CITIZENS' REPORT
SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION




THE DEPARTMENT OF THE TREASURY

FY 2014

Department of the Treasury Mission Statement

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the U.S. government's finances and resources effectively.

Treasury's Strategic Goals

1. Promote domestic economic growth and stability while continuing reforms of the financial system

2. Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth

3. Fairly and effectively reform and modernize federal financial management, accounting, and tax systems

4. Safeguard the financial system and use financial measures to counter national security threats

5. Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction

For the online version of this report, please see:

http://www.treasury.gov

and search for "2014 Citizens' Report"

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INTRODUCTION

This Citizens' Report presents the Department of the Treasury's (Treasury) operational and financial performance during Fiscal Year (FY) 2014 in pursuit of its vital mission to maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. government's finances and resources effectively.

Throughout its rich history, Treasury's core mission has not changed. With approximately 100,000 employees in its ranks, Treasury remains the steward of the U.S. economy —taking in revenue, meeting financial obligations, and, when appropriate, borrowing and investing public funds. In recent years, Treasury's role has expanded to include being a leader in safeguarding and growing the nation's economy.

HOW TREASURY MANAGES ORGANIZATIONAL PERFORMANCE

Treasury is committed to using performance information to shape decisions and drive results, with robust and thoughtful processes in place to support this commitment. The Quarterly Performance Review (QPR) process plays a key role in Treasury's management approach, providing a forum for leaders to allocate resources and analyze important organizational performance and management data such as the Federal Employee Viewpoint Survey results, information technology metrics, and procurement information.

This fiscal year, Treasury implemented the Strategic Objective Annual Review (SOAR) process, which builds upon the QPR foundation and enables cross-cutting discussions about strategic issues. Through this review process, representatives from across the Department identified key areas of progress, challenges, risks, and opportunities for each strategic objective. These representatives then established actionable next steps for completion in the ensuing 12 to 18 months that will address the SOAR findings and sustain progress toward the achievement of Treasury's strategic plan. As part of the process, Treasury categorized a subset of objectives as having made "noteworthy progress" (a success story that should be shared widely) or facing "significant challenges" [1](those that impede progress, including ones requiring outside assistance to move forward). Considering the complexity of Treasury's objectives, different elements within the same objective could fall under either category. Categorizing a subset of objectives served as a useful prioritization tool for agency discussions.

WHAT'S IN THIS REPORT?

In addition to highlighting Treasury's financial performance and management challenges, this report provides an overview of Treasury's progress toward its *FY 2014-2017 Strategic Plan*. The following information is provided for each goal:

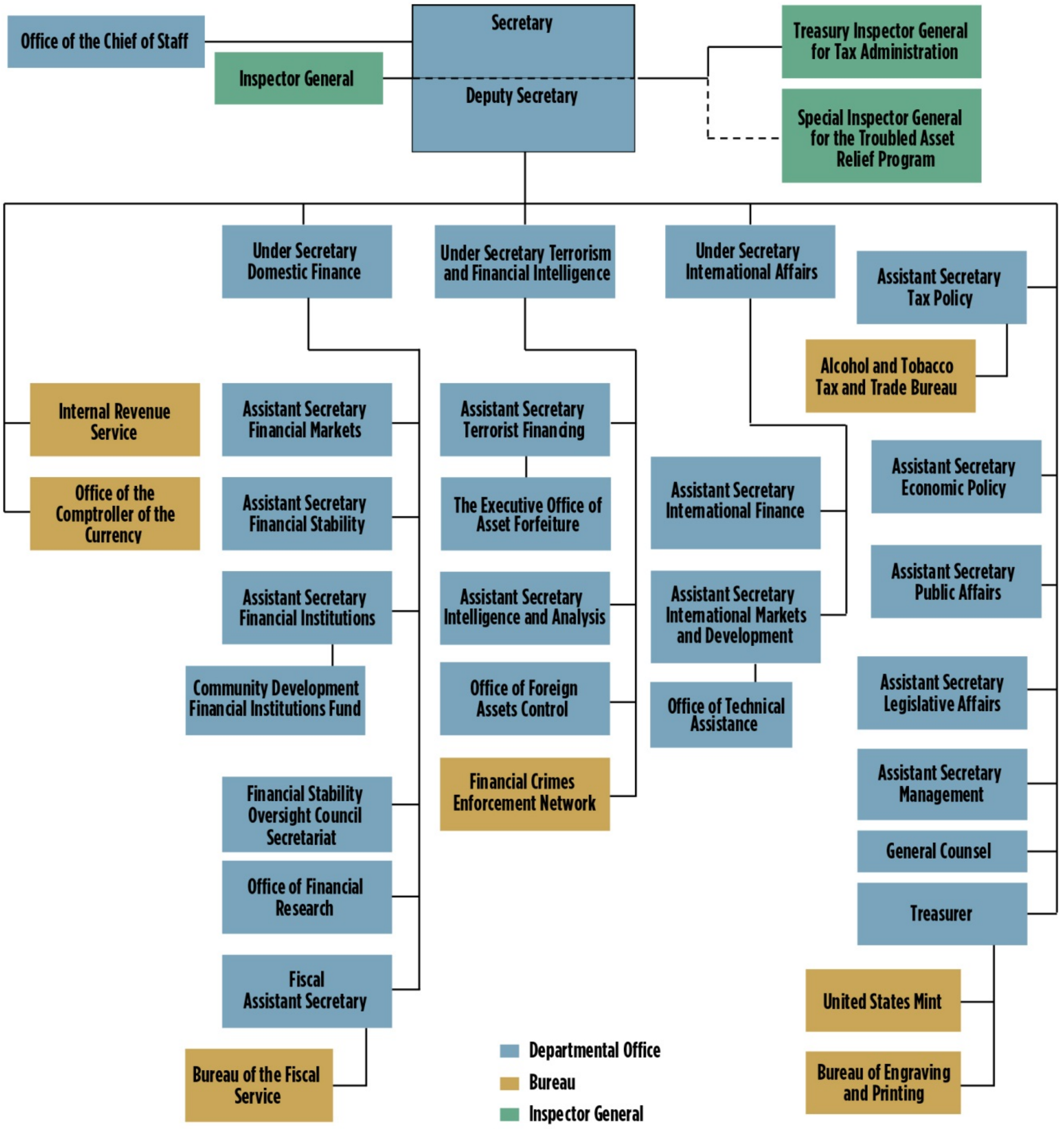
- An overview of Treasury's FY 2014 performance in that goal, including how objectives were categorized during the SOAR
- "In Focus" – A deeper look at some of the critical work being done by Treasury to achieve the goal
- "What's Next?" – A summary of Treasury's plans for the next year, including key next steps identified during the SOAR
- "Summary of Goal Performance" – A table highlighting key progress and remaining challenges for the goal's objectives

While performance information highlights are presented at the end of the discussion, more detailed performance information for all programs listed in Treasury's program inventory are in the Annual Performance Report (APR), released February 2015.[2] This report will be available on Treasury's website at: http://www.treasury.gov/about/budget-performance/annual-performance-plan/Pages/default.aspx.

1 August 2014 guidance from the Office of Management and Budget changes this category to "focus areas for improvement" in future years.
2 Treasury has chosen not to release a consolidated/overarching Performance and Accountability Report. In addition to the APR, readers can access www.performance.gov for the latest information on all agency priority goals and objectives and a copy of Treasury's program inventory.

ORGANIZATION

Treasury is organized into the Departmental Offices, seven bureaus, and three inspectors general. The Departmental Offices are primarily responsible for policy formulation, while the bureaus are the operating units of the organization.[3]



DEPARTMENTAL OFFICES

Domestic Finance works to preserve confidence in the U.S. Treasury securities market, effectively manage federal fiscal operations, strengthen financial institutions and markets, promote access to credit, and improve financial access and education in service of America's long-term economic strength and stability.

3 Learn more about Treasury's bureaus and offices on the following pages and at http://www.treasury.gov/about/organizational-structure/Pages/default.aspx.

International Affairs protects and supports U.S. economic prosperity and national security by working to foster the most favorable external environment for sustained jobs and economic growth in the United States.

Terrorism and Financial Intelligence marshals the Department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats.

Economic Policy reports on current and prospective economic developments and assists in the determination of appropriate economic policies. The office is responsible for the review and analysis of domestic economic issues and developments in the financial markets.

Tax Policy develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code, negotiates tax treaties, and provides economic and legal policy analysis for domestic and international tax policy decisions. Tax Policy also provides revenue estimates for the President's Budget.

The ***Treasurer of the United States*** has direct oversight over the U.S. Mint and Bureau of Engraving and Printing and chairs the Advanced Counterfeit Deterrence Steering Committee and is a key liaison with the Federal Reserve. In addition, the Treasurer serves as a senior advisor to the Secretary in the areas of community development and public engagement.

The ***Office of Management***, including the Chief Financial Officer (CFO), is responsible for managing the Department's financial resources and overseeing Treasury-wide programs, including human capital, information technology, acquisition, and diversity and inclusion efforts.

Three inspectors general – ***the Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP)*** – provide independent audits, investigations, and oversight of the Department of the Treasury and its programs.

Other offices include ***General Counsel, Legislative Affairs, and Public Affairs***.

BUREAUS

The ***Alcohol and Tobacco Tax and Trade Bureau (TTB)*** collects federal excise taxes on alcohol, tobacco, firearms, and ammunition; and is responsible for enforcing and administering laws covering the production, use, and distribution of alcohol products.

The ***Bureau of Engraving and Printing (BEP)*** develops and produces U.S. currency notes that are trusted worldwide.

The ***Financial Crimes Enforcement Network (FinCEN)*** safeguards the financial system from illicit use and combats money laundering and promotes national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

The ***Bureau of the Fiscal Service (Fiscal Service)*** —previously the Financial Management Service and the Bureau of the Public Debt —provides central payment services to federal program agencies, operates the U.S. government's collections and deposit systems, provides government-wide accounting and reporting services, and manages the collection of delinquent debt owed to the U.S. government. In addition, the Fiscal Service borrows the money needed to operate the U.S. government through the sale of marketable, savings, and special-purpose (including the state and local government series) U.S. Treasury securities, and accounts for and services the public debt.

The ***Internal Revenue Service (IRS)*** is the largest of the Department's bureaus and determines, assesses, and collects tax revenue in the United States.

