

Office of Inspector General

Mission Statement

To: (1) conduct and supervise audits and investigations of Treasury programs and operations; (2) provide leadership and coordination and recommend policies for activities designed to (a) promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations, and (b) prevent and detect fraud, waste, and abuse in Treasury programs and operations; and (3) keep the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

Program Summary by Budget Activity

Dollars in Thousands

| Appropriation | FY 2007 | FY 2008 | FY 2009 | | |
|-------------------------------------|-----------------|-----------------|-----------------|--------------|--------------|
| | Enacted | Enacted | Request | \$ Change | % Change |
| Salaries and Expenses | | | | | |
| Audit | \$11,639 | \$12,658 | \$13,280 | \$622 | 4.91% |
| Investigations | 5,318 | 5,792 | 6,076 | 284 | 4.90% |
| Total Appropriated Resources | \$16,957 | \$18,450 | \$19,356 | \$906 | 4.91% |
| Total FTE | 111 | 112 | 115 | 3 | 2.68% |

FY 2009 Priorities

Ensure the effectiveness and integrity of Treasury programs by:

- Completing 100 percent of mandated audits on time;
- Focusing on programs to combat terrorist financing and money laundering, the security of Treasury's information systems, and Treasury's management of capital investments;
- Addressing requirements related to financial statements, information security and failed financial institutions;
- Investigating allegations of fraud, waste, abuse, and employee misconduct; and
- Conducting proactive efforts to detect, deter and investigate electronic crimes and threats to Treasury's physical and cyber infrastructure.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Fiscal Year (FY) 2009 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. OIG will continue, as the first audit priority, to address mandated requirements related to financial statements, information security, and as necessary, failed financial institutions resulting in material losses (more than \$25 million) to the deposit insurance funds. While there are a number of critical areas where the OIG will provide audit oversight, highlights of three of the Department's most serious management challenges where OIG will focus its resources include:

- Improving regulatory gaps in the detection of and/or timely enforcement action against financial institutions for Bank Secrecy Act (BSA) and related violations, and strengthening Office of Foreign Assets Control (OFAC) compliance examinations for the institutions examined by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS).
- Improving the Department's compliance with information technology security policies, procedures, standards, and guidelines as required by the Federal Information Security Management Act (FISMA)
- Improving Treasury's management of large acquisitions of systems and other capital investments to prevent costly or failed acquisition projects

The requested funding will also allow OIG to continue to prevent fraud, waste and abuse, at all non-IRS Treasury 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, and conducting proactive efforts to detect, investigate, and deter electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

Additional resources provided in the FY 2009 Budget request will enable OIG to hire two auditors and one investigator to assist in the oversight of the critical management challenges cited above.

Total resources required to support OIG activities for FY 2009 are \$25,656,000, including \$19,356,000 from direct appropriation, and \$6,300,000 from offsetting collections and reimbursable programs.

1B – Program History and Future Outlook

In FY 2007, the OIG completed 64 Audit products, reviewed 450 allegations, opened 130 investigations, and referred 188 investigations, including 64 one-time referrals from a GAO investigation into Metrocheck fraud and 10 one-time referrals from a cyber initiative. Audits identified potential monetary benefits totaling nearly \$35 million. Investigations led to nearly \$700 thousand collected in fines, restitution, recoveries, and settlements.

In FYs 2008 and 2009, the OIG expects to complete 56 and 60 Audit products, respectively, and refer 105 investigations (each year) for criminal prosecution, civil litigation, or administrative action.

In FYs 2006 and 2007, the OIG met mandated audit requirements while focusing its self-initiated audit resources to address the major management and performance challenges identified by the Inspector General. The OIG expects to continue this trend in FYs 2008 and 2009.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

| Salaries and Expenses | FTE | Amount |
|---|------------|-----------------|
| FY 2008 Enacted | 112 | \$18,450 |
| Maintaining Current Levels (MCLs): | | |
| Non-Pay Inflation Adjustment | | 87 |
| Pay Annualization | | 101 |
| Pay Inflation Adjustment | | 318 |
| Total FY 2009 Base | 112 | \$18,956 |
| Program Increases: | | |
| Increased Audit & Investigative Capability | 3 | 400 |
| Subtotal FY 2009 Program Changes | 3 | 400 |
| Total FY 2009 President's Budget Request | 115 | \$19,356 |

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$506,000 / +0 FTE

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

Funds inflation for non-labor related items such as contracts, travel, supplies, equipment and GSA rent.

Pay Annualization +\$101,000 / +0 FTE

Funds are requested for the FY 2009 cost of the January 2008 pay raise.

