



## PART IV: APPENDICES

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# APPENDIX A:

## FULL REPORT OF THE TREASURY DEPARTMENT'S FISCAL YEAR 2007 PERFORMANCE MEASURES BY FOCUS AND STRATEGIC GOAL

### FY 2007 PERFORMANCE SUMMARY

This section reports the results of Department of the Treasury's official performance measures by focus and strategic goal, and further by bureau/organization, for which targets were set in the fiscal year 2007 Performance Plan, as presented in the Fiscal Year 2008 Congressional Justification for Appropriations and Performance Plans. For each performance measure, there is a definition of the measure, performance levels and targets for three previous fiscal years (where available), the performance target and actual for the reporting year, and proposed performance targets for the next fiscal year (where available). The report examines unrealized performance targets and presents actions for improvement.

The purpose of the Treasury Department's strategic management effort is to develop effective performance measures to achieve the Department's goals and objectives, and the activities that will improve *results* delivered to the American public. In the final performance plan, for fiscal year 2007 and transmitted to Congress as part of the fiscal year 2008 budget, the Department detailed its performance targets.

Overall, the Department of the Treasury established 130 performance targets in fiscal year 2007. Of these, 5 are baseline and 8 were discontinued. Of the remaining 117 measures, Treasury met or exceeded 95 targets and did not meet 22 of its performance targets.

Fiscal Year 2007 Treasury-wide Performance Summary					
Total Measures	Target Met	Target Unmet	Baseline	Discontinued	N/A
130	94 (72%)	23 (18%)	5 (4%)	8 (6%)	0

### DEFINITIONS AND OTHER IMPORTANT INFORMATION

**Determination of Official Measures:** A rigorous process is followed to maintain internal controls when establishing or modifying performance measures. To be included in the PAR report, a performance measure must be in the performance budget for the year in question, and must be approved by the Performance Reporting System administrator.

**Actuals:** For most of the measures included in this report, the fiscal year 2007 actual data is final. Some of the actual data for fiscal year 2007 are estimates at the time of publication, which are indicated by an asterisk (\*). Actual data for these estimated measures will be presented in the Fiscal Year 2009 Congressional Justification for Appropriations and the Fiscal Year 2008 Performance and Accountability Report. The actual data for previous years throughout this report is the most current data available and may not reflect previous editions of the Performance and Accountability Report and the Congressional Justification.

**Targets:** The targets shown for fiscal year 2008 are proposed targets and are subject to change. The final targets will be presented in the Fiscal Year 2009 Congressional Justification for Appropriations. Also included in this report are the previous year's final targets for each performance measure.

**Target Met?:** For each fiscal year that there is a target and an actual number, the report tells the reader whether the target was met or not. If the target is met, “Y” will be shown. If the target was not met, “N” will be shown.

**Definition:** All performance measures in this report have a detailed definition describing the measure and summarizing the calculation.

**Source:** The basis for the data is included in this report.

**Future Plans/Explanation for Shortfall:** If a performance target is not met, the report includes an explanation as to why Treasury did not meet its target, and what it plans to do to improve performance in the future. If a performance target is met, the report includes what future plans Treasury has to either match fiscal year 2007 performance, or improve on that performance in future years. Explanations may also include justification for any expected degradation in performance.

**Not Available:** Some measures indicated as “Not Available” did not have actual data available at the time the Fiscal Year 2007 Performance and Accountability Report was published. Some data will be available after publication and will be reported in the Fiscal Year 2008 Performance and Accountability Report and the Fiscal Year 2009 Congressional Justification for Appropriations.

**Discontinued:** Some measures will be discontinued in the Fiscal Year 2009 Congressional Justification for Appropriations and the Fiscal Year 2007 Performance and Accountability Report. New measures are sometimes developed in order to better measure performance; when this happens, the measure being replaced is discontinued, and an explanation is provided.

**Baseline Measures:** There are 5 new fiscal year 2007 measures included in this report. These measures undergo a process where new baseline values (data actual and targets determined for the very first time) are established during the current fiscal year. Baseline values facilitate target-setting in the future.

**Additional Information:** Additional Information relating to Treasury’s performance management can be found at <http://www.treas.gov/offices/management/budget/planningdocs/index.html>

Legend:	
*	Indicates actual data is estimated and subject to change
Oe	Outcome Measure
E	Efficiency Measure
Ot	Output Measure

## STRATEGIC GOAL: EFFECTIVELY MANAGED U.S. GOVERNMENT FINANCES

### Strategic Outcome:

Revenue collected when due through a fair and uniform application of the law

Measure: Timeliness of Critical Filing Season Tax Products to the Public (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	75	80	92	85.2	86
Actual	76	91.4	83	83.5	
Target met?	Y	Y	N	N	
<p><b>Definition:</b> The percentage of Critical Tax Products, paper and electronic, made available to the public timely. Critical Tax Products are business tax products, Tax Exempt and Government Entities and miscellaneous tax products. This measure contains two components: (1) percentage of paper tax products that meet the scheduled start to ship date within five business days of the actual start to ship date and (2) percentage of scheduled electronic tax products that is available on the Internet within five business days of the ok-to-print date. The intent is to have the tax products available to the public 30 days before the form is required to be filed.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Publishing Services Data (PSD) System</p>					
<p><b>Data Verification and Validation:</b> Nightly processes provide analysts and management with reports concerning production status, missing data problems, and past due situations.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> For fiscal year 2007, the Timeliness of Critical Filing Season Tax Products to the Public was 83.5 percent, 1.7 percentage points below the fiscal year 2007 target of 85.2 percent and 0.6 percent above the prior year's performance of 83.0. The late passage of Extender Legislation affecting state and local sales taxes and education expenses was the primary cause for the IRS not meeting this target. More than 1,000 tax product revisions affecting 137 of the 164 filing season products used by taxpayers were changed with no impact to the start of the filing season. A total of 27 tax products were delayed. Eleven tax products were directly impacted by the Extender legislation and the remaining sixteen were indirectly impacted by the Extender legislation as a result of workload modifications to accommodate priority forms and publications. These products were originally scheduled for processing between October and December 2006.</p>					

Measure: Timeliness of Critical Other Tax Products to the Public (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	Baseline	80	85	79.6	86
Actual	76	80	61.2	84	
Target met?	Y	Y	N	Y	
<p><b>Definition:</b> The percentage of Critical Other Tax Products, paper and electronic, made available to the public timely. Critical Other Tax Products are business tax products, Tax Exempt and Government Entities and miscellaneous tax products. This measure contains two components: (1) percentage of paper tax products that meet the scheduled start to ship date within five business days of the actual start to ship date and (2) percentage of scheduled electronic tax products that is available on the Internet within five business days of the ok-to-print date. The intent is to have the tax products available to the public 30 days before the form is required to be filed.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Publishing Services Data System (PSD)</p>					
<p><b>Data Verification and Validation:</b> Nightly processes provide analysts and management with reports concerning production status, missing data problems, and past due situations.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The IRS expects performance to increase for fiscal year 2008. Standardized and measurable processes will be used to manage the quality and timeliness of tax product revision resulting from new and late legislation.</p>					

Measure: Taxpayer Self Assistance Rate					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		42.5	45.7	48.6	51.5
Actual		42.5	46.8	49.5	
Target met?	N/A	Y	Y	Y	
<p><b>Definition:</b> The percent of contacts that are resolved by automated self-assistance applications.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Enterprise Telephone Data (ETD) Snapshot Report, Accounts Management Information Report (AMIR), Internet Refund/Fact of Filing Project Site, MIS Reporting Tool, Electronic Tax Administration (ETA) Website, Microsoft Excel Spreadsheet tracking (Kiosk Visits)</p>					
<p><b>Data Verification and Validation:</b> Automated Calls Answered + Web Services Completed Divided by: Assistor Calls Answered + Automated Calls Answered + Web Services Completed + Electronic Interactions + Customer Accounts Resolved (Paper), Taxpayer Assistance Centers Contact. This measure summarizes the following self-service activities: telephone automated calls answered, and web services compared to the volume of all interactions, including correspondence and amended returns, electronic interactions such as from electronic interactions such as ETLA, &amp; I-EAR and assistor calls answered.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The IRS expects performance to continue to increase as more taxpayers choose to use automated applications to resolve issues and questions instead of more traditional methods such as contact with the IRS by telephone and correspondence.</p>					

Measure: Percent of Individual Returns Filed Electronically (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	45	51	55	57	61.8
Actual	47	51	54.1	57.1	
Target met?	Y	Y	N	Y	
<b>Definition:</b> Number of electronically filed individual tax returns divided by the total individual returns filed.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Work Planning and Control reports from W&I Submission Processing campuses.					
<b>Data Verification and Validation:</b> 1. At each Submission Processing Center, managerial oversight is used to ensure that the balancing instructions for the Balance Forward Listing are followed and that necessary adjustments are made. 2. Management Officials review "II" Report prior to its release to Headquarters personnel. 3. Headquarters Personnel release preliminary data for peer and managerial review prior to releasing data for the measure.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The e-File participation rate is projected to increase to 61.8 percent in 2008 based on current experience, historical growth, increased advertising, marketing, and expanded e-File programs and do not reflect gains from any mandates.					

Measure: Percent of Business Returns Processed Electronically (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	Baseline	17	18.6	19.5	20.8
Actual	17.4	17.8	16.6	19.1	
Target met?	Y	Y	N	N	
<b>Definition:</b> The number of electronically filed business returns divided by the total business returns filed.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Work Planning and Control reports from W&I Submission Processing campuses.					
<b>Data Verification and Validation:</b> 1. At each Submission Processing Center, managerial oversight is used to ensure that the balancing instructions for the Balance Forward Listing are followed and that necessary adjustments are made. 2. Management Officials review Program Analysis Report prior to its release to Headquarters personnel. 3. Headquarters Personnel release preliminary data for peer and managerial review prior to releasing data for the measure.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> For fiscal year 2007, 19.1 percent of the business returns processed were filed electronically. This is two percent below the plan of 19.5 percent and 15 percent above the prior year's performance of 16.6 percent. For the fiscal year, business returns processed are running more than 500,000 above total projections. Of this overall increase over total projections, those from paper submissions are almost 800,000 above projections, while those from electronic submissions are almost 475,000 below projections. The majority of the electronic submission under run continues to be employment returns (primarily Forms 941, Employer's Quarterly Federal Tax Return) and corporation returns (primarily Forms 1120, U.S. Corporation Income Tax Return). The combination of e-File being under schedule and the total business returns (paper and e-File combined) being over schedule exacerbates the percentage of business returns e-Filed.					

Measure: Customer Accuracy Tax Law Phones (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	85	82	90	91	91
Actual	80	89	90.9	91.2	
Target met?	N	Y	Y	Y	
<b>Definition:</b> The percentage of correct tax law answers provided by a telephone assistor. The measure indicates how often customers receive the correct answer to their tax law inquiry based upon all available information and Internal Revenue Manual required actions.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Quality reviewers on the Centralized Quality staff complete a data collection instrument as calls are reviewed. Data is input to the Quality Review Database for product review and reporting.					
<b>Data Verification and Validation:</b> Field 715 on the DCI is coded by the CQRS monitor as calls are reviewed. Data is input to the NQRS. The NQRS contains several levels of validation that occur as part of the review process. The input records are validated requiring entries and combinations of entries based upon the relationships inherent in different product lines or based upon an entry in a quality attribute. The national reviews conducted by CQRS site staff on telephone product lines are sampled by local management and management officials at the CQRS site. In addition, every review is available on-line to the site for verification purposes. Sites monitor their review records daily and have a small rebuttal period to contest any review.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The IRS will maintain Tax law Accuracy at 91 percent in fiscal year 2008. The type and complexity of tax law questions changes each year as new and often complex tax laws are enacted.					

Measure: Customer Accuracy Customer Accounts (Phones) (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	89	89.8	92	93.3	93.5
Actual	89	91.5	93.2	93.4	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> The percentage of correct answers provided by a telephone assistor. The measure indicates how often customers receive the correct answer to their account inquiry and/or had their case resolved correctly based upon all available information and Internal Revenue Manual required actions.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Quality reviewers on the Centralized Quality staff complete a data collection instrument as calls are reviewed. Data is input to the Quality Review Database for product review and reporting.					
<b>Data Verification and Validation:</b> Field 715 on the DCI is coded by the CQRS monitor as calls are reviewed. Data is input to the NQRS. The NQRS contains several levels of validation that occur as part of the review process. The input records are validated requiring entries and combinations of entries based upon the relationships inherent in different product lines or based upon an entry in a quality attribute. The national reviews conducted by CQRS site staff on telephone product lines are sampled by local management and management officials at the CQRS site. In addition, every review is available on-line to the site for verification purposes. Sites monitor their review records daily and have a small rebuttal period to contest any review.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> Incremental improvement in performance is expected in fiscal year 2008 and beyond with the development of new online tools for assistors to research taxpayer questions.					



Measure: Customer Service Representative (CSR) Level of Service (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	83	82	82	82	82
Actual	87	82.6	82	82.1	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> The relative success rate of taxpayers that call for toll-free services seeking assistance from a Customer Service Representative.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Enterprise Telephone Database (ETD)					
<b>Data Verification and Validation:</b> 1. Validation of monthly report data by W&I P&A staff. 2. The JOC validates CSR LOS data prior to publication of the weekly official Snapshot report. Independent weekly CSR LOS source data is also gathered and validated by comparing data with the data used to produce the official Snapshot report.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The IRS will continue to properly staff toll-free sites in order to maintain the CSR Level of Service target of 82 percent.					

Measure: Customer Contacts Resolved per Staff Year (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		7261	7477	7702	8000
Actual		7585	7414	7648	
Target met?	N/A	Y	N	N	
<b>Definition:</b> The number of Customer Contacts resolved in relation to time expended based on staff usage. Customer Contacts Resolved are derived from all telephone and paper inquiries received by Accounts Management, in which all required actions have been taken, and the taxpayer has been notified as appropriate. The measure includes all self-service, Internet-based applications, such as the “Where’s My Refund?” service available on www.irs.gov.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Contacts resolved volumes are derived from internal telephone management systems and modernization project websites. Staff year data is extracted from the weekly Work Planning & Control report and consolidated and included in the weekly resource usage report.					
<b>Data Verification and Validation:</b> 1. Data is compiled from several sources (see individual components below). Each area is responsible for component accuracy: Enterprise Telephone Data (ETD) Snapshot Report, Accounts Management Information Report (AMIR), Internet Refund/Fact of Filing, MIS Reporting Tool, Electronic Tax Administration (ETA) Website, Work Planning & Control (WP&C) Report, Resource Allocation Report (RAR).					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The Customer Contacts Resolved per Staff Year target was set using preliminary FTE levels. For fiscal year 2007, the actual was 7,648, within one percent of the target of 7,702. The IRS completed almost 4 million additional web services than projected. During the latter part of the fiscal year, an emphasis was placed on reducing inventory levels in the Accounts Management paper programs, resulting in more FTE spent than were used in calculating the target. Completing a web service is defined as providing a service requested by a taxpayer or tax practitioner through self-assist internet-based applications such as Internet Refund Fact of Filing (“Where’s My Refund”), Transcript Delivery System, Preparer Tax Identification Number, Internet-EIN, Prior Year Earned Income Option, and Disclosure Authorizations.					

Measure: Refund Timeliness - Individual (paper) (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		98.4	99.2	99.2	99.2
Actual		98.3	99.3	99.1	
Target met?	N/A	N	Y	N	
<b>Definition:</b> The percentage of refunds resulting from processing Individual Master File paper returns issued within 40 days or less.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Submission Processing Measures Analysis and Reporting Tool (SMART). Data is extracted from a Generalize Mainframe Framework computer run that processes data input by the processing centers.					
<b>Data Verification and Validation:</b> The calculation for Refund Timeliness is a ratio of untimely IMF paper refunds in a sample compared against the total number of IMF paper refunds reviewed in a sample. The result of the ratio is weighted against the entire volume of refund returns a center has processed on a monthly basis. The monthly results are tabulated to determine the performance rating at the corporate and site level.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The IRS was within one percent of target. For fiscal year 2007, Refund Timeliness was 99.1 percent, 0.1 percentage point below the fiscal year 2007 target of 99.2 percent. Delays associated with taxpayer identification number processing, including: increases in the number of Individual Taxpayer Identification Number (ITIN) applications; verification of required documentation (which is often submitted in a foreign language); and ITIN System stability issues that caused work stoppages during the peak processing season were the sources for delay. Assignment of an ITIN must be completed before the associated tax return can be processed and any refund claim released for processing.					

Measure: Criminal Investigations Completed (Ot)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	3400	3895	3945	4000	4025
Actual	4387	4104	4157	4269	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Criminal Investigations Management Information System (CIMIS)					
<b>Data Verification and Validation:</b> The guidance and direction given by upper management to first line managers is that the first line managers should review their individual work group CIMIS data tables at the beginning of each month. The use of this procedure will assure that system input errors are corrected no later than 30 days after the error is initially reported in the monthly CIMIS data tables. Additionally, national standard monthly reports and statistical information are circulated among the senior staff and headquarter analysts for their review and use. If the published information on the official critical measure appears to be out of line with what is normal or expected, headquarters analysts or senior staff request that the CI research staff verify that the published and circulated information and/or report is accurate. If the published and circulated information is not accurate, then the CI research staff corrects the error and issues revised data for the month.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The IRS will continue to monitor performance and adjust program focus as necessary to ensure efforts garner the greatest deterrent effect possible.					