The ***United States Mint (U.S. Mint)*** designs, mints, and issues U.S. circulating and bullion coins; prepares and distributes numismatic coins and other items; and strikes Congressional Gold Medals and other medals of national significance. The Mint maintains physical custody and protection of most of the nation's gold and all of its silver assets.

The ***Office of the Comptroller of the Currency (OCC)*** charters, regulates, and supervises national banks and federal savings associations (thrifts) to ensure that they operate in a safe and sound manner, provide fair access to financial services, treat customers fairly and comply with applicable laws and regulations. The OCC also supervises federal branches and agencies of foreign banks and has rule-making authority for all savings associations.

Figure 1: Main Treasury Building in Washington, D.C.

TREASURY FISCAL YEAR 2014-2017 STRATEGIC FRAMEWORK

The strategic framework comprises the Department's strategic goals and objectives. All bureaus and offices align their programs within this framework, which forms the basis for organizational performance management across the agency.

	Strategic Goals	Strategic Objectives	Contributing Bureaus/Offices
Economic	Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system	1.1: Promote savings and increased access to credit and affordable housing options 1.2: Wind down emergency financial crisis response programs 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability 1.4: Facilitate commerce by providing trusted and secure U. S. currency, products, and services for use by the public	Domestic Finance International Affairs Economic Policy BEP Fiscal Service OCC TTB U.S. Mint
Economic	Goal 2: Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth	2.1: Promote free trade, open markets, and foreign investment opportunities 2.2: Protect global economic and financial stability and press for market-determined foreign exchange rates 2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms 2.4: Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems	International Affairs TFI Economic Policy Tax Policy
Financial	Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems	3.1: Improve the efficiency and transparency of federal financial management and government-wide accounting 3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government 3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act, and Foreign Account Tax Compliance Act, and improve the execution of the tax code	Domestic Finance Tax Policy Fiscal Service IRS TTB
Security	Goal 4: Safeguard the financial system and use financial measures to counter national security threats	4.1: Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector 4.2: Develop, implement, and enforce sanctions and other targeted financial measures 4.3: Improve the cybersecurity of our nation's financial sector critical infrastructure 4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards	TFI Domestic Finance FinCEN OCC
Management	Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction	5.1: Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices 5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information 5.3: Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability 5.4: Create a culture of service through relentless pursuit of customer value	All Offices and Bureaus, led by the Office of Management

FISCAL YEAR 2014 PERFORMANCE BY STRATEGIC GOAL

GOAL 1: PROMOTE DOMESTIC ECONOMIC GROWTH AND STABILITY WHILE CONTINUING REFORMS OF THE FINANCIAL SYSTEM

Economic growth stimulates opportunity, mobility, and security for Americans – and allows citizens and businesses to have more confidence in the safety and soundness of the financial system. In the FY 2014-2017 strategic plan, Treasury commits to promoting domestic economic stability in response to the 2008 financial crisis, building and strengthening domestic financial institutions and markets, and identifying emerging issues requiring Treasury's leadership. An additional priority under this goal is to stimulate domestic economic growth by facilitating commerce and promoting savings, access to credit, and affordable housing options.

In FY 2014, Treasury made notable progress toward achieving its strategic objectives under this goal. As indicated in "Table 1: Summary of Goal One Performance," major strides were made in winding down emergency financial crisis response programs, extending affordable housing programs to more Americans, and implementing major pieces of the financial regulatory reform required under the *2010 Dodd-Frank Wall Street Reform and Consumer Protection Act*.

In particular, after consulting with the Office of Management and Budget (OMB) on performance in this area, Treasury determined that "noteworthy progress" is being made toward achieving Objective 1.2, "Wind down emergency financial crisis response programs," based on the success of the Troubled Asset Relief Program (TARP).

IN FOCUS: HELPING AMERICAN COMMUNITIES GROW

The 40,500 residents of economically depressed Sumter, South Carolina will see an estimated 1,600 new jobs in their community over the next decade as a result of the construction of a new million-plus square foot manufacturing facility.

Continental Tire's new facility will expand the international automotive supplier's operations in the United States. The project received a combined $57.06 million loan from the Community Reinvestment Fund, National Development Council, and People Incorporated Financial Services as a result of the New Markets Tax Credit Program administered by Treasury's CDFI Fund. Ninety percent of the new jobs created, which offer competitive wages, will be entry level. These types of jobs are desperately needed in Sumter, where the unemployment rate is about 1.5 times the national average (as of September 2014).

WHAT'S NEXT?

Treasury is focused on pursuing opportunities to increase coordination with industry and government partners to execute the latest rules and to obtain high-quality data to monitor threats to the market. Treasury is also taking steps to address the ever-increasing demand for improved services, including more sophisticated and accessible currency and timely permitting and label approval for alcohol and tobacco businesses. Specifically, Treasury plans to pursue the following actions in FY 2015:

- Work with Congress to extend the State Small Business Credit Initiative (SSBCI) authorization and to advance housing finance reform legislation
- Complete rulemakings for Dodd-Frank implementation and develop rulemaking to streamline and clarify the federal labeling and formula requirements for alcoholic beverages
- Complete the remaining pending evaluations of the Community Development Financial Institutions (CDFI) Fund programs
- Continue the transition of the currency quality assurance program and submit alternative metals research to Congress

TABLE 1: SUMMARY OF GOAL ONE PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
1.1 Promote savings and increased access to credit and affordable housing options	♦	Helped increase housing affordability by extending the Making Homes Affordable Program through 2016 and entering into a partnership with the Department of Housing and Urban Development (HUD) to help increase affordable options for renters
	♦	Held the first successful auction of the Floating Rate Note, the first new Treasury security in 15 years, which will expand the U.S. investor base and provides more options to investors
	♦	Provided more than 32,621 affordable housing units through the CDFI Program, New Markets Tax Credit Program, and Capital Magnet Fund lending and investing in FY 2014
	♦	Introduced *my*RA, a simple, safe and affordable retirement savings option designed for Americans who do not have access to an employer-sponsored retirement plan
	♦	Small business lending at participating banks has grown $13.8 billion over the baseline
	≈	Sales of retail securities continue to decline due to low interest rates and product complexity
1.2 Wind down emergency financial crisis response programs	♦	As of September 2014, Troubled Asset Relief Program (TARP) collections, including proceeds from non-TARP AIG-shares sales, exceed total disbursements by $14.5 billion
	♦	The Capital Purchase Program has generated $226.3 billion in proceeds for taxpayers through FY 2014, with 43 institutions remaining in the program ($624.9 million in outstanding investments)
	♦	Completed the disposition of all remaining shares of General Motors in December 2013 and, subsequent to Treasury's sale of approximately 102 million shares in the initial public offering (IPO) of Ally, began selling additional shares of Ally common stock through a pre-defined written trading plan
	≈	Most of the largest mortgage servicers participating in the Making Home Affordable housing programs need minor or moderate improvement in their compliance with program requirements, according to the most recent Quarterly Servicer Assessment
1.3 Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability	♦	Issued the Modernization Report required by Dodd-Frank, which makes recommendations in the areas of insurance sector solvency and marketplace regulation
	♦	Made solid progress in standardizing essential data, including issuing more than 300,000 Legal Entity Identifiers (LEIs) to organizations in 186 countries
	♦	Issued final rules implementing the Volcker Rule and Basel III capital rules
	≈	Coordination with domestic and international actors is resource intensive
	≈	Timely and robust data (and analytical capability) are vital to monitoring markets and identifying threats, but building the environment and infrastructure are costly
1.4 Facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public	♦	Launched a currency reader distribution pilot program in 2014 to increase accessibility for the blind and visually impaired
	♦	Met increased demand for currency while implementing operational efficiencies
	♦	Began circulating the redesigned $100 Federal Reserve note, which includes several new security features
	♦	Expanded the use of TTB's Permits Online system, and improvements are in progress to support faster processing times for new businesses seeking a federal alcohol permit
	♦	Removed a significant barrier to wine export trade by launching a consolidated export certificate for wine exports to China
	♦	Hosted an infrastructure investment summit that brought together private investors and state and local government officials to build partnerships and develop strategies to close the infrastructure investment gap
	≈	Increasing complexity of currency design and evolving customer needs require more complex and costly materials, production technologies, and employee skill sets to maintain high-quality notes
	≈	Current legislation restricts changes to metal composition, size, and weight of coinage
	≈	Growth in the alcohol beverage industry and increasing product innovation have increased the demand for TTB approvals, resulting in longer lead times to meet requirements that are pre-conditions to commerce

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

GOAL 2: ENHANCE U.S. COMPETITIVENESS AND JOB CREATION, AND PROMOTE INTERNATIONAL FINANCIAL STABILITY AND MORE BALANCED GLOBAL GROWTH

Treasury protects and supports American economic prosperity by strengthening the external environment for U.S. growth, preventing and mitigating global financial instability, and managing key global challenges. Over the next three years, the Department will continue to work with international partners to open new opportunities for American businesses and workers, level the playing field for U.S. firms doing business abroad, develop sound international financial regulatory standards consistent with domestic reforms, promote economic stability in strategically important countries, and leverage U.S. leadership positions in the International Financial Institutions (IFIs) to promote U.S. policy priorities around the world.

In FY 2014, Treasury made progress using a sometimes limited set of policy tools while facing major challenges. As indicated in "Table 2: Summary of Goal Two Performance," evolving global geopolitical and financial crises and slowing economic growth in key regions and countries required Treasury to shift its focus away from some longer-term goals in favor of more immediate priorities. Despite this, Treasury successfully advocated for the prioritization of growth strategies in the Group of 20 (G-20), advanced negotiations for critical trade agreements, and made progress promoting financial stability in Europe. After consulting with OMB on performance in this goal, Treasury determined that "significant challenges" exist to achieving Objective 2.3, "Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms," due largely to the need for Congress to approve the 2010 International Monetary Fund (IMF) Quota and Governance Reforms and insufficient support for multilateral assistance priorities, including arrears.

IN FOCUS: Providing Assistance Abroad to Safeguard Stability at Home

For more than 20 years, International Affairs' Office of Technical Assistance (OTA) has helped developing and transitional countries build their capacity to manage government finances more effectively, deliver essential public services, and grow their economies. Such assistance is also in the U.S. national interest as building strong economic governance regimes supports financial sector stability and fosters robust trade and investment relations. Currently, OTA operates in 44 countries with 100 active programs (see map below).

