financing and money laundering; to ensure the security of treasury's information systems, and; to improve Treasury's management of capital investments. The OIG expects to meet the revised investigative targets of 70 percent of all cases that were accepted by prosecutors, referred for agency action, closed, or exonerated during the fiscal year and were completed within 18 months of case initiation; and 70 percent of all cases closed during the fiscal year that were referred for criminal/civil prosecution or Treasury Administrative action.; complete 62 audit products, and complete 100 percent of statutory audits on time in FY 2010.