Measure: Conviction Rate (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	Baseline	92	92	92	92
Actual	92.2	91.2	92	90.2	
Target met?	Y	N	Y	N	
<p><b>Definition:</b> The percent of adjudicated criminal cases that result in convictions. The conviction rate is defined as the total number of cases with CIMIS status codes of guilty plea, nolo-contendere, judge guilty, or jury guilty divided by these status codes and nolle prosequi, judge dismissed and jury acquitted.</p>					
<p><b>Indicator Type:</b></p>					
<p><b>Data Capture and Source:</b> Cases are tracked in CIMIS with frequent updates to the status code.</p>					
<p><b>Data Verification and Validation:</b> Criminal Investigation management dictates that the lead agent assigned to the investigation and/or the agent's manager(s) input investigation data directly into CIMIS. Agents and management directs first line managers to review individual work group CIMIS reports for accuracy each month to ensure any system input errors or omissions are corrected within 30 days of the initial issuance of the monthly data tables. (Rev. 1-07) Standardized reports extract data related to the status codes cited above on a monthly basis. This calculation is performed monthly.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The fiscal year 2007 conviction rate was 90.2 percent, 1.8 percentage points below the 92 percent target rate. The drop in fiscal year 2007 appears to be largely attributable to an increase in dismissals, many involving complex legal issues and multiple defendants. Some of these dismissals were appealed by the government. It is possible to materially reduce the number of dismissals by selecting less sophisticated cases, however, over the past five years, Criminal Investigation demonstrated that investigating sophisticated high dollar, high impact legal source income cases fosters effective deterrence, although these cases entail risk.</p>					

Measure: Number of Convictions (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	2260	2069	2135
Actual		2151	2019	2155	
Target met?	N/A	Y	N	Y	
<p><b>Definition:</b> Convictions are the total number of cases with Criminal Investigation Management Information System (CIMIS) status codes of guilty plea, nolo-contendere, judge guilty, or jury guilty.</p>					
<p><b>Indicator Type:</b></p>					
<p><b>Data Capture and Source:</b> Standardized reports extract data related to the status codes cited above on a monthly basis.</p>					
<p><b>Data Verification and Validation:</b> Cases are tracked in CIMIS with frequent updates to the status code.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The IRS will continue to monitor Criminal Investigation's performance and adjust program focus as necessary to ensure efforts garner the greatest deterrent effect possible.</p>					

Measure: Conviction Efficiency Rate (Cost per Conviction) (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			339565	314008	325895
Actual			328750	301788	
Target met?	N/A	N/A	Y	Y	
<p><b>Definition:</b> The cost of CI's program divided by the number of convictions. The number of convictions is the total number of cases with the following CIMIS statuses: guilty plea, nolo contendere, judge guilty or jury guilty. The Criminal Investigation financial plan includes all appropriations and reimbursements for the entire year. It is the fully loaded cost, including employees' salaries, benefits, and vacation time, as well as facility costs (office space, heating, cleaning, computers, security, etc.), and other overhead costs.</p>					
<p><b>Indicator Type:</b></p>					
<p><b>Data Capture and Source:</b> The final fiscal year-end expenses as documented in IFS plus corporate costs as determined by the Chief Financial Officer divided by the number of convictions reported for the year. The source: CI Management Information System (CIMIS) and the Integrated Financial System (IFS)</p>					
<p><b>Data Verification and Validation:</b> Criminal Investigation management dictates that the lead agent assigned to the investigation and/or the agent's manager(s) input investigation data directly into CIMIS. Agents and management are to enter status updates into CIMIS within five calendar days of the triggering event. Further, upper management directs first line managers to review individual work group CIMIS reports for accuracy each month to ensure any system input errors or omissions are corrected within 30 days of the initial issuance of the monthly data tables. The CFO, Associate CFO for Internal Financial Management, and Associate CFO Corporate Performance Budgeting ensure the functionality and accuracy of the Integrated Financial System-the Service's core accounting system of records. (Rev. 1-07)</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The IRS will continue to monitor Criminal Investigation's performance and adjust program focus as necessary to ensure efforts garner the greatest deterrent effect possible.</p>					

Measure: Field Exam Embedded Quality (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			Baseline	87	87
Actual			85.9	85.9	
Target met?	N/A	N/A	Y	N	
<p><b>Definition:</b> The score awarded to a reviewed Field Examination case by a Quality Reviewer using the Examination Quality Measurement System (EQMS) quality standards.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Monthly reports supplied from the EQMS database.</p>					
<p><b>Data Verification and Validation:</b> new measure - verification and validations will be supplied</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> For fiscal year 2007, Field Examination Embedded Quality was 85.9 percent, 1.1 percentage points (a statistically insignificant amount) short of the fiscal year 2007 target of 87 percent. The fiscal year 2007 target assumed a 10 percent improvement factor in the previously weakest quality attributes. Although the 10 percent increase did not occur, there were significant improvements in several other attributes that brought IRS close to the target. Actions taken to improve the quality score included studying the consistency between front-line manager Embedded Quality Review System and the National Quality Review System processes that produced the measurements. In addition, an Exam Process Challenge Team was established to improve the audit process, with focus on the quality attributes in most need of enhancement.</p>					

Measure: Office Exam Embedded Quality (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			Baseline	89	89
Actual			88.2	89.4	
Target met?	N/A	N/A	Y	Y	
<b>Definition:</b> The score awarded to a reviewed Office Examination case by a Quality Reviewer using the Examination Quality Measurement System (EQMS) quality standards.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Examination Quality Measurement System					
<b>Data Verification and Validation:</b> new measure - verification and validations will be supplied					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> For fiscal year 2008 and beyond the IRS will use results to drive improvements in work products and help improve the taxpayer's experience.					

Measure: Examination Quality Industry (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	80	78	80	88	90
Actual	74	77	85	87	
Target met?	N	N	Y	N	
<b>Definition:</b> The average of the percentage of critical quality attributes passed on Industry cases (corporations, S-corps (pass through corporations) and partnerships with assets over \$10 million) reviewed.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Large & Mid-Size Business (LMSB) Quality Measurement System (LQMS) database.					
<b>Data Verification and Validation:</b> There are controls and validity checks built into the ERCS database that ensure that is captures all closed cases. The LQMS Industry Review Team Managers regularly review the work being performed by the Reviewers. Each Review Group has two senior Review Team Leaders (GS-14 employees) and they are actively involved in overseeing the reviews being conducted by their team members. The groups have regularly scheduled meetings at which consistent determinations on issues is reviewed by the entire group of Reviewers. The team of Managers and Analysts that prepare the quarterly reports are involved in reviewing the conclusions for mistakes and inconsistencies. The Industry LQMS Program Managers also performs reviews of the work processes in the Industry LQMS Groups.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The Exam Quality - Industry score of 87 percent was one percentage point (a statistically insignificant amount) below the fiscal year 2007 target of 88 percent because of scores slightly below expectations in three of the four quality measurement technical standards as well as in the administrative procedures standard. The three technical standards were: Planning the Examination, Inspection/Fact Finding, and Workpapers & Reports. The Quality Assurance Staff continued to focus on the importance of meeting the Technical Standards through direct feedback to field teams, partnering with the industries in Quality Improvement Efforts, Quality Quotes, Quarterly Reports and outreach to field teams. In addition, while the field completed the Administrative Procedures Checksheet at a higher percentage than in prior fiscal years, there were still some instances where all administrative procedures were not properly documented. The Quality Assurance Staff continued to stress the importance of properly completed Administrative Procedures Checksheets and ensured all administrative and statutory requirements were properly executed and documented.					

Measure: Examination Quality Coordinated Industry (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	70	90	92	97	97
Actual	87	89	96	96	
Target met?	Y	N	Y	N	
<b>Definition:</b> The average of the percentage of critical elements passed on Coordinated Industry cases reviewed.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Large & Mid-Size Business (LMSB) Quality Measurement System (LQMS) database.					
<b>Data Verification and Validation:</b> The Examination Teams make a reasonable effort to keep the CEMIS database accurate and timely with milestone completion information. The LQMS Industry Review Team Managers regularly review the work being performed by the Reviewers. Each Review Group has two senior Review Team Leaders (GS-14 employees) and they are actively involved in overseeing the reviews being conducted by their team members. The groups have regularly scheduled meetings at which consistent determinations on issues is reviewed by the entire group of Reviewers. The team of Managers and Analysts that prepare the quarterly reports are involved in reviewing the conclusions for mistakes and inconsistencies. The Coordinated Industry LQMS Program Managers also performs reviews of the work processes in the Coordinated Industry LQMS Groups. The review of Specialty issues (such as International, Engineering, Economist, etc.) is done by Specialists in those areas.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The Exam Quality – Coordinated Industry score was 96 percent, one percentage point (a statistically insignificant amount) below the fiscal year 2007 target of 97 percent. The IRS did not meet its target due to several factors related to the examination planning process, specifically identification of material issues and mandatory referrals to specialists. Another contributing factor was missing or unsigned Administrative Procedures Documents. The IRS continues to focus on the importance of meeting the Auditing Standards through direct feedback to field teams, partnering with the industries in Quality Improvement Efforts, Quality Quotes, Quarterly Reports and outreaches to IRS field teams.					

Measure: Percentage of Voluntary Compliance in Filing Tax Payments Timely and Accurately (in terms of revenue) (Revenue %) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	82	84	86	86	87
Actual	81.2	86.3	87.2	86.37	
Target met?	N	Y	Y	Y	
<b>Definition:</b> The portion of total taxpayers that file payments on or before the scheduled due date, without notification of any delinquency.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Late filed tax payments are maintained in the Federal Excise Tax system (FET).					
<b>Data Verification and Validation:</b> The Unit Supervisor has the capability to run canned reports to identify late filed returns and payments in FET.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> TTB will continue to perform outreach programs and audits which provide training for industry members as well as providing a TTB presence.					

<b>Measure: Percentage of Voluntary Compliance in Filing Tax Payments Timely and Accurately (in terms of number of compliant industry members) (%) (0e)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>		70	74	74	75
<b>Actual</b>		70	75.95	75	
<b>Target met?</b>	N/A	Y	Y	Y	
<b>Definition:</b> The portion of total taxpayers that file payments on or before the scheduled due date, without notification of any delinquency.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> TTB maintains late-filed tax payments in FETS.					
<b>Data Verification and Validation:</b> TTB runs reports to identify late-filed returns and payments in FET.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> TTB will continue to perform outreach programs and audits which provide training for industry members as well as providing a TTB presence.					

<b>Measure: Percentage of Total Tax Receipts Collected Electronically (%) (E)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>	98	98	98	98	98
<b>Actual</b>	97.3	98	98	98	
<b>Target met?</b>	N	Y	Y	Y	
<b>Definition:</b> The portion of total tax collected from taxpayers via electronic funds transfer (EFT).					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Data on tax payments made electronically are recorded in Cashlink (Deposit reporting and cash concentration system). The Revenue Accounting Unit retrieves the wire transfer information from Cashlink. The detail records are input into the Electronic Wire Transfer table using the Federal Excise Tax System.					
<b>Data Verification and Validation:</b> When the tax return is processed the system displays all unmatched EFT messages for the taxpayer. The NRC selects the payment that matches the tax return. The system then records the control number of the tax return in the Electronic Wire Transfer table, updates the Returns table to show the return closed and posts tax liability and payment transactions to the Audit table.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> TTB will continue to educate industry members on electronic filings in fiscal year 2008.					

Measure: Percentage Collected Electronically of Total Dollar Amount of Federal Government Receipts (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	81	82	83	80	80
Actual	81	79	79	79	
Target met?	Y	N	N	Y	
<b>Definition:</b> Electronic collections data are retrieved from the CA\$H-LINK system, which encompasses eight collection systems.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> This measure considers the percentage of government collections that are collected by electronic mechanisms (Electronic Federal Tax Payment System, Plastic Card, FEDWIRE Deposit System, and Automated Clearinghouse (ACH)) compared to total government collections. The system receives deposit and accounting information from local depositories and provides detailed accounting information to STAR, FMS' central accounting and reporting system.					
<b>Data Verification and Validation:</b> The agencies that report collections are responsible for ensuring the deposit reports are correct. Financial institutions and Federal agencies report deposits into the CA\$H-LINK deposit reporting system using an Account Key which identifies the collection mechanism (lockbox, which is non-electronic or ACH, electronic) through which the collection was made. FMS analysts gather deposit information from CA\$H-LINK reports and then report totals and percentages on a monthly Collections Summary Report and on the Total Government Collections Report. The Total Government Collections Report totals all deposits divided into electronic/non-electronic mechanisms and tax and non-tax totals within the mechanisms.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> FMS fell short of its goal by 1 percent due to the large number of paper 1040 tax remitters. IRS charges a fee for most filers who file 1040 electronically, which discourages filers from using it. Excluding those months when IRS lockbox processing is at its peak, electronic collections totaled 85–88 percent. FMS will continue to work closely with IRS to reduce the mandate threshold for paying electronically to encourage a greater percentage of 1040 electronic filers. Pre-enrollment of newly issued taxpayer IDs, greater taxpayer acceptance of other electronic transactions mechanisms (direct deposit, online banking), continued IRS promotion of the website and batch filer services will all contribute to increase electronic tax collections. FMS is also working with agencies to promote the use of web and electronic technologies for revenue collection.					

Measure: Unit Cost to Process a Federal Revenue Collection Transaction (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	Baseline	1.4	1.37	1.33	1.3
Actual	1.4	1.2	1.1	Est 1.19	
Target met?	N	Y	Y	Y	
<b>Definition:</b> The unit cost to process a revenue collection transaction.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The cost data is captured through an activity based costing process. The unit cost is the calculated ratio of total direct and indirect costs over total government-wide collection transactions.					
<b>Data Verification and Validation:</b> At the end of each year actual costs for collections are accumulated and calculated for electronic and non-electronic collections. In addition, the number of transactions is calculated for each collection system. This information is calculated in conjunction with and verified by the program office, and is reviewed by senior level executives.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> FMS has met its fiscal year 2007 performance goal. FMS will continue to expand electronic collection tools to other agencies in an effort to improve efficiency and keep costs low.					



Measure: Amount of Delinquent Debt Collected per \$1 Spent (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		41.09	36.4	36.5	36.75
Actual		36.23	39.97	Est 42.09	
Target met?	N/A	N	Y	Y	
<b>Definition:</b> This measure shows the efficiency of the Debt Collection program. The costs include all debt collection activities and all funding sources.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Collection of data and reporting on the cost of the debt collection program are performed on an annual basis.					
<b>Data Verification and Validation:</b> Data from FMS' collection program systems is validated against data contained in FMS' Debt Management Accounting System by program staff and verified by senior management. Program costs are derived from FMS' accounting system and budget reports. The methodology and the origin of the data are consistent from year to year.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> FMS will continue to look for efficiencies to lower program costs by streamlining debt management systems while increasing delinquent debt collected.					

Measure: Amount of Delinquent Debt Collected Through all Available Tools (\$ billions) (Ot)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	2.9	3	3.1	3.2	3.3
Actual	3	3.25	3.34	3.76	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> This measure provides information on the total amount collected, in billions, through debt collection tools operated by Debt Management Services.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The process of collecting and reporting the debt collection data is performed on a monthly basis. The methodology and the origin of the data are consistent from month to month. The collection data is generated by the program systems (TOP and DMSC) and is reported on a monthly basis. The tools include: tax refund offset, administrative offset, private collection agencies, demand letters, and credit bureau reporting. FMS also collects debt through the State debt program and tax levy.					
<b>Data Verification and Validation:</b> The data from the program systems is validated against the data contained in the Debt Management Account System (DMAS).					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> FMS had record collections in fiscal year 2007 as a result of program efficiencies, streamlining systems and increased volumes in the Federal Payment Levy program. For the future, FMS will continue these efforts as well as work to incorporate additional payment types into the payment offset and levy programs.					

Measure: Percentage of Delinquent Debt Referred to FMS for Collection Compared to Amount Eligible for Referral (%) (0t)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	90	92	93	94	95
Actual	99	97	95	100	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> The measure tracks the percentage of the dollar volume of debt referred to the total dollar volume that is eligible for referral.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The process of collecting and reporting the debt collection data is performed on a monthly basis. The methodology and the origin of the data are consistent from month to month. The referral data is contained in the program systems (TOP and DMSC). The referral data is loaded from the files received from Federal Program Agencies (AFPAs).					
<b>Data Verification and Validation:</b> The agencies are responsible for certifying the debt referrals to Treasury.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> FMS has met the target performance measure for fiscal year 2007. FMS will continue to keep up its efforts in educating and encouraging agencies to refer all eligible delinquent debt in a timely manner.					

Measure: BSM Project Cost Variance by Release/Subrelease (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			0	10	10
Actual			0	10	
Target met?	N/A	N/A	Y	Y	
<b>Definition:</b> Percent variance by release/sub-release of a BSM funded project's initial, approved cost estimate versus current, approved cost estimate. Cost variances less than or equal to +/- 10 percent are categorized as being within acceptable thresholds. Cost variances greater than +/- 10 percent are considered outside acceptable thresholds.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The data is collected from the approved and enacted Expenditure Plan and subsequent modifications resulting from changes to project cost plans as approved via the BSM Governance Procedures and documented by the Resource Management Office.					
<b>Data Verification and Validation:</b> The baseline data will be reviewed/validated by the Program Performance Management (PPM) Team and Manager. To indicate the baseline is valid and approved, the manager will send a notification that the data (Excel spreadsheets) may be placed in the PPM shared library. Before the measure is reported, the PPM Team and Manager will review/validate the report. The PPM Manager will provide the monthly report to the Deputy Associate CIO for Business Integration for approval. Concurrence will be obtained from the Associate CIO for BSM. To indicate the report is validated and approved, the manager will send a notification to store the report in the PPM shared library and report on Improvement Measure externally.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> The IRS will continue reporting on the cost variance measure in accordance with the agreed upon performance methodology. Variance exceeding the +/- 10 percent threshold is subject to IRS change notification process review, Executive Steering Committee approval and, if applicable, Modernization and Information Technology Services Enterprise Governance Committee approval. Cost variances exceeding +/- 10 percent or \$1 million require Congressional notification. At each review juncture, management ensures that proposed project changes as reported in the BSM expenditure plan are valid and that mitigation plans are in place when applicable.					