WHAT'S NEXT?

Although progress toward this goal has been hampered by the challenges highlighted above, Treasury aims to bolster the impact of its efforts through expanded and additional bilateral and multilateral engagements in priority regions. Specifically, Treasury plans to pursue the following actions in FY 2015:

- Secure congressional approval of the 2010 IMF Quota and Governance Reforms Proposal
- Gain congressional support for Treasury's International Programs budget proposal, which includes U.S. contributions to multilateral organizations in which the U.S. seeks to maintain a leadership position
- Continue to negotiate tax treaties and international guidelines on the provision of official export financing
- Advance the financial services sections of the major trade agreements currently being negotiated, such as the Trans-Pacific Partnership, the Trade in Services Agreement, and the US-EU Trans-Atlantic Trade and Investment Partnership

TABLE 2: SUMMARY OF GOAL TWO PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
2.1 Promote free trade, open markets, and foreign investment opportunities	♦	Negotiations of free trade agreements have progressed in key economic hubs such as the Asia-Pacific region; Commitments secured through bilateral engagements including the U.S.-India Economic and Financial Partnership and the U.S.-China Strategic and Economic Dialogue
	♦	During the fiscal year, the Office of Tax Policy prepared for and testified before the Senate Foreign Relations Committee to recommend seven bilateral tax treaties that have been negotiated by the Office on behalf of the United States
	≈	Evolving global economic and geopolitical conditions affect counterparts' priorities and willingness to make concessions in negotiations
	≈	The strengthening US economy yielded a corresponding increase in the number and complexity of cases before the Committee on Foreign Investment in the United States (CFIUS), complicating interagency coordination of the national security reviews
2.2 Protect global economic and financial stability and press for market-determined exchange rates	♦	Have worked to stabilize the European financial system (Ireland and Portugal successfully exited from IMF programs and the Greece IMF program financing gap was resolved)
	♦	Made significant contributions to crisis response through Treasury's Financial Attaché in Moscow and the rapid provision of a loan guarantee and technical assistance to Ukraine
	♦	Refocused the G-20 to consider growth strategies and successfully added global rebalancing to the Leaders' Summit Agenda
	≈	Evolving global geopolitical, economic, and financial crises require Treasury to rapidly shift its focus and limited resources away from longer-term priorities
	≈	Rising costs of overseas operations hinder deployment of Financial Attachés and technical assistance advisors abroad, negatively impacting performance
2.3 Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms	♦	Treasury's Development Impact Honor Awards Program successfully highlighted the benefits of multilateral approaches to development
	♦	Continued to successfully encourage the use of systems for measuring, monitoring, and incorporating development results in Multilateral Development Bank operations
	≈	Treasury's work at the IMF is unnecessarily complicated by the U.S.'s status as the only country yet to approve the 2010 IMF Quota and Governance Reforms
	≈	The U.S. could potentially lose influence in IFIs, as overdue U.S. contributions continue to accumulate over time due to funding constraints
2.4 Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems	♦	Treasury had success in building relationships with foreign counterparts; 100 projects are currently active in 44 countries, and programs received a 3.7 out of 5 in FY 2014 internal evaluations for "traction" (which measures engagement with counterparts)
	♦	A robust annual programmatic review has been instituted for all active projects before funding is allocated for the year; the review process includes defining priorities and measures for programs
	♦	The Office of Technical Assistance (OTA) supported successful reforms by several jurisdictions previously cited by the Financial Action Task Force for serious non-compliance with anti-money laundering and counterterrorism financing standards
	≈	Programmatic impact can be outside of Treasury's control; programs received a 2.9 out of 5 in FY 2014 internal evaluations for "impact" (which measures achievement of desired changes); rising cost of program administration from third parties limiting project selection

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

GOAL 3: FAIRLY AND EFFECTIVELY REFORM AND MODERNIZE FEDERAL FINANCIAL MANAGEMENT, ACCOUNTING, AND TAX SYSTEMS

Treasury is entrusted with managing the nation's finances, which includes collecting money due to the United States, making payments owed by the United States, and financing the federal government by, in addition to collecting revenue, determining and executing a borrowing strategy that meets the federal government's needs at the lowest cost over time. It also includes accounting for, and reporting on, the U.S. government's finances to the American people. Sound financial management enables continual operation of essential government services and allows Treasury to meet its financial obligations while minimizing borrowing costs.

Treasury made great strides during FY 2014, as indicated in "Table 3: Summary of Goal Three Performance." Treasury began work to increase the usability of USAspending.gov, created a centralized service to help federal executive branch agencies reduce improper payments, and implemented tax-related provisions of both the Patient Protection and Affordable Care Act (ACA) and the Foreign Account Tax Compliance Act (FATCA). Treasury made additional progress in improving payment accuracy through continued implementation of the "Do Not Pay" Business Center, which uses data to review the eligibility of government beneficiaries. Furthering Treasury's efforts, the IRS combatted tax refund fraud by using analytics to identify tax preparers who submit incorrect or fraudulent tax returns. Despite this progress, tight budget constraints facing the IRS resulted in fewer resources and missed opportunities in enforcement and service.

IN FOCUS: Treasury Assists States in Collecting Delinquent Debts

In July 2014, the Bureau of the Fiscal Service (Fiscal Service) released its FY 2013 Annual Report to the States on the Treasury Offset Program's (TOP) Delinquent Debt Collection. The report details each state's success in collecting delinquent debts through a unique partnership with the federal government referred to as the State Reciprocal Program.

Debts successfully recovered through TOP include delinquent child support and state income tax obligations, unemployment insurance compensation fraud debts, and more.

"The Fiscal Service is proud of the work we have done in collecting more than $3.0 billion in delinquent debts for the states in FY 2013, including $1.9 billion of delinquent child support," said Fiscal Service Commissioner Sheryl Morrow. "The simple premise of the offset program is that Treasury should not pay those individuals or businesses that have failed to meet their government obligations without first applying that money to the delinquent obligation."

After consulting with OMB on performance in this area, Treasury determined that "noteworthy progress" was made toward achieving Objective 3.2, "Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government," due to achievements in converting to electronic transactions. However, Treasury's future efforts face "significant challenges" due to the difficulty in making further gains toward the objective.

WHAT'S NEXT?

In the face of continued resource limitations and increasing requirements, including the implementation of new legislative requirements, Treasury plans to pursue the following in FY 2015:

- Implement the Digital Accountability and Transparency Act (DATA) and improve IRS level of service to taxpayers, which will require Congress to approve increase funding to the IRS and Fiscal Service
- Gain approval of legislative proposals to improve debt collection and reduce Earned Income Tax Credit errors
- Build stronger relationships with the tax community and government partners to increase voluntary tax reporting and payment compliance

TABLE 3: SUMMARY OF GOAL THREE PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
3.1 Improve the efficiency and transparency of federal financial management and government-wide accounting	♦	Improvements made to the reliability of the Financial Report of the U.S. Government include making progress in establishing the General Fund as a reporting entity and meeting with 35 agencies to create Agency Scorecards to facilitate review of agency performance in financial reporting
	♦	Treasury will receive its 15th clean audit opinion on the Agency Financial Report (AFR) and the Schedules of Federal Debt in FY 2014 and continues to report accurately on the Monthly and Daily Treasury Statements
	♦	Since Treasury assumed program responsibility for USAspending.gov in February 2014, Treasury began usability improvements to the website and plans to launch an improved site in March 2015
	≈	Encourage innovation from federal agencies and stakeholders to make data more accessible and easier to use, through implementation of the DATA Act
3.2 Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government	♦	Implementation of the Paperless Treasury Initiative resulted in the percentage of electronic payments increasing from 77 percent in FY 2006 to 94 percent in FY 2014
	♦	Completion of the Collections and Cash Management Modernization initiative resulted in an increase in the percentage of revenue collected (settled) electronically from 79 percent in FY 2006 to 98 percent in FY 2014
	♦	Treasury created a centralized portal and data analytics service, which provides payment verification information for Federal executive branch agencies to help reduce improper payments
	≈	Further progress in increasing electronic payments will necessitate changing taxpayers' behavior to achieve voluntary compliance because current law does not mandate electronic payments for tax refunds, including prepaid cards currently used for benefit payments to those without bank accounts
	≈	Legislation is needed to allow for more debt collection tools as well as additional data sources for the Do Not Pay program to reduce improper payments
3.3 Pursue tax reform, implement the Patient Protection and Affordable Care Act (ACA) and Foreign Account Tax Compliance Act (FATCA), and improve the execution of the tax code	♦	Issued a notice that takes targeted action to reduce the benefits of corporate tax inversions
	♦	Treasury implemented tax-related provisions of both the ACA and FATCA, including publishing major regulatory guidance, and completing 57 FATCA agreements in substance and signing 35 FATCA agreements in FY 2014
	♦	In FY 2014, the IRS suspended or rejected 5.0 million suspicious tax returns and stopped or prevented 1.8 million returns worth more than $10.0 billion to combat identity theft
	♦	The Office of Tax Policy continued providing support for the ongoing efforts to achieve tax reform
	♦	TTB successfully pursued criminal convictions for the illicit trade of alcohol and tobacco products, with millions in tax liabilities identified
	♦	TTB made advancements in tobacco science to support its pursuit of regulatory remedies to address enforcement challenges related to tax rate differentials on certain tobacco products
	≈	The evolving scope and increasing complexity of international tax administration presents an increasing implementation challenge, especially when faced with continued reductions in resources, limited time to make changes, and the need to collaborate with domestic and international partners to enforce the law
	≈	Treasury anticipates future growth in IRS call volumes and walk-in site visits
	≈	Diversion schemes used to evade excise taxes on alcohol and tobacco products continue to grow and evolve, depriving governments and legitimate businesses of revenue
	≈	The constrained budget environment of recent years has major implications for service to taxpayers, enforcement of the tax laws, and the overall administration of the tax system

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

GOAL 4: SAFEGUARD THE FINANCIAL SYSTEM AND USE FINANCIAL MEASURES TO COUNTER NATIONAL SECURITY THREATS

Treasury works to protect the integrity of the financial system and advance key national security and foreign policy objectives through: outreach, coordination, and collaboration with public and private sector partners; regulation, enforcement, financial intelligence analysis; and targeted financial activities and measures. The Department looks for opportunities to aid the President's financial stability and foreign policy agenda and develop creative alternatives to intervention, or, in the case of the latter, military action where possible – including identifying, monitoring, and targeting key issues, economic and financial trends, and national security threats in order to avoid key disruptions to economic or national security.