Pay Inflation Adjustment +\$318,000 / +0 FTE

Funds are requested for the January 2009 pay raise.

Program Increases+\$400,000 / +3 FTE

Increased Audit & Investigative Capability +\$400,000 / +3 FTE

This initiative provides funding for two auditors and one investigator. These FTE will enable OIG to improve audit coverage in high risk areas, such as programs to combat terrorist financing and money laundering, management of capital investments, particularly IT projects, and IT system security in meeting FISMA and OMB requirements. These additional FTE will also help to reduce investigative caseload backlog.

2.2 – Operating Levels Table

Dollars in Thousands

| Bureau: Salaries and Expenses | FY 2007 Enacted | FY 2008 President's Budget | Cong. Action including Recission | FY 2008 Enacted Level | FY 2009 Requested Level |
|--|-----------------|----------------------------|----------------------------------|-----------------------|-------------------------|
| FTE | 112 | 112 | | 112 | 115 |
| Object Classification: | | | | | |
| 11.1 - Full-time permanent | 10,740 | 10,765 | 0 | 10,765 | 11,303 |
| 11.3 - Other than full-time permanent | 45 | 60 | 0 | 60 | 65 |
| 11.5 - Other personnel compensation | 400 | 500 | 0 | 500 | 515 |
| 11.8 - Special personal services payments | 0 | 0 | 0 | 0 | 0 |
| 12 - Personnel benefits | 0 | 2,775 | 0 | 2,775 | 2,894 |
| 13 - Benefits for former personnel | 2,480 | 0 | 0 | 0 | 0 |
| 21 - Travel and transportation of persons | 240 | 475 | 0 | 475 | 450 |
| 22 - Transportation of things | 0 | 0 | 0 | 0 | 0 |
| 23.1 - Rental payments to GSA | 0 | 1,326 | 0 | 1,326 | 1,240 |
| 23.2 - Rental payments to others | 1,410 | 0 | 0 | 0 | 0 |
| 23.3 - Comm, utilities, and misc charges | 350 | 439 | 0 | 439 | 500 |
| 24 - Printing and reproduction | 10 | 15 | 0 | 15 | 15 |
| 25 - Other contractual Services | 0 | 0 | 0 | 0 | 0 |
| 25.1 - Advisory and assistance services | 0 | 0 | 0 | 0 | 0 |
| 25.2 - Other services | 200 | 385 | 0 | 385 | 450 |
| 25.3 - Other purchases of goods and services from Govt. accounts | 710 | 975 | 0 | 975 | 1,013 |
| 25.4 - Operation and maintenance of facilities | 0 | 225 | 0 | 0 | 0 |
| 25.5 - Research and development contracts | 0 | 0 | 0 | 0 | 0 |
| 25.6 - Medical care | 32 | 40 | 0 | 40 | 42 |
| 25.7 - Operation and maintenance of equip | 150 | 0 | 0 | 225 | 250 |
| 25.8 - Subsistence and support of persons | 0 | 0 | 0 | 0 | 0 |
| 26 - Supplies and materials | 90 | 150 | 0 | 150 | 244 |
| 31 - Equipment | 100 | 320 | 0 | 320 | 375 |
| 32 - Land and structures | 0 | 0 | 0 | 0 | 0 |
| 33 - Investments and loans | 0 | 0 | 0 | 0 | 0 |
| 41 - Grants, subsidies, and contributions | 0 | 0 | 0 | 0 | 0 |
| 42 - Insurance claims and indemnities | 0 | 0 | 0 | 0 | 0 |
| 43 - Interest and dividends | 0 | 0 | 0 | 0 | 0 |
| 44 - Refunds | 0 | 0 | 0 | 0 | 0 |
| Total Budget Authority | \$16,957 | \$18,450 | \$0 | \$18,450 | \$19,356 |
| Budget Activities: | | | | | |
| Audit | 11,639 | 12,658 | 0 | 12,658 | 13,280 |
| Investigations | 5,318 | 5,792 | 0 | 5,792 | 6,076 |
| Total Budget Authority | \$16,957 | \$18,450 | \$0 | \$18,450 | \$19,356 |