Measure: BSM Project Schedule Variance by Release/Subrelease (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			0	10	10
Actual			0	10	
Target met?	N/A	N/A	Y	Y	
<p><b>Definition:</b> Percent variance by release/sub-release of a BSM funded project's initial, approved schedule estimate versus current, approved schedule estimate. Schedule variances less than or equal to +/- 10 percent are categorized as being within acceptable thresholds. Schedule variances greater than +/- 10 percent are considered outside acceptable thresholds.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The data is collected at the time of Expenditure Plan creation and subsequent modifications resulting from changes to project schedule plans as approved via the BSM Governance Procedures and documented by the Resource Management Office.</p>					
<p><b>Data Verification and Validation:</b> The baseline data will be reviewed/ validated by the Program Performance Management (PPM) Team and Manager. To indicate the baseline is valid and approved, the manager will send a notification that the data (Excel spreadsheets) may be placed in the PPM shared library. Before the measure is reported, the PPM Team and Manager will review/ validate the report. The PPM Manager will provide the monthly report to the Deputy Associate CIO for Business Integration for approval. Concurrence will be obtained from the Associate CIO for BSM. To indicate the report is validated and approved, the manager will send a notification to store the report in the PPM shared library and report on Improvement Measure externally.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The IRS will continue reporting on the schedule variance measure in accordance with the agreed upon performance methodology. Variance exceeding the +/- 10 percent threshold is subject to IRS change notification process review, Executive Steering Committee approval and, if applicable, Modernization and Information Technology Services Enterprise Governance Committee approval. Schedule variances exceeding +/- 10 percent or \$1 million require Congressional notification. At each review juncture, management ensures that proposed project changes as reported in the BSM expenditure plan are valid and that mitigation plans are in place when applicable.</p>					
<p>For additional information, refer to detailed table in Part II.</p>					

Measure: Health Care Tax Credit Cost (\$) per Taxpayer Served (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target				14.25	13.97
Actual				14.93	
Target met?	N/A	N/A	N/A	N	
<p><b>Definition:</b> Costs associated with serving the taxpayers including program kit correspondence, registration and program participation. [(IFS Monthly Disbursement – (83 percent IT Cost + 60 percent Program Management Costs + Special Projects and Costs + (IRS Non-Labor Costs – Printing))] divided by Taxpayers Served * 1.6 Where Taxpayers Served is the unique count of SSNs for primary candidates that are enrolled, and/or interact with the customer contact center including correspondence and program kits, 1.6 is a factor attributed to the average number of taxpayers served per primary enrollee, to reflect affected Qualified Family Members.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> IRS costs and exclusions: IFS disbursement report Accenture costs and exclusions: Monthly Work Request report. Taxpayers served: Health Care Tax Credit Siebel system provides data extracts to the HCTC reporting database, and further queries and reports are created from there.</p>					
<p><b>Data Verification and Validation:</b> 1. Health Care Tax Credit Program office reviews IFS disbursement. 2. Health Care Tax Care PMO team reviews and checks Contractor costs and exclusions. 3. PMO reporting team verifies the source data against previous months of IFS data and Work Request data.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> For fiscal year 2007, the Cost Per Taxpayer Served was \$14.93, sixty eight cents above the fiscal year 2007 target of \$14.25. The shortfall was a result of having to absorb a one-time expense to purchase Health Care Tax Credit Program Kits for taxpayers at a cost of \$300,000 to replace outdated supplies. The \$300,000 cost was not factored in when the target was set.</p>					

Measure: Health Care Tax Credit Sign-up Time (Days) (Ot)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			Baseline	97	97
Actual			98.7	93.3	
Target met?	N/A	N/A	N/A	Y	
<p><b>Definition:</b> The calculation of this measure is the median number of calendar days that elapse per registration from the date the Program Kit is mailed to the date the first payment is received from the participant. This is calculated based on queries and reports from system data.</p>					
<p><b>Indicator Type:</b></p>					
<p><b>Data Capture and Source:</b> 1. Dates captured in system during operations. 2. Data queried by Health Care Tax Credit Program Evaluation and Reporting team. 3. Measure calculated by Health Care Tax Credit Program Evaluation and Reporting team. Source: Siebel via Microsoft Systems Reporting</p>					
<p><b>Data Verification and Validation:</b> 1. Data is reviewed by Health Care Tax Credit Program Evaluation and Reporting function and compared with previous months. 2. Diagnostic reports will be available for further review</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> In fiscal year 2008, the Health Care Tax Credit will continue to explore program enhancements and efficiencies to minimize the time it takes taxpayers to enroll for the Health Care Tax Credit. As the population of the Health Care Tax Credit participants grows due to newly proposed legislation, the Health Care Tax Credit Program will implement process improvements to handle the increased demand.</p>					

Measure: TEGE Determination Case Closures (Ot)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	141000	131700	112400	118200	102650
Actual	143877	126481	108462	109408	
Target met?	Y	N	N	N	
<b>Definition:</b> Cases established and closed on the Employee Plans-Exempt Organizations Determination System (EDS) includes all types of tax exempt and employee plan application cases.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Tax Exempt and Government Entities (TE/GE) Determination System (EDS) Table 2A					
<b>Data Verification and Validation:</b> 1. Group managers review data entered on closing documents by determination specialists prior to approving the case for closing. 2. Error registers/reports are generated for data not meeting system consistency checks.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The IRS fell short of the combined target of 118,200 determination case closures by seven percent. This was caused by several factors. First, workload in this area is driven by external demand; for various reasons, the IRS received 12,000 fewer applications than expected. Responding to customer requests, the IRS extended certain filing deadlines. In addition, following a major revision to the user fee schedule for determination, a large number of submissions were returned to applicants due to incorrect user fees. Finally, legislative changes in the Pension Protection Act shifted workload priorities toward a number of time-consuming cases, resulting in fewer closures overall.					

Measure: Automated Collection System (ACS) Accuracy (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	Baseline	88	88	91	92
Actual	89	88.5	91	92.9	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> Percent of taxpayers who receive the correct answer to their ACS question.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Centralized Quality Review System (CQRS) monitors the calls as they are reviewed. Data is input to the Quality Review Database for product review and reporting.					
<b>Data Verification and Validation:</b> 1. CQRS management samples QRDbv2 records and validates that sample plans have been followed. 2. CQRS management reviews QRDbv2 employee input DCIs for consistency and coding. 3. CQRS tracks and reviews rebuttals quarterly, and an annual sample of each product line's rebuttals are performed. 4. A rebuttal web site is used to share technical and coding issues in CQRS.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The IRS' focus on process and performance reviews coupled with the feedback loop and identification of training needs will continue in 2008 to drive accuracy up.					

Measure: Examination Coverage - Individual (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		.9	.9	1	1
Actual		.9	1	1	
Target met?	N/A	Y	Y	Y	
<p><b>Definition:</b> The sum of all individual returns closed by SB/SE, W&amp;I, and LMSB (Field Examination and Correspondence Examination) divided by the total individual return filings for the prior calendar year. In fiscal year 2005, Automated Underreported (AUR) cases were included as part of this measure. In fiscal year 2006, AUR is covered as a separate measure. The new methodology was applied to prior year actual and fiscal year 2006 plan number.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The data comes from the Audit Information Management System (AIMS) closed case data base, the automated underreporter Management Information System for Top Level Executives (MISTLE) reports and Research projections for individual return filings.</p>					
<p><b>Data Verification and Validation:</b> new measure - verification and validations will be supplied</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> Maintenance of balanced coverage, identification of tax avoidance transactions and reduction of the tax gap will continue to be priorities in fiscal year 2008.</p>					

Measure: Examination Coverage Business Corporations >\$10 million (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		7	7.5	8.2	6.8
Actual		7.8	7.4	7.2	
Target met?	N/A	Y	N	N	
<p><b>Definition:</b> The number of Large and Mid-Size Business customer returns with assets greater than \$10 million examined and closed during the current fiscal year, divided by filing of the same type returns from the preceding calendar year.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The number of returns examined and closed during the Fiscal Year is from the Audit Information Management System (AIMS) closed case database, accessed via A-CIS (an MS Access application). Filings are from Document 6186, which is issued by the Office of Research, Analysis and Statistics.</p>					
<p><b>Data Verification and Validation:</b> 1. Examination Support &amp; Processing (ESP) group (SBSE) validates data on AIMS (Detroit server) and makes necessary correction. 2. LMSB picks closing codes and downloads data down to (A-CIS) Access database (Atlanta server). Charles Johnson (Plantation, FL) validates data, uploads to A-CIS. 3. LMSB - Chicago downloads LMSB version of data and performs data validation before providing data to CPP. 4. The information is Document 6186 is validated by the Office of Research, Analysis and Statistics before it is released.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The Exam Coverage – Business score was 7.2 percent, one percentage point below the fiscal year 2007 target of 8.2 percent. Key factors contributing to the shortfall, included the implementation of currency and cycle time initiative, which resulted in substantially more current coordinated industry cases (CIC) that contain fewer cycles and fewer returns; increased time spent on the Compliance Assurance Program (cases addressing issues in a pre-filing environment), which resulted in less numbers of closed returns from a comparable CIC examination; and the rollout of the Issue Management System, (a case management tool used during the examination process) which consumed more agent time than planned.</p>					

Measure: Examination Efficiency Individual (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		121	121	136	136
Actual		121	128	137	
Target met?	N/A	Y	Y	Y	
<p><b>Definition:</b> The sum of all individual returns closed by SB/SE, W&amp;I, and LMSB (Field Examination and Correspondence Examination) divided by the Total Full Time Equivalents (FTE) expended in examining those individual returns. In fiscal year 2005, Automated Underreporter (AUR) cases were included as part of this measure. In fiscal year 2006, AUR Efficiency is covered as a separate measure. The new methodology was applied to prior year actual and fiscal year 2006 plan number.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The data comes from the Audit Information Management System (AIMS) closed case data base, the automated underreporter Management Information System for Top Level Executives (MISTLE) reports and Exams time reporting system and the Integrated Financial System.</p>					
<p><b>Data Verification and Validation:</b> Closures and AIMS Closures – 1. Case closing documents are reviewed for accuracy during sample reviews by managers and quality reviewers. 2. AIMS data is validated prior to distribution. 3. Queries used to retrieve data are reviewed for thoroughness and accuracy. Frivolous Filers (Non-AIMS Closures) – 1. Cases are reviewed by managers for accuracy, timeliness and completeness at any point in the process. 2. Headquarters Analyst reconciles WP&amp;C data to Summary Report in order to validate data. SB/SE AUR: Closures – 1. Managerial review samples (phone calls, open and closed cases). 2. Checks and balances exist in the AUR Control System to validate the input. 3. Sample physical review of cases closed on the AUR Control System by Program Analysis System (“PAS”) for accuracy and appropriateness of actions.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> Future plans include leveraging National Research Program data to improve return selection criteria, streamline automation, emphasis on multi-year non-compliance, and utilization of risk analysis/assessment in all business processes.</p>					

Measure: AUR Efficiency (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		1701	1759	1932	1808
Actual		1701	1832	1956	
Target met?	N/A	Y	Y	Y	
<p><b>Definition:</b> The sum of all individual returns closed by AUR in SB/SE and W&amp;I divided by the Total staff years expended in relation to those individual returns. Effective: 10/2006</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Each case initiated in AUR results in a closure either in the pre-notice or notice phases. All closing actions are posted on the system through the use of process codes that describe the reason&amp; type of closure. Pre-notice closures (no taxpayer contact) include screen outs (discrepancy accounted for on the return), transfers and referrals. Pre-notice closures are included in the Efficiency Measure numerator. Notice phase closures can be posted at the CP2501, CP2000 or Statutory phases. Tax examiners evaluate taxpayer/practitioner responses to the notice and close cases using process codes that denote the respondent’s full or partial agreement or disagreement, no change to the original tax liability, transfer or referral. Time: Examiners complete Form 3081 to record time charged to each program code. The Form 3081 is input onto the WP&amp;C system and a Resource Allocation Report generated. Source: Management Information System for Top Level Executives (MISTLE).</p>					
<p><b>Data Verification and Validation:</b> : Closures – 1. AUR run controls are reviewed to see if the weekend processing has been completed and are accurate. 2. MISTLE Reports are reviewed with other AUR reports to see if processing has been completed and are accurate. 3. MISTLE reports are reviewed to see if information is complete and accurate. Time – 1. Managers review Form 3081 prior to input to verify that time is appropriately charged. 2. WP&amp;C monitored to ensure appropriate time usage.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The IRS will leverage the process improvements implemented in fiscal year 2007 to improve workload selection and productivity, and reduce the number of cases closed without taxpayer contact.</p>					

Measure: AUR Coverage (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	2.3	2.5	2.7
Actual		2.2	2.4	2.5	
Target met?	N/A	Y	Y	Y	
<b>Definition:</b> The sum of all individual returns closed, by SB/SE and W&I AUR divided by the total individual return filings for the prior calendar year. Effective: 10/2006					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> NUMERATOR: The sum of all individual returns closed will be extracted as follows: SB/SE AUR: AUR MISTLE Report W&I AUR: AUR MISTLE Report DENOMINATOR: The source for the total individual return filings for the prior calendar year is the Office of Research Projections of return filings as shown in IRS Document 6187 (Table 1A ). AUR MISTLE AUR Management Information System for Top Level Executives (MISTLE).					
<b>Data Verification and Validation:</b> 1. AUR run controls are reviewed to see if the weekend processing has been completed and are accurate. 2. MISTLE reports are reviewed with other AUR reports to see if processing has been completed and are accurate. 3. MISTLE reports are reviewed to see if information is complete and accurate.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> The IRS will leverage the process improvements implemented in fiscal year 2007 to improve workload selection and productivity, and reduce the number of cases closed without taxpayer contact.					

Measure: Collection Coverage Units (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			52	54	54
Actual			54	54	
Target met?	N/A	N/A	Y	Y	
<b>Definition:</b> The volume of collection work disposed (closed) compared to the volume of collection work available. The new methodology for fiscal year 2006 includes balance due and delinquent return cases still in notice status whereas, the fiscal year 2005 methodology only considered those accounts or investigations in delinquent status (Taxpayer Delinquent Account (TDA) and Taxpayer Delinquent Investigation (TDI) statuses). The new methodology was applied to recalculate the prior actual and the fiscal year 2006 plan number.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The data comes from the Collection Activity Report (CAR.)					
<b>Data Verification and Validation:</b> 1. Changes to programming of Collection Activity Reports are generally made once a year. Those changes are tested and verified by program analysts at headquarters before the first new report is released. Monthly spot checks are also done to verify they match the data sent to the DataMart. 2. Accuracy of Automated Offer in Compromise database is validated by management checks in the operating units.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> The Collection Coverage score was 52 percent, two percentage points below the fiscal year 2007 target of 54 percent. The number of collection cases closed in fiscal year 2007 increased over fiscal year 2006; however, the increase in closures did not keep pace with the growth in new receipts. The available inventory grew by 1.8 million over the projected level for fiscal year 2007 primarily because Individual Master File (IMF) balance due first notices increased 1.08 million and IMF delinquent return first notices increased 500,000 over projected levels. Approximately one third of the new receipts appear to be related to compliance assessments and the remaining two thirds appears to be related to taxpayer behavior.					



Measure: Collection Efficiency (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	1650	1723	1751
Actual		1514	1677	1828	
Target met?	N/A	Y	Y	Y	
<p><b>Definition:</b> Total work (delinquent accounts, investigations, offer-in-compromise, automated substitution for return) divided by the total Full Time Equivalent (FTE) realized in field collection and in campus collection. The new methodology for fiscal year 2006 includes balance due and delinquent return cases still in notice status whereas, the fiscal year 2005 methodology only considered accounts or investigations in delinquent status (Taxpayer Delinquent Account (TDA) and Taxpayer Delinquent Investigation (TDI) statuses). The new methodology was applied to recalculate the prior actual and the fiscal year 2006 plan number.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The data comes from the Collection Activity Report (CAR) and the Integrated Financial System (IFS).</p>					
<p><b>Data Verification and Validation:</b> 1. Changes to programming of Collection Activity Reports are generally made once a year. Those changes are tested and verified by program analysts at headquarters before the first new report is released. Monthly spot checks are also done to verify they match the data sent to the DataMart. 2. Accuracy of Automated Offer in Compromise database is validated by management checks in the operating units.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The IRS was within one percent of target. The fiscal year 2007 Collection Efficiency rate of 1,720 is 2.5 percent above fiscal year 2006 performance and 0.2 percent below the fiscal year 2007 target of 1,723. Automated Collection System Taxpayer Delinquency Investigation (TDI) inventory available was below projections, resulting in more time applied to Taxpayer Delinquent Accounts (TDA). This resulted in the lower efficiency rate because TDA cases take more hours to complete than TDI cases.</p>					

Measure: Field Collection Embedded Quality					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			84.2	86	86
Actual			84.2	84	
Target met?	N/A	N/A	Y	N	
<p><b>Definition:</b> The number of EQ quality attributes that are scored as “met” by an independent centralized review staff divided by the total attributes measured (mets + not mets) in a sample of closed cases. All measured attributes have the same weight when calculating the score.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Monthly reports supplied from the EQMS database.</p>					
<p><b>Data Verification and Validation:</b> Cases are sent to the review sites to be reviewed. The cases are then reviewed and results are recorded into the CQMS EQ database. A validity check is conducted by EQ review site management. Once the data has been validated the information is transmitted to the EQ website.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The Field Collection Embedded Quality score was 84 percent, two percentage points below the fiscal year 2007 target of 86 percent. Although the Field Collection quality score improved over last fiscal year, the fiscal year 2007 target was established assuming Embedded Quality would be fully implemented at the start of fiscal year 2007. However, implementation was delayed until March 2007, and the first quarterly report was not available until June 2007. These reports provide managers with data that allows them to focus improvements on specific attributes. Quality remains a core goal of the Collection organization and is emphasized in both the Collection Program letter and the business plans for fiscal year 2008. The IRS took the following actions to improve quality results: 1) conducted quarterly reviews in each area to ensure consistent application of the quality attributes and evaluated trends in order to identify areas that require additional rating guidance and clarity. The IRS will continue these reviews in fiscal year 2008; 2) developed quality improvement action plans for each Collection area, which focused on specific elements that dropped 5 percent or more in each attribute.</p>					

Measure: Unit Cost to Process an Excise Tax Return (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			Baseline	76	0
Actual			76	61	
Target met?	N/A	N/A	Y	Y	
<b>Definition:</b> The cost of resources that it takes to process one excise tax return.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Capturing excise tax returns: Tax returns are submitted via mail and the Pay.gov system. Mail submissions are assigned a unique control number and dates of receipt are logged into the Integrated Revenue Information System (IRIS). Pay.gov assigns a unique number and date of submission automatically. This information is then transmitted and consolidated in IRIS. TTB generates a report from IRIS indicating the number of tax returns processed. Capturing resource cost data: NRC captures resource expenses in the Status of Funds Report in Discoverer (Oracle Financial Reporting System).					
<b>Data Verification and Validation:</b> Capturing excise tax returns: TTB reconciles the returns received vs. logged returns daily. Capturing resource cost data: Resource data is captured and available four times a day in Discoverer.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> This measure will undergo a new baseline year as the methodology for calculating the measure and legislative actions require changes.					