Treasury also works with industry and government partners to foster the resilience of the financial sector's critical infrastructure. As the Sector Specific Agency for Financial Services, defined under Presidential Policy Directive 21, "Critical Infrastructure Security and Resilience," Treasury participates in interagency and cross sector initiatives and plays a key coordinating role in managing responses to disruptive events. While Treasury's sector-specific responsibilities include all hazards, whether natural or manmade, in recent years, the Department has increasingly focused on promoting improvements in cybersecurity across the financial sector.

After consulting with OMB on performance in this area, Treasury determined that Objective 4.2, "Develop, implement, and enforce sanctions and other targeted financial measures," made "noteworthy progress" due to precedent-setting work being done with targeted financial measures other than sanctions and to TFI's response to rapidly increasing demands for the use of these tools. See "Table 4: Summary of Goal Four Performance" for key highlights of progress and challenges.

IN FOCUS: Focusing Enforcement Efforts on High-Priority Threats

Treasury, through the Office of Terrorism and Financial Intelligence (TFI), is responsible for safeguarding the financial system from abuse by illicit actors. FinCEN, a bureau reporting to the undersecretary of TFI, has an area of responsibility that constitutes tens of thousands of financial institutions in the United States and abroad. It is essential to take a risk-based, intelligence-driven approach to enforcement. Consequently, one of Treasury's FY 2014-2015 Agency Priority Goals (APG) is to *employ a proactive, intelligence-driven approach to focus enforcement efforts against high priority threats*.

Since the inception of this APG, FinCEN, among other achievements, developed a number of new advanced analytics algorithms, implemented a series of business rules to assist in the identification of financial activity related to terror finance and child-related crimes, and, as a result of improved processes and prioritizing strategies, FinCEN provided 370 intelligence products related to national security priorities in FY 2014.

See www.performance.gov for additional information on this APG.

WHAT'S NEXT?

Treasury will focus on keeping pace with the rapid evolution of the financial industry and the threat landscape, including the proliferation of virtual currencies. Specifically, Treasury plans to pursue the following actions to sustain or improve progress:

- Continue support of the administration's national security and foreign policy goals through the development and implementation of both traditional and non-traditional sanctions regimes
- Continue rule-making for long-term anti-money laundering and counter terrorist financing priorities
- Gain congressional support for Treasury's cybersecurity budget proposal to strengthen Treasury run systems
- Continue ongoing information sharing, incident management, and resilience activities with public and private sector partners on critical infrastructure and cybersecurity issues

TABLE 4: SUMMARY OF GOAL FOUR PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
4.1 Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector	♦	Treasury intelligence resources pivoted swiftly to support the U.S. response to the Islamic State of Islam and Levant (ISIL) and the Ukraine crisis while remaining focused on sustained priorities
	♦	Hosted a sanctions outreach and educational symposium that drew approximately 500 attendees
	≈	Sharing and properly using intelligence within the community, and with foreign partners and the financial sector, is an ongoing challenge due to differences in process and increasing workload
	≈	The virtual currency world is rapidly changing, requiring Treasury to respond and adapt quickly
4.2 Develop, implement, and enforce sanctions and other targeted financial measures	♦	Treasury actively managed financial sanctions programs and tools, including by taking individuals and entities off lists due to changed behavior and adding key individuals and entities to help achieve specific missions and broader national security goals
	♦	Forfeiture funds significantly contributed to law enforcement agencies, including in high priority third party money laundering cases by the Department of Homeland Security, the IRS, and FinCEN
	♦	As the U.S. Government worked with P5+1partners to address Iran's nuclear program, Treasury has provided targeted, reversible sanctions relief, while vigorously enforcing existing sanctions
	♦	Treasury developed new sanctions instruments (including the Sectoral Sanctions Identifications and Foreign Sanctions Evaders lists) to meet increasingly nuanced requirements for targeted sanctions
	♦	Treasury issued a great deal of new guidance to aid in complying with complex Ukraine sanctions
	≈	The use of sanctions and other targeted financial measures has expanded greatly in the last two fiscal years, which has strained available resources
4.3 Improve the cybersecurity of our nation's financial sector	♦	OCC created a new Senior Infrastructure Officer position who will focus on cybersecurity policy for the federal banking system
	♦	Treasury stood up and expanded the Cyber Intelligence Group to improve the distribution of timely actionable information to the private sector and bolster communication channels and relationships
	≈	Enhancing collaboration with law enforcement and intelligence community partners in developing and disseminating threat and vulnerability trend analyses targeted for financial sector recipients
	≈	Coordinating efforts with the private sector and governmental entities to improve awareness and utility of tools and practices, such as the NIST Cybersecurity Framework, for enhancing the level of cybersecurity resilience in support of financial stability across the financial sector, including dissemination of information suited to smaller local entities and the service providers upon which they depend
4.4 Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards	♦	Treasury enhanced bilateral efforts to combat money laundering and financing of terrorism, including by completing the first ever Memorandum of Understanding between the U.S. and Mexico to share supervisory information on money laundering and terrorism financing
	♦	Treasury and FinCEN issued a proposed rule to enhance financial transparency, by strengthening customer due diligence obligations of financial institutions to help prevent the use of anonymous companies to engage in or launder the proceeds of illegal activity in the U.S. financial sector
	♦	Treasury secured civil penalty assessments working with federal partners against certain institutions (HSBC, JP Morgan, etc.) on Bank Secrecy Act (BSA) and money laundering violations
	♦	FinCEN promulgated rules and improved information sharing efforts to help clarify and strengthen standards, including completing the four-year BSA IT modernization investment, which earned the Government Computer News Award and was completed on time and within budget
	♦	OCC incorporated BSA and anti-money laundering standards into how they evaluate national banks and federal savings associations
	♦	FinCEN issued a Geographic Targeting Order (GTO) requiring enhanced reporting by common currency carriers crossing parts of the Southwest Border, which will help law enforcement efforts
	≈	The rapid evolution of the industry (including the proliferation of virtual currencies) will challenge Treasury's ability to stay ahead of the change and respond appropriately

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

GOAL 5: CREATE A 21ST-CENTURY APPROACH TO GOVERNMENT BY IMPROVING EFFICIENCY, EFFECTIVENESS, AND CUSTOMER INTERACTION

Treasury's future success, both immediate and long term, depends on sustaining and developing the resources required to achieve the Department's mission. These critical resources include finances, physical assets, technology, and, most importantly, people. In the FY 2014-2017 strategic plan, Treasury committed to capitalizing on 21st century advances in knowledge, methods, and technology to manage resources as effectively and efficiently as possible, creating the best value for all constituents.

During FY 2014, Treasury made progress toward all of its management-focused strategic objectives. As indicated in "Table 5: Summary of Goal Five Performance," Treasury established a new workforce planning effort, a Data Steward Group to improve data quality, and designated Federal Financial Management Shared Service Providers, which will help improve the government's efficiency. Additionally, pursuant to OMB guidance to reduce real property costs, Treasury has made progress in implementing a three-year real estate plan for FY 2013 - FY 2015 that identifies tangible actions to freeze or reduce Treasury's space footprint, including the following strategies:

- Better use of real property by undertaking space alignment efforts including optimization or consolidation of existing space;
- Increase telework, hoteling, and work space sharing; and
- Maximize utilization through improved work station standards.

FY 2012 Baseline Sq. Ft.	FY 2014 Sq. Ft.	Change from FY 2012
29,992,024	28,428,471	-1,563,553

IN FOCUS: Increasing Self-Service Options for Taxpayers

Treasury's second APG, *increasing self-service options for taxpayers*, aims to increase taxpayer satisfaction by delivering high-quality, timely, innovative, and consistent customer service to better address taxpayer needs, reduce burden, and encourage voluntary compliance. Using analytics and a user-centric approach, the IRS will develop online options as part of its multi-channel service model.

Since the beginning of FY 2014, the IRS has launched several online interactive tools, including the following:

- **IRS Direct Pay**: Provides a low-friction electronic payment option to enable taxpayers to make payments from their bank account without any fees in a single session.
- **e-Authentication, Release 2**: Provides taxpayers a user-friendly way to securely access and use IRS online tools and applications.
- **IRS2Go Mobile Application, Release 4**: Enables taxpayer self-service access to IRS information and services anywhere, anytime, and on any device.

See www.performance.gov for additional information on this APG.

WHAT'S NEXT?

While Treasury continues to make strides in creating a 21st century approach to government, challenges remain in standardizing data definitions and ensuring high-quality data as well as in sustaining resources focused on building a culture of performance improvement and service. These initiatives take time and Treasury remains committed to fostering an environment where leaders and employees feel encouraged to focus on these important principles of good government. Specifically, Treasury plans to pursue the following actions to sustain or improve progress in FY 2015:

- Finalize plans for a Treasury Senior Executive Service Candidate Development Program
- Adapt Treasury's QPR process to meet new leadership needs and integrate the SOAR process
- Identify procurement areas in which success is likely to generate large savings on a Department-wide scale