2.3 – Appropriations Detail Table

Dollars in Thousands

| Resources Available for Obligation | FY 2007 | | FY 2007 | | FY 2008 | | FY 2009 | | % Change | |
|---|-------------|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|-----------------------|--------------|
| | Obligations | | Enacted | | Enacted | | Request | | FY 2008 to FY 2009 | |
| | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT |
| New Appropriated Resources: | | | | | | | | | | |
| Audit | 72 | \$11,561 | 72 | \$11,639 | 72 | \$12,658 | 74 | \$13,280 | 2.78% | 4.91% |
| Investigations | 39 | 5,292 | 40 | 5,318 | 40 | 5,792 | 41 | 6,076 | 2.50% | 4.90% |
| Subtotal New Appropriated Resources | 111 | \$16,853 | 112 | \$16,957 | 112 | \$18,450 | 115 | \$19,356 | 2.68% | 4.91% |
| Other Resources: | | | | | | | | | | |
| Offsetting Collections - Reimbursable | 3 | 1,375 | 4 | 1,300 | 0 | 6,300 | 0 | 6,300 | 0.00% | 0.00% |
| Transfer in of Multi-year Funds/50%Balance | | 420 | | 431 | | | | | | |
| Subtotal Other Resources | 3 | \$1,795 | 4 | \$1,731 | 0 | \$6,300 | 0 | \$6,300 | 0.00% | 0.00% |
| Total Resources Available for Obligation | 114 | \$18,648 | 116 | \$18,688 | 112 | \$24,750 | 115 | \$25,656 | 2.68% | 3.66% |

2B – Appropriations Language and Explanation of Changes

| Appropriations Language | Explanation of Changes |
|--|------------------------|
| <p style="text-align: center;">DEPARTMENT OF THE TREASURY OFFICE OF INSPECTOR GENERAL Federal Funds</p> <p>SALARIES AND EXPENSES:</p> <p>For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, not to exceed \$2,000,000 for official travel expenses, including hire of passenger motor vehicles; of which not to exceed \$100,000 for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury; [\$18,450,000] \$19,356,000, of which not to exceed \$2,500 shall be available for official reception and representation expenses. (Consolidated Appropriations Act, 2008)</p> | |

2C – Legislative Proposals

The Office of Inspector General has no legislative proposals for FY 2009

Section 3 – Budget and Performance Plan

This table lists all FY 2009 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treas.gov/offices/management/budget/strategic-plan/>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

| TREASURY Strategic Outcome | FY 2008 Enacted AMOUNT | FY 2009 Request AMOUNT | Percent Change AMOUNT |
|----------------------------|------------------------------|------------------------------|-----------------------------|
| Accountability & trans | 24,750 | 25,656 | 3.7% |
| Total | \$24,750 | \$25,656 | 3.7% |

3A – Audit (\$13,280,000 from direct appropriations and \$6,300,000 from reimbursable programs): The Office of Audit conducts audits and produces more than 50 products annually; and provides firsthand, unbiased perspectives and recommendations for improving the economy, efficiency, and effectiveness of Treasury programs and operations. The Office often identifies significant cost savings to the government, principally through self-initiated audits. The Office also responds to requests by Treasury officials and the Congress for specific work. While statute requires certain audits be conducted every year, the number of required and requested products has increased in recent years. Reimbursable funding supports agreements for contract audits of other Treasury bureaus.

3.2.1 – Audit Budget and Performance Plan

| Audit Budget Activity | | | | | |
|------------------------|----------------------|----------------------|----------------------|--------------------|--------------------|
| Resource Level | FY 2005 Obligated | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Enacted | FY 2009 Request |
| Appropriated Resources | \$10,582 | \$11,549 | \$11,561 | \$12,658 | \$13,280 |
| Reimbursable Resources | \$2,208 | \$2,009 | \$1,795 | \$6,300 | \$6,300 |
| Total Resources | \$12,790 | \$13,558 | \$13,356 | \$18,958 | \$19,580 |

| | | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Budget Activity Total | \$12,790 | \$13,558 | \$13,356 | \$18,958 | \$19,580 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|

| Audit Budget Activity | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Measure | FY 2005 Actual | FY 2006 Actual | FY 2007 Actual | FY 2008 Target | FY 2009 Target |
| Percent of statutory audits completed by the required date (%) (E) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Number of completed audit products (Ot) | 54 | 57 | 64 | 56 | 60 |

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance: In FYs 2006 and 2007, the Office of Audit completed 57 and 64 audit products, identified potential monetary benefits totaling nearly \$35 million and \$7 million, respectively, and completed all statutory audits by the required dates. In FYs 2008 and 2009, the Office plans to complete 56 and 60 Audit products, respectively.

In FYs 2006 and 2007, the Office of Audit met mandated audit requirements while focusing its self-initiated audit resources to address the major management and performance challenges identified by the OIG. In FY 2007 those challenges were (1) Corporate Management, (2) Management of Capital Investments, (3) Information Security, (4) Linking Resources to Results and (5) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement. The OIG expects to continue to meet mandated audit requirements and focus its self-initiated audit resources to address the major management and performance challenges identified by the OIG in FYs 2008 and 2009.