Measure: Cumulative Percentage of Excise Tax Revenue Audited Over 3 Years (%) (Ot)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		65	90	12	74
Actual		82	93	16	
Target met?	N/A	Y	Y	Y	
<b>Definition:</b> The portion of total excise tax revenue that is audited in the fiscal years covered in the 5-year period.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> TTB tracks completion of all scheduled audits.					
<b>Data Verification and Validation:</b> Audit results – we designed the audit to verify and validate the accuracy of the revenue collected for the entity(ies) audited in the given fiscal year.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> TTB plans to resume its audits of large taxpayers in fiscal year 2008 which will significantly increase its percentage of excise tax revenue audited.					

Measure: Resources as a Percentage of Revenue (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		.4	.34	.34	.34
Actual		.37	.31	.31	
Target met?	N/A	Y	Y	Y	
<b>Definition:</b> Represents the amount of resources expended to collect taxes, divided by the amount of taxes collected.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Taxes collected is captured by the Federal Excise Tax database; expense data is maintained in Oracle Financials.					
<b>Data Verification and Validation:</b> Both of these components represent information that is subject to annual audits and routine reconciliation.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> TTB continues to find reengineering/electronic methods and means that allows the organization to make the best use of its Collect the Revenue resources.					

Measure: Average Tax Compliance Cost for Individuals and Small Businesses (\$) (0e) [DISCONTINUED FY 2007]					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	0	0	0	Discontinued	Discontinued
Actual	0	0	0		
Target met?	Y	Y	Y	N/A	
<b>Definition:</b> This measures the cost for individuals and small business to satisfy their tax obligations, including the amount of time spent filling out tax forms					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> IRS tax data					
<b>Data Verification and Validation:</b> The Treasury Department and the IRS are in the process of developing a model for measuring the compliance burden on individual taxpayers. This model will be used to develop and evaluate proposals to reduce the compliance burden on individuals, including proposals to simplify the tax laws.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> This measure is Discontinued for fiscal year 2007.					

## Strategic Outcome:

Government financing at the lowest possible cost over time

Measure: Cost per Debt Financing Operation (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	133683	228409	249679
Actual		126828	148926	216801*	
Target met?	N/A	Y	N	Y	
<p><b>Definition:</b> This performance measure divides debt financing operations costs, determined by an established cost allocation methodology, by the number of auctions and buybacks.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> The number of debt financing operations is captured in the Auction Information Calendar (AIC) and on-line at TreasuryDirect.gov. Costs are captured in BPD's administrative accounting system.</p> <p><b>Data Verification and Validation:</b> Analysts manually count the number of auctions in the AIC and cross-reference this number to the historical information query on-line at www.TreasuryDirect.gov to determine the number of debt financing operations. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Annually</p> <p><b>Future Plans/Explanation for Shortfall:</b> Based upon the third quarter year-to-date figures, the cost per debt financing operation is below the fiscal year 2007 target of \$228,409. The projected cost for fiscal year 2008 of \$249,679 includes increases for inflation and the estimated cost of replacing the legacy auction system, which will provide Treasury debt managers the ability to bring new types of securities to market. *Cost per item estimated until year-end costs are finalized.</p> <p>* Final data for this measure was not available at the time of publication. This data is an estimate.</p>					

Measure: Percent of Auction Results Released in 2 Minutes +/- 30 Seconds (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	95	95	95	95	95
Actual	99.53	95	100	99.1	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> This measures the elapsed time from the auction close to the public release of the auction results. The annual percentage of auctions meeting the release time target of 2 minutes plus or minus 30 seconds is calculated for the fiscal year.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> BPD's automated auction processing systems</p> <p><b>Data Verification and Validation:</b> For each auction, analysts verify and validate the system time stamps that record the auction close and auction posting times.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Quarterly</p> <p><b>Future Plans/Explanation for Shortfall:</b> In fiscal year 2007, Public Debt surpassed its performance target of releasing auction results within two minutes, plus or minus 30 seconds, 95 percent of the time. In light of the fact that BPD is introducing a new auction system, the Bureau is considering changing its performance goals for fiscal year 2008.</p>					

Measure: Cost per TreasuryDirect Assisted Transaction (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	7.75	6.16	7.05
Actual		8.51	4.97	6.03*	
Target met?	N/A	Y	Y	Y	
<b>Definition:</b> This performance measure divides TreasuryDirect customer service transaction costs, determined by an established cost allocation methodology, by the number of customer requests completed with assistance by a customer service representative.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> For customer service transactions received by mail and for some requests received by phone or internet, Public Debt (BPD) obtains volumes from an automated tracking system. Simple phone and internet requests are manually counted. Costs are captured in BPD's administrative accounting system.					
<b>Data Verification and Validation:</b> The accuracy of the system-generated volumes is verified twice a year by customer service staff performing manual counts. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Based upon the third quarter year-to-date figures, the cost per TreasuryDirect assisted transaction is below the fiscal year 2007 target of \$6.16, and fiscal year 2008 costs will be \$7.05. Public Debt will reallocate resources to handle a changing mixture of customer transactions that result from a growing number of accounts and an expansion of services available in TreasuryDirect. *Cost per item estimated until year-end costs are finalized.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

Measure: Cost per TreasuryDirect Online Transaction (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	2.99	2.96	2.44
Actual		3.43	3.06	2.79*	
Target met?	N/A	Y	N	Y	
<b>Definition:</b> This performance measure divides TreasuryDirect online transaction costs, determined by an established cost allocation methodology, by the number of TreasuryDirect online transactions.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Workload figures are captured from information stored in TreasuryDirect. Costs are captured in Public Debt's administrative accounting system.					
<b>Data Verification and Validation:</b> Workload figures are electronically verified by the Treasury Direct system. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Based upon the third quarter year-to-date figures, the cost per TreasuryDirect online transaction is below the fiscal year 2007 target of \$2.96. As more customers purchase book-entry securities through TreasuryDirect, Public Debt forecasts the cost of an online transaction will be \$2.44 for fiscal year 2008. *Cost per item estimated until year-end costs are finalized.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

Measure: Percentage of Retail Customer Service Transactions Completed Within 12 Business Days (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	90	90	90	90	90
Actual	92.5	88.7	98	99.43	
Target met?	Y	N	Y	Y	
<b>Definition:</b> The length of time to complete a customer service transaction is measured from the date each transaction is received to the date it is completed.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> For customer service transactions received by mail and for some requests received by phone or e-mail, Public Debt uses an automated tracking system that measures the length of time it takes to complete the transactions. Simple phone and internet requests are manually tracked.					
<b>Data Verification and Validation:</b> The accuracy of system-generated data is crosschecked at least twice a year by customer service staff performing manual counts.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> BPD's retail securities service surpassed its target of 90 percent in fiscal year 2007. Future goals are to complete 90 percent of transactions within 12 business days in fiscal year 2008, 11 business days in fiscal year 2009 and 10 business days in fiscal year 2010. Sufficient funding, efficiencies gained from improved work processes and an increase in electronic transactions will allow Public Debt to meet these goals.					

Measure: Cost per Federal Funds Investment Transaction (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	90.15	72.33	73.12
Actual		88.74	62.64	59.93*	
Target met?	N/A	Y	Y	Y	
<b>Definition:</b> This performance measure divides the federal funds investment costs, determined by an established cost allocation methodology, by the number of issues, redemptions, and interest payments for more than 200 trust funds, as well as the Treasury managed funds.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The automated investment accounting system captures and reports transaction counts. Costs are captured in Public Debt's administrative accounting system.					
<b>Data Verification and Validation:</b> Accountants review transaction reports for reasonableness and any unusual trends are investigated. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Based upon third quarter year-to-date figures, the cost per federal funds investment transaction is forecasted to be below the target of \$72.33. Due to inflationary cost increases and constant transaction volumes, Public Debt establishes a target for fiscal year 2008 of \$73.12. *Cost per item estimated until year-end costs are finalized.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

<b>Measure: Percentage of Government Agency Customer Initiated Transactions Conducted Online (%) (Oe)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>		Baseline	65	75	80
<b>Actual</b>		72.7	97.03	97.31	
<b>Target met?</b>	N/A	<b>Y</b>	<b>Y</b>	<b>Y</b>	
<b>Definition:</b> Public Debt (BPD) administers three programs in which government agencies conduct transactions: 1. Government Account Series Securities (Federal Investments) 2. Treasury Loans Receivable (Borrowings) 3. State and Local Government Series securities. Prior to an initiative to make BPD systems available on the internet, customers faxed all requests to Public Debt, and BPD manually entered the transactions into the various systems. BPD's long-term goal is to have 80 percent of customer-initiated transactions completed online by the end of fiscal year 2008.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Total transaction counts are captured from the investment accounting systems in automated reports that differentiate online transactions from other transactions entered into the systems.					
<b>Data Verification and Validation:</b> Accountants review the total online transaction counts for reasonableness and unusual volumes are investigated.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> In an effort to expand on-line investment services to its federal, state and local customers, the Bureau of the Public Debt surpassed its fiscal year 2007 performance target of 75 percent. In August 2005, State and Local Government Series (SLGS) regulations required that SLGS securities customers submit investment transactions on-line via the SLGSafe internet application. Public Debt expects that the investment on-line percentages will remain at the current level in future years.					

**Strategic Outcome:**

Timely and accurate payments at the lowest possible cost

<b>Measure: Percentage of Treasury Payments and Associated Information Made Electronically (%) (0e)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>	75	76	78	78	79
<b>Actual</b>	75	76	77	78	
<b>Target met?</b>	<b>Y</b>	<b>Y</b>	<b>N</b>	<b>Y</b>	
<b>Definition:</b> The portion of the total volume of payments that is made electronically by FMS. Electronic payments include transfers through the automated clearinghouse and wire transfer payments through the FEDWIRE system.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The volume of payments is tracked through FMS' Production Reporting System. The amount and number of payments are also maintained under accounting control.					
<b>Data Verification and Validation:</b> Accounting controls provide verification that the number of payments, both checks and EFT, is accurately tracked and reported. The number of inquires made against Federal check payments, whether disbursed by FMS or by other agencies, is separately tracked and reported. Additionally, payment files are balanced with payment authorizations that are electronically certified and submitted to FMS by Federal program agencies. The Federal Reserve Banks also validate the payment files.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> FMS has met its fiscal year 2007 performance goal. FMS will continue to implement the successful Go-Direct Campaign to expand and market the use of electronic media to deliver federal payments, improve service to payment recipients, and reduce government program costs. FMS is also working with the Social Security Administration to develop a Universal Direct Deposit plan which will require newly enrolled beneficiaries to receive payments electronically unless they do not have a bank account. In addition, FMS will roll out a nationwide debit card program called Direct Express to target the un-banked customers of benefit payments.					



Measure: Percentage of Paper Check and Electronic Funds Transfer (EFT) Payments Made Accurately and on Time (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	100	100	100	100	100
Actual	100	100	100	100	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> Accurately refers to the percentage of check and EFT payments that FMS makes which are not duplicate or double payments. On time means that FMS releases checks to the U.S. Postal Service and EFT payments to the Federal Reserve Bank such that normal delivery by them results in timely receipt by payees.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Accuracy data is captured through FMS' Regional Financial Centers which submit statistics on duplicate payments and data for the performance measure. The payments are balanced with payment certifications submitted to FMS by Federal Program Agencies. On time data on check and EFT volumes are captured monthly in a report from FMS' Production Reporting System.					
<b>Data Verification and Validation:</b> Accuracy is ensured through payment processes and accounting systems that are subject to numerous internal controls and audit reviews. RFC managers validate payment controls. Systems and accounting reports are used to independently validate payment accuracy and identify the number of duplicate payments. RFCs balance the input to the PRS with a payment control file. The volume of checks released to the USPS is verified against the volume of checks listed on Postal Form 3600. USPS timeliness is ensured through Form 3600, which contains the time and date of release of checks from RFCs to the USPS. For EFT timeliness verification, the volume of payments released is verified against the volume of payments listed on the transmission report which also states the time and date of transmission from an RFC to the Federal Reserve Bank.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> FMS has met its fiscal year 2007 performance goal. FMS plans to continue to issue 100 percent of payments accurately and on-time. The Secure Payment System (SPS) used by program agencies to certify checks, ACH, or wire payments to recipients in a secure environment is a critical component in achieving the performance goal.					

Measure: Unit Cost for Federal Government Payments (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	0	.35	.35	.39	.38
Actual	.35	.355	.37	.38	
Target met?	N	N	N	Y	
<b>Definition:</b> Unit cost combines both paper and electronic payment mechanisms and includes the aftermath processes (reconciliation and claims) for both types of payment mechanisms.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The cost data is captured through an activity based costing process. The unit cost is the calculated ratio of cost per payment.					
<b>Data Verification and Validation:</b> At the end of each fiscal year, actual costs for issuing payments are accumulated and calculated for checks and EFT payments. This information is calculated in conjunction with and verified by the program office and is reviewed by senior executives. Additional accounting controls provide verification that the number of payments is accurately tracked and reported.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> FMS plans to continue its efforts in improving efficiencies in payment delivery by concentrating on expanding electronic payments through a variety of programs. *Unit measure is estimated until costs are finalized.					

**Strategic Outcome:**

Accurate, timely, useful, transparent and accessible financial information

Measure: Percentage of Government-wide Accounting Reports Issued Accurately (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	100	100	100	100	100
Actual	100	100	100	100	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> All Government-wide financial data that FMS publishes relating to U.S. Treasury cash-based accounting reports (i.e., the Daily Treasury Statement, the Monthly Treasury Statement, and the Annual Combined Report) will be 100 percent accurate.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> A monthly tracking system reports on the various published statements and monitors errata as it pertains to this data.					
<b>Data Verification and Validation:</b> There are no errors in any of the published government-wide financial information.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> FMS has met its fiscal year 2007 performance goal. In the future, FMS will continue to revamp government-wide accounting processes to provide more useful and reliable financial information on a regular basis. FMS is building and implementing a system to improve the exchange of financial information among FMS, Federal Program Agencies (FPA), Office of Management and Budget and the banking community. Once completed, this Government-wide Accounting Modernization Project will comprehensively replace current government-wide accounting functions and processes that are both internal and external to FMS. It will improve the reliability, usefulness, and timeliness of the government's financial information, provide FPAs and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies. FMS is also moving forward on a project called Financial Information Reporting Standardization which will integrate budgetary and proprietary accounting data as well as several accounting data collection systems to improve the integrity and accuracy of government-wide financial information and reports.					

Measure: Percentage of Government-wide Accounting Reports Issued Timely (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	100	100	100	100	100
Actual	100	100	100	100	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> All Government-wide financial data that FMS publishes relating to U.S. Treasury cash-based accounting reports (i.e., the Daily Treasury Statement, the Monthly Treasury Statement, and the Annual Combined Report) will be on time 100 percent of the time.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> A monthly reporting system is used to track the release dates to the public of all of the various government-wide statements.					
<b>Data Verification and Validation:</b> Procedures are in place to validate that the statements are released on time to the public 100 percent of the time.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> FMS has met its fiscal year 2007 performance goal. FMS is building and implementing a system to improve the exchange of financial information among FMS, Federal Program Agencies (FPA), Office of Management and Budget (OMB) and the banking community. Once completed, this Government-wide Accounting (GWA) Modernization Project will comprehensively replace current government-wide accounting functions and processes that are both internal and external to FMS. It will improve the reliability, usefulness, and timeliness of the government's financial information.					

Measure: Cost Per Summary Debt Accounting Transaction (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	11.59	10.98	10.88
Actual		12.62	10.96	8.93*	
Target met?	N/A	Y	Y	Y	
<b>Definition:</b> This performance measure divides summary debt accounting transaction costs, determined by an established cost allocation methodology, by the number of summary debt accounting transactions.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Public debt accounting systems capture and report transaction counts. Costs are captured in Public Debt's administrative accounting system.					
<b>Data Verification and Validation:</b> Accountants review transactional activity reports for reasonableness and any unusual trends are investigated. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Based upon third quarter year-to-date figures, the cost per summary debt accounting transaction is forecasted to be below the fiscal year 2007 target of \$10.98. Due to inflationary cost increases and constant transaction volumes, Public Debt establishes a target for fiscal year 2008 target of \$10.88. Public Debt will continue to maintain and support strong accounting controls to ensure integrity of the operations and accuracy of the information provided to the public. *Cost per item estimated until year-end costs are finalized.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

Measure: Release Federal Government wide Financial Statements on Time (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	1	1	1	1	1
Actual	Met	Met	Met	Met*	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> This report is the audited consolidated financial report of the federal government required by the Government Management Reform Act.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Data are collected from the audited financial results of all federal agencies and is audited by GAO.					
<b>Data Verification and Validation:</b> Report is released to the public with a release date that can be independently verified. Due date is established by Treasury/OMB policy decision since it exceeds the statutory requirement of March 31.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> In fiscal year 2007, the Treasury Department's Office of Domestic Finance plans to released the federal government-wide financial statements on time. The Treasury Department has met this performance target since fiscal year 2004, and expects to continue to meet its targets in fiscal year 2008 and fiscal year 2009. The prompt release of this statement is important because it represents the culmination of the recent government-wide campaign to accelerate the issuance of financial reporting. Treasury also manages the government's cash position to ensure that funds are available on a daily basis to cover federal payments and to maximize investment earnings and minimize borrowing costs. The Department has also met its goal of receiving audit opinions on government-wide financial statements, and has plans to meet it fiscal year 2009 targets.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