TABLE 5: SUMMARY OF GOAL FIVE PERFORMANCE

Strategic Objective		Key Areas of Progress (♦) and Challenges (≈)
5.1 Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices	♦	Treasury implemented an annual Federal Employee Viewpoint Survey (FEVS) analysis, planning, and execution cycle to use the data to improve workforce engagement
	♦	Treasury established a new workforce planning effort, adopting a model to allow bureaus to analyze future workforce requirements and align them to projected mission needs
	♦	A Diversity and Inclusion Executive Steering Committee was developed and a Diversity Plan established, with active participation by bureaus on the committee and in developing specific implementation plans
	♦	Treasury exceeded the Small Business Administration's small business contracting goals for four consecutive years (FY 2011-2014)
	≈	Treasury has a large number of retirement-eligible employees in key leadership positions, which increases the importance of hiring, training, and retaining emerging leaders
5.2 Support effective data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information	♦	Treasury established a Data Steward Group to validate and document the rules that drive data quality and delivery
	♦	Treasury published machine-readable public data listings that developers can leverage to find and use datasets and create new services for the American public
	♦	Treasury improved the speed of Freedom of Information Act (FOIA) request processing and closed ten of its oldest FOIA requests in FY 2014
	♦	Treasury put into place crisis response protocols based on rapidly notifying, collecting, synthesizing, and sharing critical information necessary for senior leadership decision-making during emergencies
	≈	Common definitions and data standards are difficult to establish and monitor; information quality and consistency are difficult to improve across organizational boundaries and within disparate systems within an organization
5.3 Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability	♦	Treasury worked with OMB to successfully designate four Federal Financial Management Shared Service Providers, which will help promote the use of shared services government-wide
	♦	Treasury's use of GSA's strategic sourcing vehicle for domestic delivery services contracts resulted in a discount savings of 27.9 percent over other contracts ($6.3 million)
	≈	Data sharing and consistent data analysis is challenging due to multiple contract management systems
	≈	Sustaining the resources to build a performance improvement culture is challenging in an environment of increasing reporting requirements and mission needs
5.4 Create a culture of service through the relentless pursuit of customer value	♦	Several bureaus and offices, including FinCEN, Fiscal Service, Mint, Management, IRS, and TFI, have implemented and are using customer satisfaction surveys to improve program performance and determine priorities
	♦	The IRS and Management have provided internal training and raised employee awareness of customer service best practices
	♦	Leadership in the pursuit of customer value increased in several places, including TTB's proactive efforts to improve online guidance and electronic filing options and Economic Policy's efforts to develop popular forecasting models to share with federal partners
	≈	Providing the quality of service expected by customers is challenging in an environment with constrained resources and increasing demand for services
	≈	Late enactment of tax legislation results in a very limited time to prepare adequately for filing season, which impacts the level of service that can be provided

KEY: ♦ indicates an area of progress; ≈ indicates an area of challenge

PERFORMANCE TREND HIGHLIGHTS

This table contains trend information for some of the measures used in the assessment of Treasury's overall progress toward its strategic goals, followed by contextual information for each measure highlighted. A full discussion of trends for all of Treasury's measures is included in the APR.

Strat. Goal	Measure (Bureau/Office[4])	FY 11	FY 12	FY 13	FY 14 Result	FY 14 Target	Result vs Target
Goal 1: Domestic growth/stability	Number of affordable housing units created by CDFI awardees (Domestic Finance – CDFI Fund)	19,083	27,433	26,391	32,621	26,500	Exceeded
	Manufacturing costs for currency – dollar costs per thousand notes produced (BEP)	34.6	43.3	50.5	42.0	55.0	Exceeded
	Seigniorage per dollar issued (Mint)	.45	.21	.24	.37	.24	Exceeded
	Percent of permit applications processed within service standards (TTB)	N/A	61	50	58	60	Not Met
Goal 2: International growth/stability	Timely review of CFIUS cases (%) (International Affairs)	N/A	N/A	100	100	100	Met
	Impact of Technical Assistance Programs - Changes that result from project engagement - 5 point scale(International Affairs)	3.2	3.1	3.0	2.9	3.1	Not Met
	Traction of Technical Assistance Programs – scope and intensity of engagement - 5 point scale (International Affairs)	3.7	3.9	3.8	3.7	3.6	Exceeded
Goal 3: Modernize federal financial management	Percentage of Treasury payments and associated information made electronically (Fiscal Service)	84.3	88.0	92.5	94.4	95.0	Not Met
	Percentage of total dollar amount of U.S. government receipts collected electronically (Fiscal Service)	96.0	97.0	97.0	98.0	97.0	Exceeded
	Percentage of individual returns processed electronically (IRS)	76.9	80.5	82.5	84.1	84.1	Met
	Taxpayer Self-Assistance Rate (IRS)	70.1	78.5	83.3	84.7	85.0	Not Met
Goal 4: Safeguard fin. system	Percentage of users finding that the financial intelligence collected by FinCEN pursuant its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing (FinCEN)	89	90	80	81	84	Not Met
	Impact of TFI programs and activities – 10 point scale (TFI)	7.6	8.1	8.3	8.5	8.5	Met
Goal 5: Management	FEVS Results-Oriented Culture Index – 1 to 100 (Management)	59	57	55	55	59	Not Met
	Treasury-wide Footprint in Thousands of Sq. Ft. (Management)	37,596	37,998	37,320	28,428	35,514	Exceeded
	Customer Service Representative Level of Service (%) (IRS)	70.1	67.6	60.5	64.4	61.0	Exceeded

4 Bureau/Office identifies the organization within Treasury that monitors and reports the measure.

MEASURE CONTEXT

Strat. Goal	Explanation of Results
Goal 1: Domestic growth/stability	**Number of affordable housing units created by CDFI awardees (Domestic Finance – CDFI Fund)** This metric tracks the number of affordable housing units (including new construction and rehabilitation) created by CDFIs and Community Development Entities receiving financial assistance awards or tax credit allocations through the CDFI Program, New Markets Tax Credit Program, and Capital Magnet Fund. Results exceeded the FY 2014 target due to larger than expected increases in housing investment under the CDFI Program, New Markets Tax Credit Program, and Capital Magnet Fund.
	Manufacturing costs for currency – dollar costs per thousand notes produced (BEP) The actual manufacturing cost for currency, which includes direct labor costs, the cost of raw materials used, and related manufacturing overhead charges, was well below the target level in FY 2014. Factors contributing to this favorable cost performance include better than planned currency ink mileage (more notes printed per pound of ink than planned), a reduced order for redesigned $100 notes, and improved workload balance between the two BEP production facilities to meet changes in Federal Reserve order requirements during the year.
	Seigniorage per dollar issued (Mint) The difference between the face value and the cost of minting and issuing circulating coins. Seigniorage per dollar issued is the seigniorage generated from each dollar of circulating coinage face-value shipped to Federal Reserve Banks. FY 2014 performance exceeded the budget target and the prior year's performance mainly due to lower than expected metal costs and a 59 percent increase in quarter-dollar shipments.
	Percent of permit applications processed within service standards (TTB) In FY 2014, TTB met its 75-day service standard for new permit applications 58 percent of the time, falling short of its annual target of 60 percent. This positive performance trend compared to FY 2013 is largely attributable to the adjusted service standard in FY 2014, which increased from 65 days to 75 days, as the workload challenges and resource constraints that began under sequestration remain. Industry growth in recent years has resulted in delays in processing times, which TTB will address through a combination of industry outreach to promote electronic filing, streamlining internal procedures, and system enhancements.
Goal 2: International growth/stability	**Timely review of CFIUS cases (%) (International Affairs)** By statute and regulation, CFIUS must complete its consideration of a covered transaction within 75 days of acceptance of a notice regarding the transaction, except for transactions that the parties have voluntarily withdrawn. The 100 percent result for FY 2014 reflects that CFIUS timely reviewed notified transactions for national security concerns and concluded action on all covered transactions after determining there were no unresolved national security concerns.
	Impact and Traction of Technical Assistance Programs (International Affairs) For traction, the primary factor that contributed was a relatively high degree of commitment from counterparts to Treasury technical assistance. The average score for impact is lower than traction because the outcomes of technical assistance engagements rely on a range of factors not within OTA's control, including the policy environment and the commitment of in-country actors to reform. It should be noted that there is an inherent difficulty in assigning an aggregate numerical value to a program that consists of many individual projects – these two figures are the average of more than 150 individual project ratings – implemented over multiple countries with different policy and political environments.
Goal 3: Modernize federal financial management	**Percentage of Treasury payments and associated information made electronically AND Percentage of total dollar amount of U.S. government receipts collected electronically (Fiscal Service)** Fiscal Service has been promoting the Paperless Treasury initiative for several years in an effort to disburse payments, as well as receive and settle collections, through electronic means. As a result of these efforts, nearly 98 percent of benefit payments are now disbursed through electronic funds transfer (EFT) and new enrollees are required to receive their benefit payments via EFT. Furthermore, paper Federal Tax Deposit Coupons have been eliminated, requiring businesses to submit their quarterly tax payments electronically. Fiscal Service continues to research additional options for stakeholders to conduct transactions electronically. This ranges from, but is not limited to, allowing taxpayers to pay electronically for items such as National Park Service entrance fees to working with the Internal Revenue Service to increase the voluntary use of electronic tax submissions, refunds, and payments. The latter is the largest payment stream being disbursed by check, thus it resulted in Fiscal Service missing the FY 2014 target by less than 1 percent.
	Percentage of individual returns processed electronically (IRS) The number of electronically filed individual tax returns divided by the total individual returns filed. The IRS met its projected target for Individual returns processed electronically, which increased by 2 percent over FY 2013. The IRS will continue to process individual returns as efficiently as possible to meet future plans.

	Taxpayer Self-Assistance Rate (IRS) The percentage of taxpayer assistance requests resolved using self-assisted automated services. The shortfall is attributed to a large decrease in Web Services completed. The decrease in Web Services is primarily due to a decrease in "Where's My Refund" which was 86 percent below plan, or 31.9 million below the planned volume. The smaller number of taxpayer accesses of the application is attributed to a concerted effort to inform taxpayers that "Where's My Refund" should only be checked once a day. Previously, the IRS realized about a 10 percent increase each year as taxpayers became acquainted with this service; some were using it several times per day. Future projections will take into account this year's experience.
Goal 4: Safeguard fin. system	**Percentage of users finding that the financial intelligence collected by FinCEN pursuant its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing (FinCEN)** Survey data that looks at the value of FinCEN data, such as whether the data provided unknown information, supplemented or expanded known information, verified information, helped identify new leads, opened a new investigation or examination, supported an existing investigation or examination, or provided information for an investigative or examination report. In FY 2014, 81 percent of users found the financial intelligence useful. FinCEN did not meet the target of 84 percent. To meet future targets, a greater emphasis on both in-person and on-line training that will better assist users in understanding and utilizing the FinCEN Query tool for their unique cases and situations. Additionally, FinCEN will try to identify and address any agency specific issues that might have contributed to lower scores.
	Impact of TFI programs and activities (TFI) The impact of TFI's programs and activities increased in FY2014, measured on a ten-point scale. This increase is mostly due to TFI's support in the U.S. government's response to the Islamic State of Islam and Levant (ISIL) and the Russia/Ukraine crisis, involvement in providing temporary and targeted sanctions relief as part of the negotiations with Iran, as well as increased bilateral engagements with Mexico focused on information sharing on terrorist financing and money laundering. Streamlining of financial sanctions programs and tools and development of new sanctions instruments has also contributed to TFI's growing impact.
Goal 5: Management	**FEVS Results-Oriented Culture Index (ASM)** Denotes the extent to which employees believe their organizational culture promotes improvement in processes, products and services, and organizational outcomes. In FY 2014, government-wide results declined. While Treasury did not meet its FY 2014 target of 59 percent, the results did not decrease from FY 2013.
	Treasury-wide Footprint in Thousands of Sq. Ft. (ASM) Measures the total square footage occupied by Treasury's owned and leased buildings. In FY 2014, Treasury exceeded its target to reduce total square footage due to planned building consolidations.
	Customer Service Representative Level of Service (%) (IRS) The number of toll free callers that either speak to a Customer Service Representative or receive information messages divided by the total number of attempted calls. In FY 2014, level of service reached 64.4 percent, which was 5.6 percent above the planned target of 61.0 percent. Additional funding and much lower than projected telephone demand (87 percent to plan) enabled IRS to deliver a higher level of service to customers than originally planned. The IRS will continue to allocate telephone staffing as efficiently as possible in order to meet all future plans.