3B – Investigations (\$6,076,000 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 and state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

3.2.2 – Investigations Budget and Performance Plan

| Investigations Budget Activity | | | | | |
|--------------------------------|----------------------|----------------------|----------------------|--------------------|--------------------|
| Resource Level | FY 2005 Obligated | FY 2006 Obligated | FY 2007 Obligated | FY 2008 Enacted | FY 2009 Request |
| Appropriated Resources | \$5,621 | \$5,281 | \$5,292 | \$5,792 | \$6,076 |
| Reimbursable Resources | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Resources | \$5,621 | \$5,281 | \$5,292 | \$5,792 | \$6,076 |

| | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Budget Activity Total | \$5,621 | \$5,281 | \$5,292 | \$5,792 | \$6,076 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|

| Investigations Budget Activity | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Measure | FY 2005 Actual | FY 2006 Actual | FY 2007 Actual | FY 2008 Target | FY 2009 Target |
| Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action. (Oe) | 85 | 144 | 188 | 105 | 105 |

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance: In FY 2006, the Office of Investigations reviewed 489 allegations, opened 129 investigations, and referred 144 investigations. Investigations led to nearly \$600 thousand collected in fines, restitution, recoveries, and settlements. In FY 2007, the Office reviewed 450 allegations, opened 130 investigations, and referred 188 investigations, including 64 one-time referrals from a GAO investigation into Metrocheck fraud, and 10 one-time referrals from a cyber initiative. Investigations led to nearly \$700 thousand collected in fines, restitution, recoveries, and settlements. In FYs 2008 and 2009,

the Office expects to refer 105 investigations for criminal prosecution, civil litigation, or corrective administrative action.

For detailed information about each performance measure, including definition, verification and validation, please go to:

<http://www.treasury.gov/offices/management/dcfo/accountability-reports/2007-par.shtml>

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

The OIG identified two mission critical occupations that closely align to its two budget activities, audit and investigations, and has integrated workforce plans for these specialized professionals (auditors, criminal investigators) with strategic and annual plan goals and objectives.

The OIG has had exceptional recruitment success using automated tools to re-establish and then maintain its human capital pipeline for the past four years, with OIG job announcements attracting up to 1,000 applicants, and selections made and positions offered within 30-days, on average.

4.1 – Summary of IT Resources Table

Dollars in Thousands

| Information Technology Investments 1/ | | FY 2006 & Earlier Enacted 2/ | FY 2007 Enacted | % Change from FY06 to FY07 | FY 2008 Likely Enacted | % Change from FY07 to FY08 | FY 2009 Request | % Change from FY08 to FY09 |
|---------------------------------------|-----------------|------------------------------------|--------------------|----------------------------------|------------------------------|----------------------------------|--------------------|----------------------------------|
| Major IT Investments / Funding Source | Budget Activity | | | | | | | |
| Subtotal, Major IT Investments | | \$0 | \$0 | N/A | \$0 | N/A | \$0 | N/A |
| Non-Major IT Investments | | \$900 | \$390 | -56.7% | \$450 | 15.4% | \$450 | 0.0% |
| OIG STEADY STATE OPERATING COSTS | | | | | | | | |
| Infrastructure Investments | | | \$0 | | | | | |
| Enterprise Architecture | | | \$0 | | | | | |
| Total IT Investments | | \$900 | \$390 | -56.7% | \$450 | 15.4% | \$450 | 0.0% |

1/ This chart includes appropriated resources only, and may not reflect total project costs.

2/ This column reflects appropriated resources provided to a project in FY 2006 and any previous years.

4B – Information Technology Strategy

Information technology (IT) funding has been critical in enabling OIG to make significant progress in providing technology refreshment that allows our auditors, investigators, and support personnel to use hardware and software actively maintained by the manufacturers. IT funding also strengthens OIG's entity-wide IT security program, with equipment designed for anti-virus detection/protection, anti-spam detection, anti-spy detection, intrusion detection/prevention, monitoring and patch management, and disaster recovery. This ensures that the OIG IT infrastructure operates in a secure manner and that the information collected during audits and investigations of the Department's operations and resources are not susceptible to computer attacks and terrorist activities. Maintaining the OIG IT infrastructure and its IT security program at an acceptable level requires on-going upgrades of tools and technologies.

IT funding has also enhanced OIG's ability to perform computer forensics during investigations and computer vulnerability scanning during audits of the Department's IT operations and resources. Maintaining these capabilities requires on-going upgrades of tools and technologies.

4.2 – PART Evaluation Table

Not applicable to the OIG.