Measure: Unit Cost to Manage \$1 Million Dollars of Cash Flow					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			Baseline	10.69	11.6
Actual			8.50	9.70*	
Target met?	N/A	N/A	Y	Y	
<p><b>Definition:</b> This Unit Cost Measure assesses Government Wide Accounting's (GWA's) Cost to Manage Government Operations. The Government Operations consists of total GWA costs which consist of all Directorates, Systems, Administrative Overhead, and major initiatives performed within GWA. On a monthly basis the Cost-per-Million of Cash Flow managed by GWA is calculated.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The Total GWA Cost data is retrieved from the year ending Cost Accounting Report. The Operating Cash, which is rounded in millions, is determined from the final DTS of each month for the fiscal year. The ratio of total costs to GWA per month over Deposits and Withdrawals (Excluding Transfers) gives us the cost to manage \$1 Million dollars of cash flow. This ratio is calculated for GWA alone to determine controllable costs, and using Information Resources / TWAI and Management Overhead to determine the uncontrollable costs attributed to GWA.</p>					
<p><b>Data Verification and Validation:</b> At the beginning of each month, the actual operating cash of the United States in the form of Deposits and Withdrawals is obtained from the Last Daily Treasury Statement (DTS) of the previous month. GWA total costs are broken down and retrieved from the Cost Accounting Report that is prepared at the end of the fiscal year. This information is verified and excludes Financial Services. Additional data is retrieved from this source and included in the report and is reviewed by senior executives.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> FMS has met its fiscal year 2007 performance goal. Cash flow was higher in fiscal year 2007 than initially estimated. When cash flow increases, it drives the cost per million down. Though cash flow is beyond the control of FMS, FMS plans to continue its efforts in improving efficiencies and lowering its costs in managing the nation's money.</p>					
<p>* Final data for this measure was not available at the time of publication. This data is an estimate.</p>					

**Strategic Outcome:**

## Effective cash management

Measure: Variance Between Estimated and Actual Receipts (annual forecast) (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	5	5	5	5	5
Actual	3.8	5	3.9	2.1	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> Percentage error measures the accuracy of the Mark receipts forecasts produced monthly by the Office of Fiscal Projections. It measures the relative amount of error or bias in Office of Fiscal Projections receipts forecasts.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The Office of Fiscal Projections within the Office of the Fiscal Assistant Secretary compiles receipts data by major categories (i.e., withheld income taxes, individual taxes, FICA, corporate, customs deposits, estate and excise) as well as by types of collection mechanisms (electronic and paper coupons). The Office of Fiscal Projections is also responsible for forecasting the daily tax receipts in order to manage the federal government's cash flow. Data on monthly and daily federal tax receipts of actual and forecasts are compiled by the office and are used to report on the United States' monthly, weekly, and daily cash position in addition to determining the optimal financing for cash management.</p>					
<p><b>Data Verification and Validation:</b> The percentage error is computed by subtracting the forecast value of tax receipts from the actual (<math>A_t - F_t</math>), and dividing this error of forecast by the actual value, and then multiplying it by 100. <math>PE_t = ((A_t - F_t)/A_t) * 100</math> <math>A_t</math> is actual value of receipts at time <math>t</math>, and <math>F_t</math> is forecasted value of receipts at time <math>t</math>. The average percentage error is more general measure that will be used to compare the relative error in the forecasts. This measure adds up all the percentage errors at each point and divides them by the number of time point <math>APE =  \sum_{t=1}^T PE_t /T</math> where <math>PE_t</math> is the percentage error of forecasts in (1) and <math>T</math> is the total number of time point. The absolute value of the average percentage error will be used to measure the magnitude of error or bias in the receipts forecasts.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> In fiscal year 2008, the tolerance will continue to be 5 percent. To exceed this performance measure in fiscal year 2007, the Office of Fiscal Projections continued to meet monthly with senior staff in the Office of Macroeconomic Analysis (Office of the Assistant Secretary for Economic Policy) and the Office of Tax Analysis (Office of the Assistant Secretary for Tax Policy). The meetings focused on identifying revisions to key macro-economic variables and indicators and the identifying impact that revisions in these variables would have on short-term receipt forecasts. Additionally, the Office of Fiscal Projections analysts speak almost daily with Tax Policy analysts, providing information and insight on actual daily cash flows and receiving guidance on the short-term implications of current flows on future tax collections. The value of these meetings is evident in the annual performance in fiscal year 2007 (a cumulative error of 2.1 percent). This process will be continued in fiscal year 2008 and revised, if necessary, to ensure that this year's target is met.</p>					

## STRATEGIC GOAL: U.S. AND WORLD ECONOMIES PERFORM AT FULL ECONOMIC POTENTIAL

### Strategic Outcome:

Strong U.S. economic competitiveness

Measure: FTE - Number of Full-Time Equivalent Jobs Created or Maintained in Underserved Communities by Businesses Financed by CDFI Program Awardees and New Markets Tax Credit (NMTC) Allocatees (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	5852	26995	29158	34009	28676
Actual	9212	23656	22329	35022	
Target met?	Y	N	N	Y	
<p><b>Definition:</b> An employee that works at least a 35-hour workweek is considered a full-time equivalent (FTE). In calculating the number of FTEs, part-time employees are combined into FTEs. For example, two part-time employees that each work 17.5 hours per week are combined to count as one FTE. Jobs maintained are jobs at the business at the time the loan or investment is made. Jobs created are new jobs created after the loan or investment is made. Jobs created and maintained serve as an important indicator of the economic vitality of underserved areas. Underserved communities are those that qualify as CDFI Program Target Markets (which include a specific geography called an Investment Area or a specific community of people with demonstrated lack of access to credit, equity, or financial services called a Low-Income Targeted Population or an Other Targeted Population). Underserved communities are also those that qualify as New Markets Tax Credit (NMTC) Low Income Communities.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Each awardee and allocatee collects and tracks job data in its own management information system(s). The information is self-reported by awardees and allocatees. Many organizations track the number of jobs projected to be created. A smaller number collect annual information on actual number of jobs created. Some do not collect the data and respond “don’t know.” Each CDFI Financial Assistance awardee and NMTC Allocatee is required to complete a Transaction Level Report. CDFI awardees report FTE data in the Institution Level Report or Transaction Level Report, while NMTC Allocatees report FTE data in the Transaction Level Report only.</p>					
<p><b>Data Verification and Validation:</b> The Fund will collect FTE through the annual Institution Level and Transaction Level Reports. Data provided is compared to the awardees’ and allocatees’ actual financial statements for accuracy and “reasonableness” as defined by the Fund. Awardees and allocatees are contacted regarding any discrepancies.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> The Fund will continue to capture and monitor the number of jobs CDFIs create from the Community Investment Impact System (CIIS). The proposed target has been recalibrated to take a two year average of the actual performance, which should be more in-line with future performance.</p>					

Measure: Private Dollars - Dollars of Private and Non-CDFI Fund Investments That CDFIs are Able to Leverage Because of Their CDFI Fund Financial Assistance. (\$ millions) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	669	500	1100	861	643
Actual	1300	1800	1400	778	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> This measure represents the dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance (FA) award. For CDFIs, leverage is defined as the one-to-one non-federal match (as required by the FA program), plus funds the CDFI is able to leverage with CDFI Fund FA grant and equity dollars, plus dollars that the awardees' borrowers leverage for projects. (Project leverage example - Of the total financing needed for a housing development is \$5 million and the awardee lends \$1 million, while other investors lend the remaining \$4 million, then the \$4 million is the project leverage).</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> FA award disbursements are made once CDFIs provide documentation showing that they have received or been committed matching funds. Disbursements of FA are tracked by the Financial Manager and are used as the proxy for matching funds raised. The CDFI Program annual Institution Level Report captures the leverage ratio for FA grants and equity dollars, as well as project level leverage.</p> <p><b>Data Verification and Validation:</b> CDFI awardees' one-to-one match is equal to the amount disbursed to awardees. The FA grant and equity dollar leverage ratio is taken from the awardees' financial statements. (In most cases, the financial statements have been audited.) Project level leverage is reported by the awardee and is not verifiable by the Fund.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Annually</p> <p><b>Future Plans/Explanation for Shortfall:</b> The shortfall was due to a drop of FA disbursements from \$51M to \$40M and FA Equity &amp; Grant Disbursements from \$44M to \$36M. Previous fiscal year projections and actual performance were higher than the Fund's estimates. Moving forward, the Fund has recalibrated the projection leverage which should be more in-line with the actual performance.</p>					

Measure: Administrative Costs per Financial Assistance (FA) Application Processed (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	5130	6920	6920
Actual		5130	8710	7180*	
Target met?	N/A	Y	N	N	
<p><b>Definition:</b> The cost per application for Financial Assistance (FA) applications.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> The Fund will analyze the cost of materials as well as staff time and contractor's time to determine the total fixed and variable cost per application.</p> <p><b>Data Verification and Validation:</b> The Fund will conduct an analysis of the total cost of processing a single FA application. The analysis will include both fixed and variable costs for the project.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Annually</p> <p><b>Future Plans/Explanation for Shortfall:</b> Estimate. Function of allocated costs and number of applications received. Percent increase in applications higher than percent increase in allocated costs (compared to prior year). The future targets were based on the fiscal year 2007 (draft) actual costs. We assume that any increase in future costs will be offset by a corresponding increase in the number of applications received. However, we have virtually no ability to control the number of applications received, and so we have little ability to control the actual future administrative cost to process an application.</p> <p>* Final data for this measure was not available at the time of publication. This data is an estimate.</p>					

Measure: Percent of Electronically Filed Certificate of Label Approval Applications (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	7	16	27	47	48
Actual	10	25	38	51	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> Calculated by dividing the number of e-Filed applications by the total Certificate of Label Approval applications (COLA) submissions (paper and electronic).					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Data is captured through the COLAs Online database system. There are periodic statistical reports, searches, and queries that are generated.					
<b>Data Verification and Validation:</b> Checks will be developed as the COLAs Online database is developed.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> TTB will continue to perform outreach programs which provide training for industry members as well as providing a TTB presence.					

Measure: Unit Cost to Process a Wine Certificate of Label Approval					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target				Baseline	34
Actual				34	
Target met?	N/A	N/A	N/A	Y	
<b>Definition:</b> This is the allocated cost of the resources used in processing the COLA divided by the number of COLAs.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The COLA online database.					
<b>Data Verification and Validation:</b> Capturing excise tax returns: TTB reconciles the returns received vs. logged returns daily. Capturing resource cost data: Resource data is captured and available four times a day in Discoverer.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> This is a baseline measure and the final number will be entered into the system at the end of the fiscal year.					



Measure: Total Assets - Annual Percentage Increase in the Total Assets of Native CDFIs (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	Baseline	35	33	33	15
Actual	39	103	182	19	
Target met?	Y	Y	Y	N	
<b>Definition:</b> Measure the percent change in total assets that Native CDFIs report from one year to the next. The Fund will calculate: $[\text{Total Assets in Current Year} - \text{Total Assets in Previous Year}] / [\text{Total Assets in Previous Year}]$					
<b>Indicator Type:</b> Indicator					
<b>Data Capture and Source:</b> The Native CDFIs financial data is captured through the annual Institution Level Report.					
<b>Data Verification and Validation:</b> Native CDFIs report their total assets to the Fund in their Institution Level Report. The Fund verifies the total assets reported against the organization's submitted balance sheet. Organizations are contacted regarding any discrepancies in the data reported. The Fund compares the total assets of CDFIs from year-to-year.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> The Fund has designated 39 certified CDFIs that serve Native Communities. The Fund captures financial information for all CDFIs through a web-based system called CIIS (Community Impact Investment System). However, CDFIs are not required to provide this information. For fiscal year 2007 Native Assets, 11 of 39 certified CDFIs reported in CIIS over a two or three year period. This was the sample size that the Fund used to determine a 19 percent increase for Native Assets. Previous actual performance the past two fiscal years were much higher than the proposed target. In moving forward for the Fund to provide a more consistent, repeatable, and accurate actual performance reporting, the Fund will only use data reported in CIIS. Additionally, the arbitrary proposed target of 33 percent for each new fiscal year will be changed to take a two year average of the actual performance. In this case, the 33 percent proposed target for fiscal year 2008 will be changed to 15 percent based on the data available in CIIS.					

Measure: Administrative Costs per Number of Bank Enterprise Award (BEA) Applications Processed (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	1280	1455	1455
Actual		1280	1630	1950*	
Target met?	N/A	Y	N	N	
<b>Definition:</b> The fixed and variable cost per application for Bank Enterprise Award (BEA) applications.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Fund will analyze the cost of materials as well as staff time and contractor's time to determine the total cost per application.					
<b>Data Verification and Validation:</b> The Fund will conduct an analysis of the total cost of processing a single BEA application. The analysis will include both fixed and variable costs for the project.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Estimate. Function of allocated costs and number of applications received. Percent increase in allocated costs higher than percent increase in number of applications received (compared to prior year). The future targets were based on the fiscal year 2007 (draft) actual costs. We assume that any increase in future costs will be offset by a corresponding increase in the number of applications received. However, we have virtually no ability to control the number of applications received, and so we have little ability to control the actual future administrative cost to process an application.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

Measure: Increase Activity - Increase in Community Development Activities Over Prior Year for All BEA Program Applicants (\$ millions) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	307	134	81	100	180
Actual	307	103	318	227	
Target met?	Y	N	Y	Y	
<b>Definition:</b> This measures the Bank Enterprise Award (BEA) applicants' increase in qualified community development activities over prior year.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Each BEA Program applicant is required to submit an application containing a Report of Transactions. The BEA Program Unit administers the BEA application. All reports are submitted electronically and the data is stored in the Fund's databases.					
<b>Data Verification and Validation:</b> The data is self-reported by applicants during the application process.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Actual Increased Activity of BEA Program Applicants totaled \$227 million in fiscal year 2007, surpassing the Fund's Final Target of \$100 million by nearly 127 percent. Annual Increased Activity targets are based on a five-year historical projection model. Based on the number of applications and volume of increased activity demonstrated over the past five funding rounds, the Fund expects to meet or exceed its fiscal year 2008 Final Target of \$180 million.					

Measure: Administrative Costs per Number of Native American CDFI Assistance (NACA) Applications Processed (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	10050	9090	9090
Actual		10050	8130	13510*	
Target met?	N/A	Y	Y	N	
<b>Definition:</b> The Fund will determine the total cost associated with Native American CDFI Assistance (NACA) applications based on fixed and variable costs.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Fund will capture this information through budget documentation.					
<b>Data Verification and Validation:</b> The Fund will determine the total cost of a single NACA application based on material costs as well as the amount staff and contractor time per application.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Estimate. Function of allocated costs and number of applications received. Percent increase in allocated costs higher than percent increase in number of applications received (compared to prior year). Due to very small number of applications, small change in number of applications or allocated costs can have a significant effect on this measure. The future targets were based on the fiscal year 2007 (draft) actual costs. We assume that any increase in future costs will be offset by a corresponding increase in the number of applications received. However, we have virtually no ability to control the number of applications received, and so we have little ability to control the actual future administrative cost to process an application.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

<b>Measure: Private Equity - Amount of Investments in Low-Income Communities that Community Development Entities (CDEs) Have Made with Capital Raised Through Their New Markets Tax Credit (NMTC) Tax Credit Allocations (\$ billions) (De)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>	Baseline	1.4	1.6	2.1	2.5
<b>Actual</b>	.1	1.1	2	2.5	
<b>Target met?</b>	<b>Y</b>	<b>N</b>	<b>Y</b>	<b>Y</b>	
<b>Definition:</b> Amount of investments in Low Income Communities that Community Development Entities have made with capital raised through their New Markets Tax Credits (NMTC) allocations. The Fund will report NMTC Qualified Low-Income Community Investments (QLICs) that are supported by NMTC Qualified Equity Investments (QEIs).					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Fund will capture the data in the CDEs' annual Institution Level and Transaction Level Reports.					
<b>Data Verification and Validation:</b> CDEs will attract private sector equity in the form of QEIs. CDEs will have 12 months to invest these QEIs in QLICs. The CDEs will self-report QLICs in their annual Transaction Level Report. The Fund uses these reports for research, reporting, and compliance. The Fund is confident that CDEs will accurately report, as the consequence of misinformation may be recapture of the New Markets Tax Credits.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> "From 2005 thru 2007, the number of loans as a result of the NMTC program for qualified low income community investments in real estate/business support increased from 249 to 545 with an associated loan amount increasing from \$855M to \$2.5B. An additional 37 CDEs participated during this reporting period with a cumulative total of 128 for the entire program. For the new fiscal year, an additional 63 allocatees (press release 6/1/07) were designated so next year's performance should meet if not exceed the proposed target.					