MANAGEMENT AND PERFORMANCE CHALLENGES HIGHLIGHTS

Annually, in accordance with the Reports Consolidation Act of 2000, OIG and TIGTA identify the most significant management and performance challenges facing the Department. These challenges do not necessarily indicate deficiencies in performance; rather, some represent inherent risks that require continuous monitoring. Treasury made progress on these issues in fiscal year 2014, and will continue to focus on resolving them during fiscal year 2015 and beyond. However, during fiscal year 2015, the OIG elevated "*Cybersecurity*" from a "Matter of Concern" to a "Management Challenge" as "*Cyber Threats*" and added "*Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments*," as a new challenge. In the fiscal year 2014 Agency Financial Report, refer to Section C of Part 3, Other Information, for a detailed discussion of these challenges, listed below.

Note: SIGTARP does not provide the Secretary with an annual report on management and performance challenges. SIGTARP, as a special inspector general provides oversight of the Troubled Asset Relief Program, a program that spans several federal agencies, while the OIG and TIGTA provide oversight of the Department and IRS, respectively, and report on its management and performance challenges.

TREASURY-WIDE MANAGEMENT CHALLENGES – AS IDENTIFIED BY OIG

- Cyber Threats
- Continued Implementation of Dodd-Frank
- Management of Treasury's Authorities Intended to Support and Improve the Economy
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
- Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
- Gulf Coast Restoration Trust Fund Administration

IRS MANAGEMENT CHALLENGES – AS IDENTIFIED BY TIGTA

- Security for Taxpayer Data and IRS Employees
- Implementing the Affordable Care Act and Other Tax Law Changes
- Tax Compliance Initiatives
- Fraudulent Claims and Improper Payments
- Achieving Program Efficiencies and Cost Savings
- Modernization
- Providing Quality Taxpayer Service Operations
- Globalization
- Taxpayer Protection and Rights
- Human Capital

FINANCIAL HIGHLIGHTS – FINANCIAL OVERVIEW

The financial highlights below are an analysis of the information included in the Department's consolidated financial statements that appear within the "Annual Financial Report" section of this report. The Department's principal financial statements have been prepared to report the agency's financial position and results of operations, pursuant to the requirements of 31 USC 3515(b). These consolidated financial statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by OMB. The consolidated financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

The chart below presents changes in key financial statement line items as of and for the fiscal year ended September 30, 2014 compared to September 30, 2013.

Summary Financial Information *(dollars in billions)*

	2014	2013	$ Change	% Change
Total Assets	$ **19,977.0**	$ 19,040.6	$ 936.4	4.9%
Total Liabilities	$ **19,555.6**	$ 18,599.5	$ 956.1	5.1%
Total Net Position	$ **421.4**	$ 441.1	$ (19.7)	(4.5)%
Total Net Cost of (Revenue From) Treasury Operations	$ **23.9**	$ 3.3	$ 20.6	624.2%
Net Federal Debt Interest Costs	$ **394.8**	$ 390.0	$ 4.8	1.2%
GSEs Non-Entity Costs (Revenue)	$ **(28.1)**	$ (126.6)	$ 98.5	(77.8)%
Total Budgetary Resources	$ **841.8**	$ 857.8	$ (16.0)	(1.9)%
Agency Outlays, Net	$ **337.7**	$ 286.9	$ 50.8	17.7%
Net Revenue Received (Custodial)	$ **2,816.2**	$ 2,591.6	$ 224.6	8.7%

Financial Overview. The Department's financial performance as of and for the fiscal year ended September 30, 2014, reflects several major trends. Most significantly, the outstanding federal debt, including interest, rose by $1.1 trillion to finance the U.S. government's operations. Of this increase, $248.6 billion stemmed from the restoration of the accumulated principal balance of Treasury debt securities, including interest, that was either suspended or redeemed early during fiscal year 2013 as a result of extraordinary debt management measures undertaken by the Department during the period between May 20, 2013 and October 16, 2013 in which Congress delayed raising the statutory debt limit. The $248.6 billion was reported as a liability as of September 30, 2013, reflecting the Department's obligation by statute as of September 30, 2013 to restore Treasury debt securities, including interest, to three funds—the Government Securities Investment Fund of the Federal Employees' Retirement System Thrift Savings Plan (TSP), Civil Service Retirement and Disability Trust Fund (Civil Service Fund), and the Postal Service Retiree Health Benefits Fund (Postal Benefits Fund).

Additionally, the Department's "Net Cost from Treasury Operations and Non-Entity Costs" for fiscal year 2014 were impacted by a $98.5 billion reduction in non-entity revenue from the Department's investments held in two Government-Sponsored Enterprises (GSEs)—Fannie Mae and Freddie Mac—pursuant to the Department's Senior Preferred Stock Purchase Agreements (SPSPAs), as amended. The reduction in this revenue is primarily attributable to a fair value loss associated with these investments in fiscal year

2014 compared to a fair value gain reported in the prior fiscal year, coupled with lower senior preferred stock cash dividends received from the GSEs in 2014 compared to 2013.

The Department's 2014 financial performance also reflects the ongoing wind-down of the TARP credit programs, principally through sales of securities and principal repayments of loans made under these programs. TARP's wind-down activity in fiscal year 2014 included, among other things, sales of equity investments in the Automotive Industry Financing Program and Capital Purchase Program. The continued wind-down of the TARP programs drove reductions in the subsidy costs associated with the remaining investments in these programs during fiscal year 2014 due to improved market conditions as reflected in the end-of-year reestimates. Subsidy costs recorded in connection with each credit program represent the difference between the projected costs of the program and the future cash flows anticipated to be generated by the program. Reestimates may occur due to changes in a program's estimated future cash flows caused by changes in market conditions and actual program performance, thereby resulting in an upward or downward reestimate in the credit program receivable to reflect an increase or decrease, respectively, in the estimated total cost of the program.

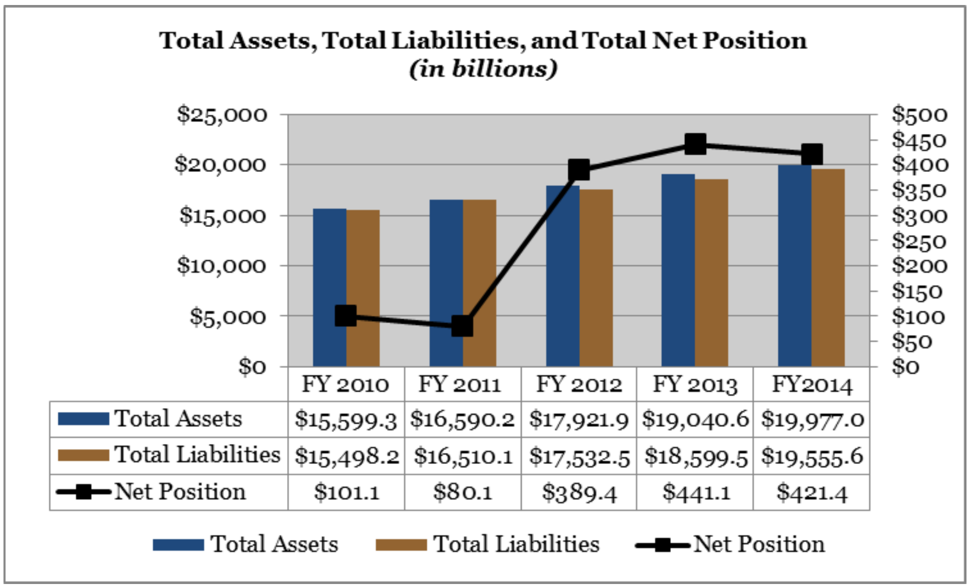


Figure 1

Total Assets of $20.0 trillion at September 30, 2014 consist of a receivable due from the General Fund of the U.S. government of $17.9 trillion, intra-governmental loans and interest receivable of $1.2 trillion, and fund balance and various other assets which totaled $805.5 billion (Figure 2).

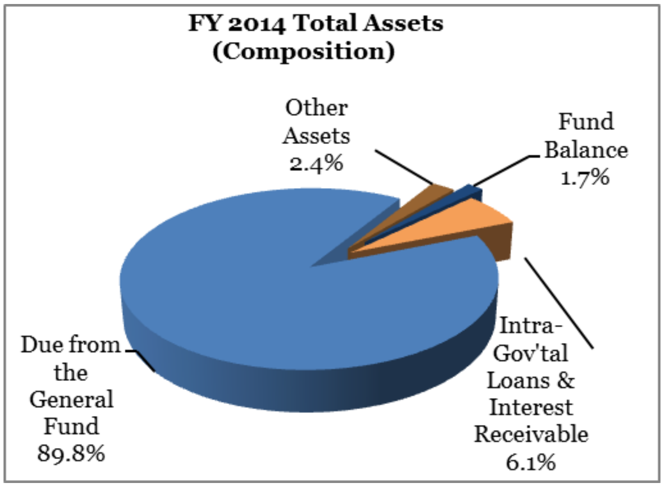


Figure 2

The $936.4 billion (or 4.9 percent) increase in total assets at the end of fiscal year 2014 over the prior year is primarily due to an increase in the "Due from the General Fund of the U.S. Government" account which corresponds to a $1.1 trillion increase in federal debt and related interest payable, partially offset by a $248.6 billion decrease in a liability established in 2013 for the restoration of federal debt principal and interest in connection with the delay in raising of the statutory debt limit. The net addition to Treasury liabilities at September 30, 2014 caused a corresponding rise in the "Due from the General Fund of the U.S. Government" asset account which represents future funds required from the General Fund of the U.S. Government to pay borrowings from the public and other federal agencies.

Intra-governmental loans and interest receivable represent loans issued primarily by the Fiscal Service to other federal agencies for their own use or for the agencies to loan to private sector borrowers whose loans are guaranteed by the federal agencies. This receivable grew by $128.0 billion (or 11.7 percent) to $1.2 trillion at the end of fiscal year 2014 due to increased borrowings by various federal agencies – such as the Departments of Education, Agriculture, and Housing and Urban Development – to fund their existing programs.

Other assets include, among other things, operating cash balances (held on behalf of the U.S. government), foreign currency investments and Special Drawing Rights (SDRs), as well as investments in, and credit program receivables due from, certain financial institutions for which the Department provides financial assistance in an effort to stabilize financial markets. Other assets decreased by $18.2 billion primarily due to a reduction in investments, primarily reflecting the decline in fair value of the Department's GSE investments held pursuant to the SPSPAs, as amended, coupled with the ongoing wind-down of the TARP programs through sales of securities or principal repayments of loans made under these programs. Partially offsetting these declines was an increase in the U.S. government's operating cash balances.

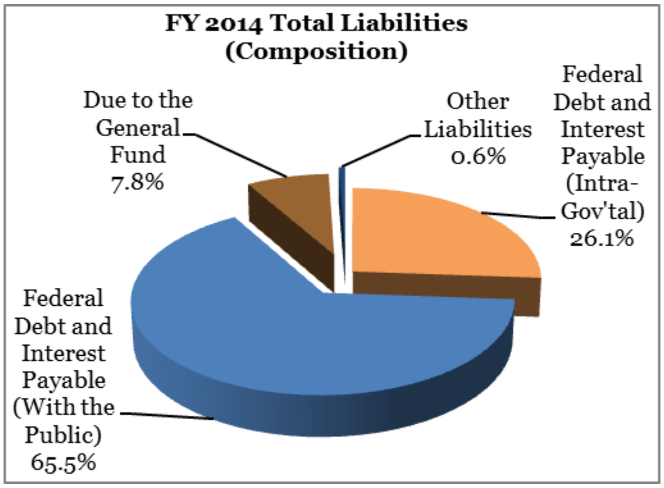
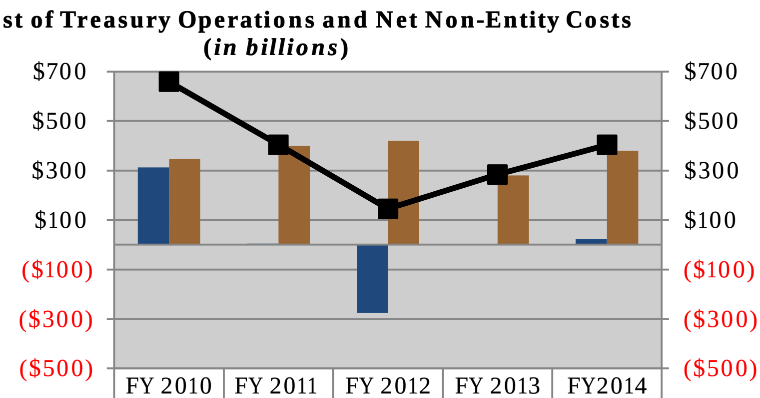


Figure 3

Total Liabilities of $19.6 trillion at September 30, 2014 principally consist of the federal debt held by the public (Figure 3), including interest, of $12.8 trillion, which were mainly issued as Treasury Notes and Bills. Liabilities also include intra-governmental liabilities totaling $6.7 trillion (of which $5.1 trillion represent principal and interest of federal debt in the form of Treasury securities held by federal agencies), and various other liabilities totaling $87.3 billion. The $956.1 billion (or 5.1 percent) increase in total liabilities at the end of fiscal year 2014 over the prior year is attributable to a $1.1 trillion increase in federal debt, including interest, held by the public and federal agencies that was needed to finance the U.S. government's budget deficits. This was partially offset by the 2014 reduction in full of a $248.6 billion liability that was established at the end of fiscal year 2013 for the restoration of federal debt principal and interest owed to the TSP, Civil Service Fund and Postal Benefits Fund in connection with extraordinary measures taken by the Department in 2013 to avoid exceeding the statutory debt limit. These extraordinary measures ended on October 16, 2013 when Congress enacted legislation which temporarily suspended the debt limit, and the Department fully repaid its obligation to the three funds by restoring them with accumulated uninvested Treasury debt principal and interest through October 16, 2013 totaling $296.2 billion and $1.2 billion, respectively.

The increase in total liabilities is also attributable to a $122.5 billion increase in the "Due to the General Fund of the U.S. Government" account, primarily as a result of an increase in intra-governmental loans and interest receivable. The Department, through the Fiscal Service, accounts for and reports on the principal borrowings from and repayments to the General Fund, as well as the related interest due to the General Fund.

Total Net Position of $421.4 billion at September 30, 2014 represents the combined total of the Department's cumulative results of operations and unexpended appropriations at the end of the fiscal year. The $19.7 billion (4.5 percent) decrease in the net position at the end of fiscal year 2014 was principally attributable to a $12.7 billion reduction in unexpended appropriations primarily driven by the cancellation of expired funds associated with the TARP programs.



	FY 2010	FY 2011	FY 2012	FY 2013	FY2014
Net Cost of Treasury Operations	$312.2	$4.2	($275.2)	$3.3	$23.9
Net Non-Entity Costs	$346.7	$400.0	$420.4	$280.3	$380.1
Total Net Cost	$658.9	$404.2	$145.2	$283.6	$404.0

Figure 4

Total Net Cost of Treasury Operations and Non-Entity Cost, as presented on the Department's Consolidated Statements of Net Cost, consists of the Net Cost of Treasury Operations and Net Non-Entity Costs (Figure 4). Net Cost of Treasury Operations represents the gross costs, net of earned revenues, incurred by the Department related to its own entity activities comprising both its operating bureaus and DO that are consolidated with the Department. Net Non-Entity Costs represent the gross costs, net of earned revenues, incurred by the Department on behalf of the U.S. government (or General Fund), and primarily include federal debt interest costs, net of GSE non-entity revenues. Total Net Cost of Treasury Operations and Non-Entity Cost totaled $404.0 billion and $283.6 billion for fiscal years 2014 and 2013, respectively, an increase of $120.4 billion (or 42.4 percent) over the prior year. Net Cost of Treasury Operations and Net Non-Entity Costs contributed $20.6 billion and $99.7 billion, respectively, to the year-over-year increase in net costs.

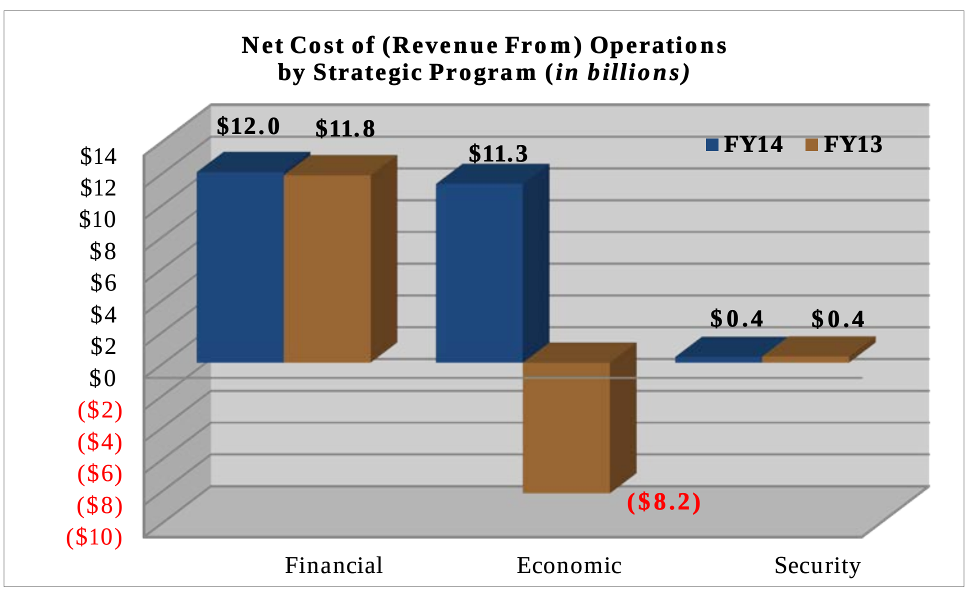


Figure 5

Net Cost of Treasury Operations is presented on the Department's Consolidated Statements of Net Cost by strategic program. There are three main categories of strategic programs presented—financial, economic, and security—as well as a management strategic program which is combined with the financial program due to the immateriality of the management program (Figure 5). The Department's Net Cost of Treasury Operations totaled $23.9 billion for 2014 compared to $3.3 billion for 2013. The $20.6 billion increased cost of operations was driven primarily by increased net costs associated with the Department's economic programs.

Economic programs incurred net costs of $11.3 billion in fiscal year 2014 compared to net revenues of $8.2 billion in 2013. The year-to-year change is attributable to an $8.8 billion reduction in revenue in 2014 related to TARP's Automotive Industry Financing Program, due to improved market conditions captured in end-of-year reestimates. Additionally, 2013 included a $9.0 billion reduction in expense in the Department's estimated future liability to the GSE's as a result of a new dividend payment requirement under the amended SPSPAs that commenced in 2013 coupled with GSEs' long-term financial forecasts within a specific time horizon.

Net Federal Debt Interest Costs primarily reflect interest expense on the federal debt. Federal interest costs increased by $4.8 billion (or 1.2 percent) in fiscal year 2014 primarily reflecting the rise in the overall outstanding principal balance of the federal debt, and partially offset by a decline in the average interest rate of Treasury debt securities.

GSE Non-Entity Revenue totaled $28.1 billion for 2014 compared to $126.6 billion for 2013. The $98.5 billion decline in this revenue in 2014 was primarily driven by a $23.2 billion decrease in senior preferred stock dividends received from the two GSEs combined, coupled with a $44.4 billion valuation loss on the GSE investments in 2014 compared to a $30.9 billion gain in 2013. The year-over-year valuation loss in these investments primarily stems from a decline in the fair value of the senior preferred stock held due to lower forecasted dividends as a result of lower forecasted GSE earnings to be derived from guarantee fees, coupled with one-time benefits recognized in the GSEs' historical earnings that contributed to the higher fair value of these investments at the end of 2013 but which did not recur at the end of fiscal year 2014.