<b>Measure: Administrative Costs per Number of New Markets Tax Credit (NMTC) Applications Processed (\$) (E)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>		Baseline	5390	4875	4875
<b>Actual</b>		5390	4360	5320*	
<b>Target met?</b>	N/A	<b>Y</b>	<b>Y</b>	<b>N</b>	
<b>Definition:</b> The cost per application for New Markets Tax Credit (NMTC) applications.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Fund will analyze the cost of materials as well as staff time and contractor's time to determine the total fixed and variable cost per application.					
<b>Data Verification and Validation:</b> The Fund will conduct an analysis of the total cost of processing a single NMTC application. The analysis will include both fixed and variable costs for the project.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Estimate. Function of allocated costs and number of applications received. Percent increase in allocated costs higher than percent increase in number of applications received (compared to prior year). The future targets were based on the fiscal year 2007 (draft) actual costs. We assume that any increase in future costs will be offset by a corresponding increase in the number of applications received. However, we have virtually no ability to control the number of applications received, and so we have little ability to control the actual future administrative cost to process an application.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

Measure: U.S. Unemployment Rate (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	5.6	5.3	5.2	5.1	Discontinued
Actual	5.4	5.1	4.6	4.5	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> The percentage of the U.S. labor force reported as unemployed in the last quarter of the reference fiscal year.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Data are collected from the U.S. Department of Labor, Bureau of Labor Statistics					
<b>Data Verification and Validation:</b> Data are drawn from the U.S. Department of Labor, Bureau of Labor Statistics and checked twice to make sure the data are accurate.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> The Treasury Department recognizes that this measure is actually an indicator. The Department does not have control over the success of this measure. A more meaningful measure will be developed in fiscal year 2008					

Measure: U.S. Real Gross Domestic Product (GDP) Growth Rate (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	3.5	3.6	3.4	3.3	Discontinued
Actual	4.5	3.6	3	2.4	
Target met?	Y	Y	N	N	
<b>Definition:</b> Real GDP is the most comprehensive measure of economic activity and is compiled throughout the year to reflect developments in each calendar quarter.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Data are provided by the Department of Commerce, Bureau of Economic Analysis (BEA).					
<b>Data Verification and Validation:</b> Data is drawn from the Department of Commerce, Bureau of Economic Analysis, and checked twice to make sure the data is accurate.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> Real GDP grew more slowly than expected largely due to weakness in the homebuilding sector, which is slumping after several years of above-average growth. The decline in homebuilding activity has been deeper than expected. The Treasury Department recognizes that this measure is actually an indicator. The Department does not have control over the success of this measure. A more meaningful measure will be developed in fiscal year 2008					

Measure: Percentage of Licensing Applications and Notices Completed within Established Timeframes (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	95	95	95	95	95
Actual	96	96	94	96	
Target met?	Y	Y	N	Y	
<p><b>Definition:</b> This measure reflects the extent to which OCC meets its established timeframes for reaching decisions on licensing applications and notices. The OCC's timely and effective approval of corporate applications and notices contributes to the nation's economy by enabling national banks to engage in corporate transactions and introduce new financial products and services.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The Chief Counsel's office uses the Corporate Activity Information System (CAIS) to identify applications completed during the fiscal year. For each filing, the actual decision date is compared to the target action date to determine whether the application was completed within established standards. The percentage is determined by comparing the number of licensing applications processed within the required timeframes to the total number of licensing applications processed during the fiscal year. The processing time is the number of calendar days from the date of OCC receipt to the date of OCC's decision. The established processing timeframe depends on the application type and if the application qualifies for expedited processing.</p>					
<p><b>Data Verification and Validation:</b> The Licensing Department tracks processing of all applications and notices through the Corporate Activity Information System (CAIS). The analyst who is assigned the application will verify the accuracy of the CAIS data as the application is processed. The senior analyst or manager who approves the final decision also verifies the accuracy of the CAIS data.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> OCC plans to maintain its high level of timeliness in completing licensing applications and notices by hiring qualified staff as vacancies arise; providing staff training through annual conferences and rotational assignments, revising licensing manuals to address new circumstances and changed policies; and maintaining frequent communications between Headquarters office management and licensing analysts and District Office staff.</p>					

Measure: Percentage of Permit Application (original and amended) Processed by the National Revenue Center within 60 days (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		67	80	80	80
Actual		81	86	85.09	
Target met?	N/A	Y	Y	Y	
<p><b>Definition:</b> The portion of permit applications (original and amended) that are processed with sixty days of receipt at the NRC.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> NRC generates statistical reports, searches and queries. In-place data integrity controls exist within the application to validate the data.</p>					
<p><b>Data Verification and Validation:</b> NRC maintains data in the IRIS database that reflects receipt date and issued or closed date.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> TTB reengineered its function in this area in fiscal year 2005. The immediate returns on that reengineering work became immediately evident as TTB continues to find ways to maintain increased permit levels with similar FTE levels.</p>					

Measure: Percentage of COLA Approval Applications Processed within 9 Calendar Days of Receipt (%) (E) (This measure will become inactive beginning in FY 2008.)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	60	30	55	45	Discontinued
Actual	23	50	44	42	
Target met?	N	Y	N	N	
<b>Definition:</b> The percentage of Certificate of Label Applications (COLA) processed electronically and by paper within 9 days of receipt.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Data is captured thru the COLAs Online data base system. There are periodic statistical reports, searches, and queries that are generated.					
<b>Data Verification and Validation:</b> There are statistical reports, searches and queries that are generated. In addition, there are data integrity controls in place within the application to validate the data.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> This measure will be discontinued in fiscal year 2008 as TTB incorporates new COLA measures. Also, this measure has lost its apples-to-apples comparisons as complexity in industry marketing has changed significantly since the measure was developed in the early 1990s.					

### Strategic Outcome:

Competitive capital markets

There are currently NO measures for this outcome.

**Strategic Outcome:**

## Free trade and investment

Measure: Number of New Free Trade Agreement (FTA) Negotiations and Bilateral Investment Treaty (BIT) Negotiations Underway or Completed (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		5	9	7	Discontinued
Actual		7	12	10	
Target met?	N/A	Y	Y	Y	
<p><b>Definition:</b> The number of international trade or investment agreements underway or completed during the period and the number of those that reflect commitments to high standards such as that includes new commitments by a foreign government to open its financial services markets to U.S. providers. It includes bilateral agreements and multilateral undertakings (e.g., WTO) from which the U.S. benefits.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> International Affairs staff and U.S. Trade Representative's office reporting.</p>					
<p><b>Data Verification and Validation:</b> Based upon a count by International Affairs staff responsible for such negotiations and verifiable by reference to U.S. Trade Representative's office of financial services and investment.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> Treasury is committed to working with foreign governments to open financial services markets to U.S. providers. This goal is accomplished by increasing the number of new Free Trade Agreement (FTA) negotiations and Bilateral Investment Treaty (BIT) negotiations. Treasury continues to seek strong commitments from U.S. trading partners in these negotiations to ensure those markets are available to the U.S. on a fair and open basis. Once implemented, these agreements serve as a core element of U.S. trading partner's economic infrastructure and help enhance international economic and financial stability. Treasury is on track to surpass its target to negotiate seven such agreements in fiscal year 2007. The Trade Promotion Authority, the authority for negotiating trade agreements, expired in 2007. Given this uncertainty, it is difficult to predict the future trade agenda. This measure will be discontinued for fiscal year 2008, and will be replaced with a trade metric that expands the scope of treaties and agreements.</p>					

## Strategic Outcome:

Prevented or mitigated financial and economic crises

Measure: Percentage of National Banks with Composite CAMELS Rating 1 or 2 (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	90	90	90	90	90
Actual	94	94	95	96	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> This measure reflects the overall condition of the national banking system at fiscal year-end. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for assimilating and evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are made on: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk. The rating scale is 1 through 5 where 1 is the highest rating granted.</p>					
<p><b>Indicator Type:</b> Indicator</p>					
<p><b>Data Capture and Source:</b> The Supervisory Information office identifies the current composite ratings from Examiner View (EV) and Supervisory Information System (SIS) at fiscal year-end. The number of national banks at fiscal year-end is obtained from the Federal Reserve Board's National Information Center database. The percentage is determined by comparing the number of national banks with current composite CAMELS ratings of 1 or 2 to the total number of national banks at fiscal year-end.</p>					
<p><b>Data Verification and Validation:</b> Either quarterly or semi-annually, an independent reviewer compares a sample of Reports of Examination to the Examiner View (EV) and Supervisory Information System (SIS) data to ensure the accuracy of the recorded composite ratings. Any discrepancies between the supporting documentation and the systems data are reported to the respective Assistant Deputy Comptroller or Deputy Comptroller for corrective action.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> To sustain this level of achievement, the OCC will execute its Bank Supervision Operating Plan that focuses on credit quality, allowance of loan and lease losses (ALLL) adequacy, off-balance-sheet activities, liquidity and interest rate risk management, consumer protection, and Bank Secrecy Act/Anti-money Laundering compliance. The OCC also will continue recruiting entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.</p>					



Measure: Rehabilitated Problem National Banks as a Percentage of the Problem National Banks One Year Ago (CAMELS 3, 4 or 5) (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	40	40	40	40	40
Actual	40	44	46	52	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> This measure reflects the successful rehabilitation of problem national banks during the past twelve months. Problem banks can ultimately reach a point where rehabilitation is no longer feasible. The OCC's early identification of and intervention with problem banks can lead to successful remediation of problem banks.</p>					
<p><b>Indicator Type:</b> Indicator</p>					
<p><b>Data Capture and Source:</b> The Supervisory Information office in OCC's headquarters office uses Examiner View (EV) and the Supervisory Information System (SIS) to identify and compare the composite CAMELS ratings for problem banks from twelve months prior to the current period composite CAMELS ratings for the same banks. The percentage is determined by comparing the number of national banks that have upgraded composite CAMELS ratings of 1 or 2 from composite CAMELS ratings of 3, 4 or 5 to the total number of national banks that had composite CAMELS ratings of 3, 4 or 5 twelve months ago.</p>					
<p><b>Data Verification and Validation:</b> Either quarterly or semi-annually, an independent reviewer compares a sample of Reports of Examination to the Examiner View (EV) and Supervisory Information System (SIS) data to ensure the accuracy of the recorded composite ratings. Any discrepancies between the supporting documentation and the systems data are reported to the respective Assistant Deputy Comptroller or Deputy Comptroller for corrective action.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> To sustain this level of achievement, the OCC will execute its Bank Supervision Operating Plan that focuses on banks with the highest degree of problems and to work with those banks to resolve their problems in order to ensure the national banking system remains stable and strong. The OCC also will continue its recruiting of entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.</p>					

Measure: Percentage of National Banks that are Categorized as Well Capitalized (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	95	95	95	95	95
Actual	99	99	99	99	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> This measure reflects whether the national banking system is well capitalized at fiscal year-end. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.</p>					
<p><b>Indicator Type:</b> Indicator</p>					
<p><b>Data Capture and Source:</b> National banks file quarterly Reports of Condition and Income with the Federal Finance Institution Examination Council through the Federal Deposit Insurance Corporation's data processing center. The Supervisory Information office reviews the Reports of Condition and Income (i.e., call reports) for each quarter to identify national banks that meet all of the criteria for a well capitalized institution. The number of national banks at fiscal year-end is obtained from the Federal Reserve Board's National Information Center database. The percentage is determined by comparing the number of national banks that meet all of the established criteria for being well capitalized to the total number of national banks at fiscal year-end.</p>					
<p><b>Data Verification and Validation:</b> The banks' boards of directors attest to the accuracy of the reported data. The reliability of these quarterly reports is evaluated by OCC examiners during bank examinations.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> To sustain this level of achievement, the OCC will execute its Bank Supervision Operating Plan that focuses on the capitalization levels of all national banks to ensure that our examination process focuses on banks that have or may develop problems related to capitalization levels. The OCC also will continue its recruiting of entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.</p>					

Measure: Percentage of National Banks with Consumer Compliance Rating of 1 or 2 (%) (De)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	94	94	94	94	94
Actual	96	94	94	97	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> This measure reflects the national banking system's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for assimilating and evaluating significant consumer compliance factors inherent in a bank. Each bank is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 in increasing order of supervisory concern.</p>					
<p><b>Indicator Type:</b> Indicator</p>					
<p><b>Data Capture and Source:</b> The Supervisory Information office identifies the number of banks with current consumer compliance ratings of 1 or 2 and the total number of national banks from Examiner View (EV) and Supervisory Information System (SIS) subject to consumer compliance examinations at fiscal year-end. The percentage is determined by comparing the number of national banks with current consumer compliance ratings of 1 or 2 to the total number of national banks subject to consumer compliance examinations at fiscal year-end.</p>					
<p><b>Data Verification and Validation:</b> Consumer compliance ratings are assigned at the completion of each consumer compliance examination. These ratings are entered into OCC's management information systems, Examiner View (EV) and Supervisory Information System (SIS), by the banks' Examiner-in-Charge and reviewed and approved by the Supervisory Offices' Assistant Deputy Comptroller (Mid-Size/Community banks) or Deputy Comptroller (Large banks).</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> To sustain this level of achievement, the OCC will execute its Bank Supervision Operating Plan that encourages and ensures that national banks have strong compliance management functions in place. The OCC also will continue its recruiting of entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.</p>					

Measure: Total OCC Costs Relative to Every \$100,000 in Bank Assets Regulated (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			Baseline	9.55	9.55
Actual			8.84	8.89	
Target met?	N/A	N/A	Y	Y	
<p><b>Definition:</b> This measure reflects the efficiency of OCC operations while meeting the increasing supervisory demands of a growing and more complex national banking system.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. Banks assets are those reported quarterly by national banks on their Reports of Condition and Income.</p>					
<p><b>Data Verification and Validation:</b> OCC's financial statements and controls over the data are audited by an independent accountant each year. National banks file quarterly Reports on Condition and Income with the FFIEC through the FDIC's data processing center. The banks' boards of directors attest to the accuracy of the reported data. The reliability of these quarterly reports is evaluated by OCC examiners during bank examinations.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> OCC will continue to evaluate our examination and management processes to ensure efficient operations.</p>					

Measure: Percent of Thrifts with Composite CAMELS Ratings of 1 or 2 (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	90	90	90	90	90
Actual	93	94	93	93	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> On December 9, 1996, the FFIEC adopted the CAMELS rating system as the internal rating system to be used by the Federal and State regulators for assessing the safety and soundness of financial institutions on a uniform basis. The CAMELS rating system puts increased emphasis on the quality of risk management practices. “CAMELS” stands for Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk. OTS assigns a composite CAMELS rating to savings associations at each examination and may adjust the rating between examinations if the association’s overall condition has changed. New savings associations are typically not assigned a composite CAMELS rating until the first examination. OTS adjusts the level of supervisory resources devoted to an association based on the composite rating. The CAMELS rating is based upon a scale of 1 through 5 in increasing order of supervisory concern.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Composite CAMELS ratings are stored in and retrieved from the online Examination Data System. OTS calculates this measure by dividing the number of savings associations having a composite CAMELS rating of 1 or 2 by the total number of OTS-regulated savings associations that have been assigned a composite CAMELS rating.</p>					
<p><b>Data Verification and Validation:</b> Summary and detail reporting of CAMELS ratings are available online through the Examination Data System and are provided to each association at the conclusion of an exam. The composite rating is used semi-annually in the assessment process. The Assistant Managing Director, Examinations and Supervision – Operations continuously monitors the status of exam ratings. Quarterly press releases provide a summary of the thrift industry’s CAMELS ratings to the public.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> OTS plans to maintain its current high level of achievement for this measure. The fiscal year 2008 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS’s operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.</p>					

Measure: Percent of Thrifts that are Well Capitalized (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	95	95	95	95	95
Actual	99.4	99.5	99.9	99	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> Capital absorbs losses, promotes public confidence and provides protection to depositors and the FDIC insurance funds. It provides a financial cushion that can allow a savings association to continue operating during periods of loss or other adverse conditions. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well-capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> PCA ratings are stored in the Examination Data System and can also be found in the Thrift Overview Report and off-site financial monitoring reports. OTS calculates this measure by dividing the number of savings associations that are well capitalized by the total number of OTS-regulated institutions.</p>					
<p><b>Data Verification and Validation:</b> The Assistant Managing Director, Examinations and Supervision – Operations monitors and validates the capital measures. Quarterly press releases provide capital measures to the public.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> OTS plans to maintain its current high level of achievement for this measure. The fiscal year 2008 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS’s operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.</p>					

Measure: Percent of Safety and Soundness Exams Started as Scheduled (%) (0t)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	90	90	90	90	90
Actual	94	93	94	95	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> OTS examines savings associations every 12-18 months for safety and soundness, compliance and consumer protection laws. OTS performs safety and soundness examinations of its regulated savings associations consistent with the requirements in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) as amended by the Riegle Community Development and Regulatory Improvement Act of 1994. When safety and soundness or compliance issues are identified during its risk-focused examinations, OTS acts promptly to ensure association management and directors institute corrective actions to address supervisory concerns. OTS staff often meets with the savings association's board of directors after delivery of the Report of Examination to discuss findings and recommendations.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> When a savings association is examined, OTS staff enters into the Examination Data System the examination type, examination beginning and completion dates, report of examination mail date, and CAMELS or equivalent ratings. The percentage success rate for this measure is calculated by dividing the number of examinations that were started by the number of examinations that were scheduled to be started during the review period.</p>					
<p><b>Data Verification and Validation:</b> Data regarding safety and soundness examinations started as scheduled are available from the Examination Data System. The System reports assist in scheduling examinations and monitoring past performance. When necessary, management determines why standards are not being met and will initiate steps to improve performance.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> OTS plans to maintain its current high level of achievement for this measure. The Fiscal Year 2008 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS's operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.</p>					

Measure: Total OTS Costs Relative to Every \$100,000 in Savings Association Assets Regulated (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			Baseline	14.33	14.33
Actual			13.46	13.9*	
Target met?	N/A	N/A	Y	Y	
<p><b>Definition:</b> Beginning in fiscal year 2006, OTS included a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex thrift industry. This measure supports OTS's ongoing efforts to efficiently use agency resources. The efficiency measure is impacted by the relative size of the savings associations regulated. As of June 30, 2006, 63 percent of all savings associations have total assets of less than \$250 million and are generally community-based organizations that provide retail financial services in their local markets. In addition, the measure does not include over \$7 trillion in assets of holding company enterprises regulated by OTS.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The OTS expenses published in OTS's annual audited financial statement are used in this calculation. If the performance measure calculation is provided before the audited financial statement is available, the estimated expenses are derived from OTS's Budget Variance System. The OTS regulated assets are published in the OTS quarterly press release of thrift industry financial highlights and are derived from the institutions' quarterly Thrift Financial Reports. The measure is calculated by dividing total fiscal year expenses by total thrift assets.</p>					
<p><b>Data Verification and Validation:</b> OTS expenses are verified during the annual CFO audit and reflect those published in the OTS annual audited financial statements. The industry's assets are reported by OTS's regulated institutions in the quarterly Thrift Financial Report, edited and verified by OTS staff, and then published in the OTS quarterly press release and available to the public on the OTS Internet site. OTS allows amendments from the industry for six months after the filing date.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> This estimate uses thrift asset data as of June 30, 2007 and estimated year-end 2007 OTS expenses (OTS's auditors have not yet completed our 2007 financial statement audit). This is just an estimate and may change. OTS plans to maintain its current high level of achievement for this measure. The Fiscal Year 2008 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS's operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.</p>					
<p>* Final data for this measure was not available at the time of publication. This data is an estimate.</p>					

Measure: Percentage of Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	90	90	90
Actual		78	88	92	
Target met?	N/A	Y	N	Y	
<b>Definition:</b> The percentage of grant and loan project proposals that contain a satisfactory framework for measuring project results (such as outcome indicators, quantifiable and time-bound targets, etc.) This information is measured on an annual basis.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> MDB monthly operational report, special requests to MDBs for loan and grant approvals, MDB annual reports and U.S. voting positions					
<b>Data Verification and Validation:</b> Data provided by the MDB is compared with Treasury MDB Office vote history database and internal supporting memoranda.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Semi-Annually					
<b>Future Plans/Explanation for Shortfall:</b> To help ensure that the multilateral development banks (MDBs) demonstrate results of their development assistance, the MDB office will continue to closely monitor the percentage of grants and loan proposals containing satisfactory frameworks for results measurements. Over the past few years, most of the MDBs have made substantial progress towards developing frameworks that measure the results of their development assistance. For fiscal year 2007, the annual target of 90 percent of grants and projects with results measurement frameworks was met, with 92 percent of project results frameworks meeting our test.					

Measure: Level of MDB Grant Financing and Satisfactory Results Measurements (African Development Bank/AFDF Grants) (\$ millions) (0e) [DISCONTINUED FY 2007]					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	294	216	870	Discontinued	Discontinued
Actual	65	46	700	0	
Target met?	N	N	N	N/A	
<b>Definition:</b> Captures the portion of resources provided to borrowers from each Multilateral Development Banks (MDB) in the form of grants and whether such grant financing contains a satisfactory results measurement framework. MDA provide financial support and professional advice for economic and social development activities in developing countries.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> MDB monthly operational report, special requests to MDBs for loan and grant approvals, MDB annual reports and U.S. voting positions. This information is measured on an annual basis.					
<b>Data Verification and Validation:</b> Data provided by the MDB is compared with Treasury MDB Office vote history database and internal supporting memoranda.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Semi-Annually					
<b>Future Plans/Explanation for Shortfall:</b> This measure is Discontinued for fiscal year 2007.					

Measure: Level of MDB Grant Financing and Satisfactory Results Measurements (Grants as a % of IDA FY Commitment) (0e) [DISCONTINUED FY 2007]					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	22	19.6	30.4	Discontinued	Discontinued
Actual	18.8	21.4	25		
Target met?	N	Y	N	N/A	
<b>Definition:</b> The portion of resources provided to borrowers from each Multilateral Development Banks (MDB) in the form of grants and whether such grant financing contains a satisfactory results measurement framework. MDB provide financial support and professional advice for economic and social development activities in developing countries.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> MDB monthly operational report, special requests to MDBs for loan and grant approvals, MDB annual reports and U.S. voting positions. This information is measured on an annual basis.					
<b>Data Verification and Validation:</b> Data provided by the MDB is compared with Treasury MDB Office vote history database and internal supporting memoranda.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Semi-Annually					
<b>Future Plans/Explanation for Shortfall:</b> This measure is Discontinued for fiscal year 2007.					

Measure: Level of MDB Grant Financing and Satisfactory Results Measurements (Grants as a % of AFDY FY Commitment) (0e) [DISCONTINUED FY 2007]					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	21	19.5	35	Discontinued	Discontinued
Actual	39.2	21.8	30.5	0	
Target met?	Y	Y	N	N/A	
<b>Definition:</b> The portion of resources provided to borrowers from each Multilateral Development Banks (MDB) in the form of grants and whether such grant financing contains a satisfactory results measurement framework. MDBs provide financial support and professional advice for economic and social development activities in developing countries.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> MDB monthly operational report, special requests to MDBs for loan and grant approvals, MDB annual reports and U.S. voting positions. This information is measured on an annual basis.					
<b>Data Verification and Validation:</b> Data provided by the MDB is compared with Treasury MDB Office vote history database and internal supporting memoranda.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Semi-Annually					
<b>Future Plans/Explanation for Shortfall:</b> This measure is Discontinued for fiscal year 2007.					



Measure: Encourage Movement Towards Flexible Exchange Rate Regimes (0e) [DISCONTINUED FY 2007]					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		0	4	Discontinued	Discontinued
Actual		3	2	0	
Target met?	N/A	Y	N	N/A	
<p><b>Definition:</b> Encouraging large economies with fixed or rigid exchange rate regimes to adopt flexible exchange rate regimes is a key to addressing global imbalances and assuring sustained global growth. International Affairs staff engages in and support economic dialogue with these countries, such as China, and provide technical assistance and support so those countries will be able to transition from fixed to flexible regimes. This measure captures the work Treasury is doing to support the transition, and shows the number of actions Treasury has taken to encourage flexible exchange rate regimes. Source: International Affairs staff tracks and accounts for actions undertaken during the reporting period.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> International Affairs staff tracks and accounts for actions undertaken during the reporting period.</p>					
<p><b>Data Verification and Validation:</b> Publicly available accounts of meetings (press, etc.), communiqués issued following multilateral or bilateral meetings.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Semi-Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> This measure is Discontinued for fiscal year 2007.</p>					

Measure: Percent of Thrifts with Compliance Examination Ratings of 1 or 2 (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	90	90	90	90	90
Actual	94	94	93	97	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> A uniform, interagency compliance rating system was first approved by the Federal Financial Institutions Examination Council (FFIEC) in 1980. The FFIEC rating system was designed to reflect, in a comprehensive and uniform fashion, the nature and extent of an association's compliance with consumer protection statutes, regulations and requirements. The Compliance Rating System is based upon a scale of 1 through 5 in increasing order of supervisory concern. OTS began to combine safety and soundness and compliance examinations in 2002 to attain exam efficiencies and to improve risk assessment. Using comprehensive exam procedures, compliance with consumer protection laws is reviewed at more frequent intervals, which has improved the quality of the examination process.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Compliance examination ratings are stored in the Examination Data System. OTS calculates this measure by dividing the number of OTS-regulated savings associations that received a compliance examination rating of 1 or 2 on their most recent examination by the total number of OTS-regulated savings associations that have been assigned a compliance examination rating.</p>					
<p><b>Data Verification and Validation:</b> Summary and detail reporting of compliance ratings are available online through the Examination Data System. The Assistant Managing Director, Examinations and Supervision – Operations monitors the status of compliance exam ratings.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> OTS plans to maintain its current high level of achievement for this measure. The Fiscal Year 2008 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS's operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.</p>					

**Strategic Outcome:**

Decreased gap in the global standard of living

Measure: Improve International Monetary Fund (IMF) Effectiveness and Quality Through Periodic Review of IMF Programs (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		90	90	90	90
Actual		78	100	100	
Target met?	N/A	N	Y	Y	
<b>Definition:</b> This measure tracks efforts by International Affairs (IA) staff to monitor quality of IMF country programs and ensure the application of appropriately high standards. IA staff endeavors to review each country program and provide a synopsis and recommendation for action at least one week before each program is voted on by the IMB Board. The measure tracks the percentage of times the staff review is completed in a timely manner (at least one week before Board action) to allow for alterations in language if deemed necessary.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> International Affairs staff tracks and accounts for actions undertaken during the reporting period.					
<b>Data Verification and Validation:</b> Publicly available accounts of meetings (press, etc.), communiqués issued following multilateral or bilateral meetings.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Semi-Annually					
<b>Future Plans/Explanation for Shortfall:</b> In cases when documents do not come out at least two weeks ahead of the Board date, the performance measure is adjusted accordingly.					

**Strategic Outcome:**

Commerce enabled through safe secure U.S. notes and coins

Measure: Manufacturing Costs for Currency (dollar costs per thousand notes produced) (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	35	31	28.5	32.5	33
Actual	28.06	28.83	27.49	28.71	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> An indicator of currency manufacturing efficiency and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance comparison against the standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Cost data is collected through BEP's accrual-based cost accounting system.					
<b>Data Verification and Validation:</b> BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> Final Manufacturing costs for currency for the fiscal year were \$28.71 per thousand notes produced. BEP is in the process of switching from a 32 notes per sheet printing press to a 50 notes per sheet printing process. This change will provide cost savings and economies of scale and will enhance the Bureau's ability to meet or exceed this measure.					

Measure: Percent of Currency Notes Delivered to the Federal Reserve that Meet Customer Quality Requirements (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	99.9	99.9	99.9	99.9	99.9
Actual	100	99.9	99.9	100	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> A qualitative indicator reflecting the Bureau's ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections. These inspections ensure that all counterfeit deterrent features, both overt and covert are functioning as designed.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Quality inspections are performed at each Federal Reserve Bank. Any discrepancies found are reported to BEP on a per shipment basis.					
<b>Data Verification and Validation:</b> Quality review audits are performed by internal BEP auditors on all Federal Reserve inspection systems as well as the procedures followed in reporting data to BEP. These audits are conducted on an annual basis with additional audits performed upon request by Federal Reserve Banks.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> For fiscal year 2007 100 percent of Currency notes delivered to the Federal Reserve met customer quality requirements. BEP is bringing new manufacturing equipment online that will enhance the Bureau's ability to meet or exceed this measure.					

Measure: Cost per 1000 Coin Equivalents (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	9.78	7.03	6.62	7.27	7.15
Actual	7.93	7.42	7.55	7.23	
Target met?	Y	N	N	Y	
<p><b>Definition:</b> Cost per 1000 coin equivalents is the cost of production (conversion cost) divided by the number of products made. Conversion costs are controllable costs within manufacturing. Those costs include manufacturing payroll, non-payroll, and depreciation costs. To determine the coin equivalents, an equivalency factor is assigned to each circulating denomination and numismatic product based on the resources it takes to make the product (indexed against the resources it takes to make one product – the quarter). The production quantity for each product is multiplied by the equivalency factor, resulting in a coin equivalent quantity. Thus, all denominations and products are equalized to a quarter.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Conversion costs are pulled from financial reports from the accounting system. Production data is pulled from the enterprise resource planning system via queries and converted to coin equivalents.</p>					
<p><b>Data Verification and Validation:</b> United States Mint analysts review the data pulled from the accounting system for reasonableness and accuracy on a monthly basis.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Monthly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> Fiscal Year 2007 Conversion costs were \$7.47 per 1000 CEs, or 3 percent above the target of \$7.27. This is an improvement of one percent from the fiscal year 2006 result of \$7.55. The fiscal year 2007 target was based on a production forecast of 26,669 million coin equivalents (CEs). However, during fiscal year 2007, production was 23,174 million CEs (a 15 percent reduction from the forecasted CEs). The Mint did not meet the target due to the lower CE production levels (which would warrant a higher target) and some additional costs incurred during fiscal year 2007. Coin equivalent production volumes are lower than expected due to reduced demand for bullion products, this causes fixed costs to be spread over fewer products. Conversion costs have not reduced as much as the coin equivalents because of additional labor, materials, and process costs associated with the new Presidential \$1 coins. In order to improve results, several projects are in progress or in the planning stages. These projects would expand the use of digital design and engraving to reduce some process costs, and automate material movement in the production of dollar coins. Coin equivalent production increased to 21.1 billion in fiscal year 2006 compared with 19.9 billion in fiscal year 2005, an increase of six percent. The associated conversion cost increased to \$159 million from \$147 million in fiscal year 2005, an increase of eight percent. The increase in conversion cost between fiscal year 2006 and fiscal year 2005 is the result of rising energy costs, replenishment of shipping and packaging supplies, overtime to support new numismatic products, and a 21 percent increase in depreciation expense. In fiscal year 2006, the United States Mint completed training for many manufacturing managers on lean manufacturing processes and for sales and marketing staff on project management techniques. This training will serve to eliminate unnecessary or redundant practices and should lead to improvements in plant productivity and reductions in controllable operating costs.</p>					

Measure: Order Fulfillment (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	0	0	95	96	96
Actual	0	94	95	98	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> This measure will track order fulfillment in both the circulating and numismatic products. Each component will be scaled by its percentage of the total revenue to create an index. The formula for this measure is [(circulating shipments/circulating orders) (circulating revenue/total revenue) + (numismatic orders shipped within 7 days/numismatic orders requiring shipping) (numismatic revenue/total revenue)] The numismatic revenue and total revenue components exclude bullion revenue.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> United States Mint analysts maintain circulating orders and shipment data in a database. Numismatic orders data are pulled via a query from the United States Mint's order management system. Revenue data are from the accounting system.</p> <p><b>Data Verification and Validation:</b> Order Fulfillment is a new measure that tracks the overall order fulfillment for the circulating coins shipped to the Federal Reserve and the numismatic coins sold to the public. The measure captures the percentage of orders that are shipped in a timely manner. Each component will be scaled by its percentage of the total revenue to create an index. The formula for this measure is [ (circulating shipments/circulating orders) (circulating revenue/total revenue) + (numismatic orders shipped within 7 days/numismatic orders requiring shipping) (numismatic revenue/total revenue) ]. United States Mint analysts review the data for reasonableness and accuracy regularly.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Quarterly</p> <p><b>Future Plans/Explanation for Shortfall:</b> The United States Mint order fulfillment performance at 98 percent for fiscal year 2007 surpassed the target of 96 percent. This improves upon the fiscal year 2006 result of 95 percent by three percentage points. This measure indexes the order fulfillment rates of two business lines, circulating and numismatic, by their respective revenues. This performance means that 98 percent of revenues are from products delivered on-time. The Mint will continue to foster a close relationship with the Federal Reserve to ensure that the order fulfillment rate for circulating coins remains high. Customer service to numismatic customers remains a priority, and Mint personnel will continue to closely monitor numismatic order fulfillment.</p>					

Measure: Currency Shipment Discrepancies per Million Notes (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	.01	.01	.01	.01	.01
Actual	.01	0	.01	.01	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> A qualitative indicator reflecting BEP's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> The customer captures this data and report to BEP on a monthly basis.</p> <p><b>Data Verification and Validation:</b> BEP reports product discrepancy data based on monthly information provided by the customer.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Quarterly</p> <p><b>Future Plans/Explanation for Shortfall:</b> Currency shipment discrepancies percent per million notes for fiscal year 2007 was .01 percent. BEP is bringing new inspection equipment online that will enhance the Bureau's ability to meet or exceed this measure.</p>					

Measure: Security Costs per 1000 Notes Delivered (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	Baseline	5.95	6.25	6.00	5.65
Actual	5.95	5.75	6	5.92	
Target met?	Y	Y	Y	Y	
<p><b>Definition:</b> An indicator reflecting the cost of providing effective and efficient product security and accountability. This standard is developed annually based on the past year's cost performance and anticipated cost increases. The formula used to calculate this measure is the total cost of security divided by the number of notes produced divided by 1000.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> Cost data is collected through BEP's accrual-based cost accounting system. This standard is developed annually based on the past year's cost performance and anticipated cost increases.</p> <p><b>Data Verification and Validation:</b> BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Quarterly</p> <p><b>Future Plans/Explanation for Shortfall:</b> Security costs per 1000 notes delivered for fiscal year 2007 was \$5.92. This represents a decline in cost with respect to fiscal year 2006 numbers. We expect this trend to continue as we deploy new technologies that enhance security and enable more effective use of police force resources.</p>					

Measure: Total Losses (\$) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	0	250000	15000	10000	5000
Actual	3109	1135	0	0*	
Target met?	N	Y	Y	Y	
<p><b>Definition:</b> The United States Mint performs its protection function by minimizing the vulnerability to theft or unauthorized access to critical assets. The measure is comprised of the sum of three elements 1. Financial Losses: Losses that have been reported, investigated and verified as unrecoverable; from a. Strategic reserves (Theft of Treasury Reserves) b. Coining products (Theft from the production facilities) c. Sales of products to the public (Theft by fraud) d. Other losses (Other theft). 2. Productivity losses: The cost of intentional damage or destruction of United States Mint production capability and the cost to utilize alternative productivity as needed as a result of the intentional damage or destruction. 3. Intrusion losses: The cost to repair and/or recover from intentional intrusions into United States Mint facilities and systems, either physically or electronically.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> The United States Mint Police maintains a secure database of monthly reports on incidents included in the categories above. Any theft or fraud amount determined as unrecoverable is assessed on a case-by-case basis. In the event that cost information is needed, data on the value of United States Mint assets and costs are in the ERP system.</p> <p><b>Data Verification and Validation:</b> Analysts in the Protection organization compile and analyze the incident data on a monthly basis. Protection senior management reviews the total losses report for reasonableness and accuracy and reports to United States Mint management on a quarterly basis.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Quarterly</p> <p><b>Future Plans/Explanation for Shortfall:</b> The United States Mint is initiating a review the Total Losses measure and as a result, the fiscal year 2007 result is not yet available. The fiscal year 2007 results will be reported in subsequent budget reports and in the fiscal year 2008 annual report. The Mint Police is strengthening procedures and relationships with law enforcement partners with the goal of minimizing risks to persons, assets, and property.</p> <p>* Final data for this measure was not available at the time of publication. This data is an estimate.</p>					

Measure: Protection Cost per Square Foot (\$) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	0	31.86	32	32.99	32.5
Actual	32.51	32.43	32.49	31.75	
Target met?	N	N	N	Y	
<b>Definition:</b> Protection cost per square foot is the Protection operating costs divided by the area of usable space in square feet that the United States Mint Police protects. Usable space is defined as 90 percent of total square footage. The year-to-date result is then annualized on a straight-line basis.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Protection costs are automatically pulled from the United States Mint's accounting system on a monthly basis. The square footage is relatively stable and is monitored by the Protection office and United States Mint management.					
<b>Data Verification and Validation:</b> United States Mint analysts review the data for reasonableness and accuracy on a monthly basis.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Monthly					
<b>Future Plans/Explanation for Shortfall:</b> Protection cost per square foot is \$31.75 for fiscal year 2007, lower than the target of \$32.99 by 4 percent. This result is an improvement of 2 percent from the fiscal year 2006 result of \$32.49. The Mint police made efforts to curtail some travel expenses, and actual expenses related to a planned buyout authority ended up lower than expected. The Mint Police will continue efforts to contain costs, while maintaining proper operations to fulfill protection responsibilities. Projects to automate entry and exit at facilities are expected to reduce the need for staffing costs associated with these functions.					

Measure: Cycle Time (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	53	53	67	75	Discontinued
Actual	85	69	72	61	
Target met?	N	N	N	Y	
<b>Definition:</b> Cycle time is the length of time from when material enters a production facility until it is delivered to the customer.					
<b>Indicator Type:</b>					
<b>Data Capture and Source:</b> Data for each element is pulled from the United States Mint's Enterprise Resource Planning system.					
<b>Data Verification and Validation:</b> United States Mint analysts review the data pulled from the accounting system for reasonableness and accuracy on a monthly basis.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> This measure is being discontinued in fiscal year 2008.					