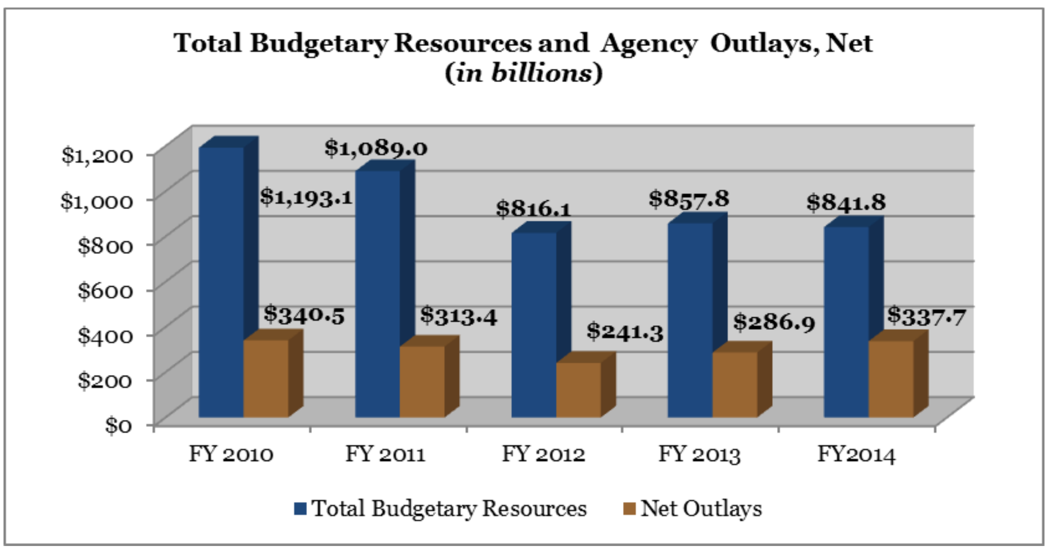


Figure 6

Total Budgetary Resources of $841.8 billion were lower in fiscal year 2014 (Figure 6) by $16.0 billion (or 1.9 percent) primarily due to an $8.6 billion decrease in appropriations and net unobligated balance from prior year budget authority, and an $8.0 billion decrease in spending authority from offsetting collections. These decreases are attributable to the wind-down of the TARP programs and budget reductions associated with other of the Department's programs, partially offset by increased funding needed in fiscal year 2014 to pay interest on the federal debt.

Agency Outlays, Net of $337.7 billion were higher in fiscal year 2014 (Figure 6) by $50.8 billion (or 17.7 percent) primarily due to fewer collections in fiscal year 2014 from the wind-down of the TARP programs, coupled with reduced receipts of senior preferred stock dividends pursuant to the GSEs' SPSPA program.

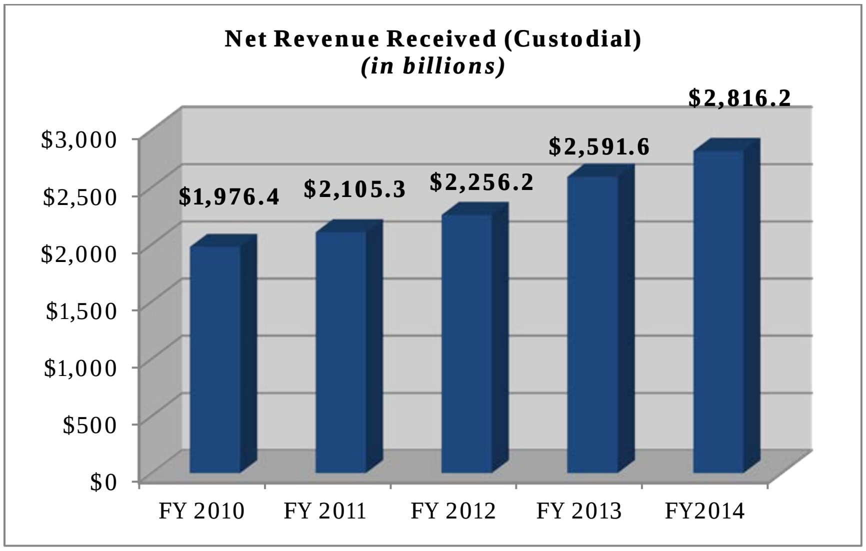


Figure 7

Net Revenue Received (Custodial), representing net revenue collected by Treasury on behalf of the U.S. government, includes various taxes, primarily income taxes, as well as user fees, fines and penalties, and other revenue. Over 90 percent of these revenues are related to income and social security taxes. Net revenue received was $2.8 trillion for fiscal year 2014, an increase of $224.6 billion (or 8.7 percent) over the prior fiscal year (Figure 7). This increase is attributable mainly to an overall improvement in individual and corporate income tax collections.

CONDENSED FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets (in millions):	2014	2013
ASSETS		
Due From the General Fund	$ 17,949,849	$ 17,123,357
Other Intra-governmental Assets	1,595,919	1,491,510
Cash, Foreign Currency, and Other Monetary Assets	211,868	148,506
Gold and Silver Reserves	11,062	11,062
Troubled Asset Relief Program (TARP) - Credit Program Receivables, Net	2,174	17,869
Investments in Government Sponsored Enterprises (GSE)	95,810	140,221
Other Credit Program Receivables, Net	16,928	17,628
Reserve Position in the International Monetary Fund	12,834	17,915
Taxes, Interest and Other Receivables, Net	42,509	38,602
Investments in International Financial Institutions and Other Investments	24,812	20,510
Other Assets	13,197	13,444
Total Assets	**$ 19,976,962**	**$ 19,040,624**
LIABILITIES		
Federal Debt and Interest Payable – Intra-governmental	$ 5,104,620	$ 4,837,436
Due to the General Fund and Other Intra-governmental Liabilities	1,554,249	1,551,933
Federal Debt and Interest Payable - Held by the Public	12,809,423	12,003,030
Other Liabilities	87,283	207,082
Total Liabilities	**19,555,575**	**18,599,481**
NET POSITION		
Unexpended Appropriations	348,612	361,295
Cumulative Results of Operations	72,775	79,848
Total Net Position	**421,387**	**441,143**
Total Liabilities and Net Position	**$ 19,976,962**	**$ 19,040,624**

Condensed Consolidated Statements of Changes in Net Position (in millions):	2014	2013
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	$ 79,848	$ 71,887
Budgetary Financing Sources	462,025	456,986
Other Financing Sources	(65,138)	(165,401)
Total Financing Sources	**396,887**	**291,585**
Net Cost of Treasury Operations and Non-Entity Costs	(403,960)	(283,624)
Net Change	(7,073)	7,961
Cumulative Results of Operations	**72,775**	**79,848**
UNEXPENDED APPROPRIATIONS		
Beginning Balance	361,295	317,509
Appropriations Received	470,461	508,448
Appropriations Used	(460,593)	(455,216)
Other	(22,551)	(9,446)
Total Budgetary Financing Sources	(12,683)	43,786
Total Unexpended Appropriations	**348,612**	**361,295**
Net Position - Year End	**$ 421,387**	**$ 441,143**

Condensed Consolidated Statements of Net Cost (in millions):	2014	2013
Net Financial Program Cost	$ 12,016	$ 11,802
Net Economic Program Cost/(Revenue)	11,329	(8,223)
Net Security Program Cost	367	387
Total Net Program Cost before Changes in Actuarial Assumptions	**23,712**	**3,966**
Loss/(Gain) on Pension, ORB, or OPEB Assumption Changes	170	(684)
Total Net Cost of Treasury Operations	**23,882**	**3,282**
Total Net Non-Entity Costs (primarily Federal Debt Interest)	**380,078**	**280,342**
Total Net Cost of Treasury Operations and Non-Entity Costs	**$ 403,960**	**$ 283,624**

Condensed Combined Statements of Budgetary Resources (in millions):	2014	2013
BUDGETARY RESOURCES		
Unobligated Balance Brought Forward, October 1	$ 370,350	$ 339,598
Recoveries of Prior Year Unpaid Obligations & Other Changes	(15,307)	(11,312)
Budget Authority (Appropriations, Borrowings, and Spending)	486,750	529,495
Total Budgetary Resources	**$ 841,793**	**$ 857,781**
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	$ 491,651	$ 487,431
Unobligated Balance, End of Year	350,142	370,350
Total Status of Budgetary Resources	**$ 841,793**	**$ 857,781**
CHANGE IN UNOBLIGATED BALANCE		
Unpaid Obligations, Brought Forward, October 1	$ 234,412	$ 253,173
Obligations Incurred	491,651	487,431
Outlays (Gross)	(490,495)	(490,708)
Recoveries of Prior Year Unpaid Obligations	(9,237)	(15,484)
Uncollected Payments, Federal Sources, Brought Forward, October 1	(975)	(1,004)
Change in Uncollected Payments, Federal Sources	236	29
Obligated Balance, End of Year	**$ 225,592**	**$ 233,437**
Agency Outlays, Net (Discretionary and Mandatory)	**$ 337,668**	**$ 286,858**

Condensed Statements of Custodial Activity (in millions):	2014	2013
SOURCES OF CUSTODIAL REVENUE		
Individual and FICA Taxes	$ 2,605,049	$ 2,448,546
Corporate Income Taxes	353,141	311,994
Other Taxes	128,126	117,207
Deposits of Earnings – Federal Reserve System and Other Revenue	103,747	78,653
Total Revenue Received	**3,190,063**	**2,956,400**
Less Refunds and Other Payments	(373,863)	(364,788)
Net Revenue Received	**2,816,200**	**2,591,612**
Non-Cash Accrual Adjustment and Other	1,967	(982)
Total Custodial Revenue	**2,818,167**	**2,590,630**
DISPOSITION OF CUSTODIAL REVENUE		
Amounts Provided to Fund Non-Federal Entities	312	358
Amounts Provided to Fund the Federal Government	2,815,888	2,591,254
Non-Cash Accrual Adjustment and Other	1,967	(982)
Total Disposition of Custodial Revenue	**2,818,167**	**2,590,630**
Net Custodial Revenue	**$ -**	**$ -**