## STRATEGIC GOAL: PREVENTED TERRORISM AND PROMOTED THE NATION'S SECURITY THROUGH STRENGTHENED INTERNATIONAL FINANCIAL SYSTEMS

### Strategic Outcome:

Removed or reduced threats to national security from terrorism, proliferation of weapons of mass destruction, narcotics trafficking and other criminal activity on the part of rogue regimes, individuals, and their support networks

Measure: Number of Countries that are Assessed for Compliance with the Financial Action Task Force (FATF) 40+9 Recommendations (0t)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	45	6	12
Actual		49	5	6	
Target met?	N/A	Y	N	Y	
<p><b>Definition:</b> TFFC is the lead Treasury component and representative to the Financial Action Task Force (FATF). As such, TFFC is responsible for leading international efforts to identify and close money laundering and terrorist financing vulnerabilities in the international financial system, and to ensure that countries throughout the world comply with international anti-money laundering/counter-terrorist financing standards. In concert with the international community, Treasury is deploying a three-prong strategy that 1) objectively assesses all countries against the FATF 40+9, 2) provides capacity-building assistance for key countries in need and 3) isolates and punishes those countries and institutions that facilitate terrorist financing. TFI is working with international bodies like FATF, IMF (International Monetary Fund) and World Bank to ensure compliance. The IMF and World Bank have adopted the FATF 40+9 and they use those standards to assess countries for compliance.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Data collected by the Department of Treasury's Office of Terrorism and Financial Intelligence (TFI); Terrorist Financing and Financial Crimes (TFFC).</p>					
<p><b>Data Verification and Validation:</b> TFFC data undergoes multiple quality checks to ensure accuracy.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Annually</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> Assessing compliance for the FATF 40+9 recommendations is crucial to identifying money laundering and terrorist financing vulnerabilities, and is one of the most effective levers to encourage reforms. Through participation by international bodies such as FATF, IMF, and World Bank, assessments for compliance with FATF's standards should become more widespread. Treasury will continue efforts to increase assessments and international cooperation, which will allow TFFC to pursue vital international initiatives relating to trade-based money laundering, cross border funds reporting, and the abuse of charities for terrorist financing, for example. Growth in the number of countries assessed reflects increased acceptance of key international standards and should focus attention on key money laundering and terrorist financing issues and remaining implementation challenges.</p>					



Measure: Increase the Number of Outreach Engagements with the Charitable and International Financial Communities (0t)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		Baseline	105	70	70
Actual		95	45	85	
Target met?	N/A	Y	N	Y	
<p><b>Definition:</b> The effectiveness of the USG's efforts to combat terrorist financing and other forms of illicit finance depends upon the understanding and cooperation of the domestic and international private sector, particularly the financial services industries and other vulnerable sectors such as charities. The Office of Terrorist Finance and Financial Crimes (TFFC) outreach engagements allows the USG to assess first-hand domestic and international Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) practices by governments and private institutions alike and engage with these entities to ensure that they safeguard themselves and the financial system against illicit activity. When followed-up consistently, this outreach has proven to be one of our most efficacious tools for changing behavior, raising awareness, and improving capacity among foreign governments as well as domestic and foreign institutions with gaps in their AML/CFT programs.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> Data collected by the Department of Treasury's Office of Terrorism and Financial Intelligence (TFI); Terrorist Financing and Financial Crimes (TFFC).</p> <p><b>Data Verification and Validation:</b> Department of the Treasury's TFI data based on outreach events.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Annually</p> <p><b>Future Plans/Explanation for Shortfall:</b> Engagement with the international and charitable sectors has always played a key role in TFFC's work. Bilateral and multilateral engagements with the public and private sectors have enabled TFFC to promote and promulgate greater transparency and accountability in financial systems worldwide. Looking ahead to fiscal year 2008, TFFC aims to broaden and deepen these engagements yet further by improving USG understanding of private sector challenges, private sector understanding of illicit financing threats, and implementation of effective AML/CFT safeguards across the private and charitable sectors. *These figures do not include classified initiatives.</p>					

Measure: Percent of Forfeited Cash Proceeds Resulting from High-impact Cases (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	75	75	75	75	75
Actual	83.95	81	72.93	84.18	
Target met?	Y	Y	N	Y	
<p><b>Definition:</b> A "high impact case" is a case, based on designation or executive order, resulting in a cash forfeiture equal to or greater than \$100,000. This measure is calculated by dividing the amount of cash forfeited in amounts equal to or greater than \$100,000 (as measured by individual deposits that are equal to or greater than \$100,000) divided by the total amount of cash forfeitures to the Fund (as of the end of the year, or other reporting period.)</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> The Treasury Forfeiture Fund is able to capture this data on a monthly basis and the source of the data is the Detailed Collection Report (DCR).</p> <p><b>Data Verification and Validation:</b> The source of the data that supports our performance calculation comes from the general ledger of the Treasury Forfeiture Fund which data is audited annually pursuant to our financial statement audit. Therefore, the annual financial statement audit process serves to "verify and validate" the data used to support our performance measure on an annual basis.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Quarterly</p> <p><b>Future Plans/Explanation for Shortfall:</b> Our final performance against the 2007 target is 84.18 percent. "The Treasury Forfeiture Fund exceeded its annual target of 75 percent for high-impact forfeitures, reflecting a banner year for forfeiture revenue in fiscal year 2007. Management will continue to emphasize high-impact forfeitures to our participating bureaus and to fund those categories of expense that enhance the bureaus' ability to pursue this type of case. Our target performance of 75 percent continues to be appropriate for this performance measure."</p>					

Measure: Number of Open Civil Penalty Cases that are Resolved within the Statute of Limitations Period (0t)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
<b>Target</b>		Baseline	85	85	120
<b>Actual</b>		85	85	296	
<b>Target met?</b>	N/A	Y	Y	Y	
<b>Definition:</b> Timely imposition of civil penalties plays a major role in deterring and appropriately punishing violations of sanctions by U.S. persons. OFAC receives a very high volume of law enforcement referrals regarding potential violations. It is devising strategies to reduce the backlog of civil penalty and enforcement actions and increase efficiency in drafting warning and cautionary letters, assessing penalties, negotiating penalty resolutions and processing monetary penalties.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> OFAC database.					
<b>Data Verification and Validation:</b> TBD					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> Timely imposition of civil penalties plays a major role in deterring and appropriately punishing violations of sanctions by U.S. person. OFAC receives a very high volume of law enforcement referral regarding potential violations. In fiscal year 2008, OFAC will continue to devise strategies to reduce the backlog of civil penalty and enforcement actions and increase efficiency in drafting warnings and cautionary letters, assessing penalties, negotiating penalty resolutions and processing monetary penalties. In fiscal year 2007, 296 civil penalty cases were resolved within the statute of limitations. This satisfied the target of 85 cases, which had been established in fiscal year 2006. OFAC has assessed this target and decided to raise it to 120 cases for fiscal year 2008 and fiscal year 2009.					

**Strategic Outcome:**

Safer and more transparent U.S. and international financial systems

Measure: Average Time to Process Enforcement Matters (in years) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	1.2	1.1	1	1	1
Actual	1	1.3	1	1.1	
Target met?	Y	N	Y	N	
<b>Definition:</b> The average time to process an enforcement matter is determined from the date a case is referred from the Office of Compliance to the date the charging (or action) letter is issued.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The data for this measure is captured through an internal database that stores enforcement matters. The database records the date cases are received, the analyst assigned, the statute of limitations date, and the date each case was closed.					
<b>Data Verification and Validation:</b> The enforcement matters are entered into the automated log and evaluated to determine whether there is enforcement potential through a civil monetary penalty or otherwise. FinCEN has established time management guidelines to reduce the average processing time for civil penalty cases.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> FinCEN works closely with its regulatory partners to take enforcement action against institutions that systemically and egregiously violate the provisions of the BSA, including through imposition of civil money penalties in appropriate matters. Timely enforcement action communicates urgency to financial institutions, and is paramount to deterring non-compliance. In fiscal year 2007, FinCEN experienced a slight increase in the average processing time, exceeding the 1.0 year average by 21 days, resulting in an average of 1.1 years. This was the result of two enforcement cases that closed in the fourth quarter of fiscal year 2007 after abnormally long periods of time. Each of those enforcement actions was taken on a joint/concurrent basis with both the Department of Justice and the respective financial supervisor(s), which also had to complete their respective investigations. Moreover, the process of coordination with other interested government authorities, which itself is a Departmental priority, will often require longer time periods than unilateral actions. As such, the time periods of these two cases were outliers, and FinCEN will reconsider in the future whether the processing time target is appropriate for joint enforcement actions, as the timing of the announcement of these will not necessarily reflect when FinCEN has completed its enforcement review.					

<b>Measure: Number of Federal and State Regulatory Agencies with which FinCEN has Concluded Memoranda of Understanding/ Information Sharing Agreements</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>		Baseline	45	50	52
<b>Actual</b>		41	48	50	
<b>Target met?</b>	N/A	<b>Y</b>	<b>Y</b>	<b>Y</b>	
<p><b>Definition:</b> This measure tracks the number of Memoranda of Understanding agreements the Office of Compliance concludes with other regulators of targeted jurisdictions. This measure is meaningful because it tracks our progress in sharing information on Bank Secrecy Act compliance with the regulatory agencies that either have delegated authority to examine for Bank Secrecy Act compliance or are expending resources to review for Bank Secrecy Act compliance under other authorities (for example, many states have Bank Secrecy Act-style laws/regulations or have laws that require compliance with all applicable laws and regulations). Some states must pass legislation to permit information sharing with the Financial Crimes Enforcement Network. Ultimately, information derived from these agreements will allow us to meet the intermediate outcome measure of improving our ability to monitor industry compliance.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Office of Compliance-maintained list of Memorandum of Understanding agreements with targeted regulators.</p>					
<p><b>Data Verification and Validation:</b> List can be checked against signed Memorandum of Understanding agreements in files. A monthly list is prepared for the regulators.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> FinCEN continues to increase compliance activities to monitor financial institutions examined for BSA compliance by state and federal regulators through entering into memoranda of understanding (MOU) to exchange information. In 2007, FinCEN executed two additional such agreements and has met its fiscal year 2007 target of 50. MOUs help ensure effective application of the BSA regulations across all regulated financial service industries by providing a solid foundation for FinCEN to improve upon its ability to monitor industry compliance by providing vital data on various industry sectors.</p>					

Measure: Percentage of Customers Finding FinCEN's Analytic Reports Highly Valuable					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target				Baseline	79
Actual				82	
Target met?	N/A	N/A	N/A	Y	
<p><b>Definition:</b> The percentage of customers (domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable. This is composite measure compiled from survey results. The survey looks at the impact of FinCEN's analysis products, such as whether the product was used to open a new investigation, whether it generated new leads, or whether it provided information previously unknown.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> Annual Surveys</p> <p><b>Data Verification and Validation:</b> The vendor survey team developed questionnaires for customers, with FinCEN input. They conducted e-mail and/or telephone surveys of FinCEN's customers in the investigative/intelligence community, financial community and inhouse customers. A comprehensive report and presentation was provided at the conclusion of the survey.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Annually</p> <p><b>Future Plans/Explanation for Shortfall:</b> FinCEN supports law enforcement and its regulatory industry partners by facilitating information sharing and providing analyses of BSA information and measures the percentage of customers finding FinCEN's analytic reports highly valuable. FinCEN has revised this measure as a result of the fiscal year 2006 PART process to more accurately target its disparate audiences as well as its different products. The reformulated measure more closely ties to how BSA information is used by law enforcement, regulators and international partners to identify, investigate, and prevent abuse of the financial system. In fiscal year 2007 FinCEN surpassed its target of 78 percent with 82 percent of its customers finding the analytic products highly valuable.</p>					

Measure: Percentage of Customers Satisfied with the BSA E Filing (De)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target			Baseline	90	90
Actual			92	94	
Target met?	N/A	N/A	Y	Y	
<p><b>Definition:</b> The measure will assess the components of BSA Direct. This will begin with the E-Filing component of BSA Direct in fiscal year 2006. Feedback will be used to improve the system and customize it for user populations. This measure is linked to the performance goal "Accelerate the secure flow of financial information from the industries subject to the Bank Secrecy Act requirements to the law enforcement agencies that use it." The measure is meaningful because it tracks our progress toward serving the number of law enforcement and regulatory agency users accessing the BSA information through BSA Direct to support their own cases and investigations.</p> <p><b>Indicator Type:</b> Measure</p> <p><b>Data Capture and Source:</b> Active status user survey</p> <p><b>Data Verification and Validation:</b> Survey information is captured in a database.</p> <p><b>Data Accuracy:</b> Reasonable</p> <p><b>Data Frequency:</b> Annually</p> <p><b>Future Plans/Explanation for Shortfall:</b> FinCEN conducted a survey of the users of the BSA E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. FinCEN meet its target with 94 percent of respondents satisfied. The fiscal year 2007 target was to maintain at a least 90 percent satisfaction level. The information and the technology used to facilitate analysis are at the core of FinCEN's mission to deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.</p>					

Measure: Percentage of Bank Examinations Conducted by the Federal Banking Agencies Indicating a Systemic Failure of the Anti-money Laundering Program Rule					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target				Baseline	5.2
Actual				5.2	
Target met?	N/A	N/A	N/A	Y	
<p><b>Definition:</b> The percentage of bank examinations that reveal the existence of systemic compliance failure (i.e., demonstrated by cited violations of the anti-money laundering program rule) is a meaningful measure because it provides an intermediate assessment of the effectiveness of the efforts of the Regulatory Policy and Programs Division's three offices in providing policy guidance and taking formal and informal compliance and enforcement actions to increase financial industry compliance with the Bank Secrecy Act. At the present time, the only financial sector from which we are receiving useful data to quantify this measure is the banking sector supervised and examined for Bank Secrecy Act compliance by the Federal Banking Agencies.</p>					
<b>Indicator Type:</b>					
<b>Data Capture and Source:</b> The Federal Banking Agencies aggregated information provided pursuant to the Memorandum of Understanding executed in 2004 with FinCEN.					
<b>Data Verification and Validation:</b> This information can be validated from the quarterly aggregate reports provided to FinCEN by each agency pursuant to the Memorandum of Understanding of 2004.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> As part of the 2006 Program Assessment Rating Tool (PART) process, FinCEN established a measure for the percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule and established an fiscal year 2007 baseline of 5.2 percent. Due to a three month time lag in data availability, this result is based on three quarters of fiscal year 2007 data. This measure provides an assessment of the effectiveness of FinCEN's efforts in providing policy guidance and taking formal and informal compliance and enforcement actions to increase depository institution compliance with the BSA.					

Measure: Percentage of Regulatory Resource Center Customers Rating the Guidance Received as Understandable					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		0		90	90
Actual			94	91	
Target met?	N/A	N/A	Y	Y	
<p><b>Definition:</b> The percentage of financial institution customers who contact the Resource Center and respond to a survey, who find the information/response/guidance received was understandable. Providing guidance that is understandable is a desired result and is critical for for financial institutions to establish programs that comply with the BSA.</p>					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Resource Center customer records and survey data.					
<b>Data Verification and Validation:</b> Results and data will be captured and verified by a professional survey consultant.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> FinCEN met its target. FinCEN conducted a survey of the Regulatory Resource Center customers rating regulatory guidance received as understandable and met its target with 91 percent satisfied. The target was to maintain at least a 90 percent level. Providing understandable guidance to financial institutions is critical to their establishing anti-money laundering programs that comply appropriately with the BSA.					

Measure: Percentage of Customers Finding FinCEN's Analytic Support Valuable (%) (Oe) [DISCONTINUED FY 2007]					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target		0	75	Discontinued	Discontinued
Actual		73	69	0	
Target met?	N/A	Y	N	N/A	
<b>Definition:</b> This performance measure, starting in fiscal year 2005, combines data from surveys on strategic analytical products, investigative case reports, and investigative targets.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Bi-annual surveys					
<b>Data Verification and Validation:</b> The results had a margin of error of + or - 6.1 percentage points at a 95 percent confidence level. The results were validated using standard statistical models. An average score tracking the value of the three analytical products will be used to establish an overall indicator of the value of analytic support.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Measure being revised through the fiscal year 2006 PART Process.					

## STRATEGIC GOAL: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

### Strategic Outcome:

A citizen-centered, results-oriented and strategically aligned organization

Measure: Number of Open Material Weakness (significant management problems identified by GAO, the IGs and/or the bureaus) (President's Management Agenda) Targeted for Closure in FY 2007 (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	6	4	2	1	3
Actual	8	7	1	0	
Target met?	N	N	N	N	
<b>Definition:</b> Treasury seeks to reduce and eventually eliminate the material weaknesses that currently exist within Treasury, while simultaneously taking actions which will serve to avoid new material weaknesses. Material weaknesses are significant problems with an organization's internal controls, systems' reliability, controls on waste, fraud or abuse, mission performance, and compliance with laws and regulations.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Identified by the General Accounting Office, Treasury's Inspectors General, and/or Treasury bureaus.					
<b>Data Verification and Validation:</b> Certification statement issued by head of bureau. Independent review to validate material weakness has been corrected.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> More time is needed to observe the effects of completed actions to improve IRS's controls over systems modernization, so this material weakness could not be closed in fiscal year 2007.					

Measure: Complete Investigations of EEO Complaints Within 180 Days (%) (0e)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	40	50	50	50	50
Actual	31	36	20	51.6	
Target met?	N	N	N	Y	
<b>Definition:</b> The average time it takes to complete investigations of Equal Employment Opportunity (EEO) complaints.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The Annual Federal EEO Statistical Report of Discrimination Complaints and the Department's Complaint Tracking System are the primary sources of data.					
<b>Data Verification and Validation:</b>					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> Treasury is on target to meet its goal of completing investigations of EEO complaints within 180 days. In fiscal year 2007, Treasury instituted service level standards to assess the performance of the Treasury Complaint Mega Center, which processes all EEO complaints for all Treasury bureaus. This is part of our initiative to improve our oversight of the Center, and to ensure we are working to continuously improve operations. The establishment of a Chief, Complaint Operations position is needed to assist in efforts to hold the Center accountable for the improvement in quality and reduction in timeframes to process complaints.					



Measure: Operating Expenses as a Percentage of Revenue – Consolidated/Integrated Administrative Management (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	0	4	12	12	12
Actual	4	4	4	4.3	
Target met?	N	Y	Y	Y	
<b>Definition:</b> The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.					
<b>Data Verification and Validation:</b> External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b>					

Measure: Operating Expenses as a Percentage of Revenue – Financial Management Administrative Support (%) (E)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	0	11	12	12	12
Actual	9	9	17	15.1	
Target met?	N	Y	N	N	
<b>Definition:</b> The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.					
<b>Data Verification and Validation:</b> External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b>					

<b>Measure: Operating Expenses as a Percentage of Revenue – Financial Systems, Consulting and Training (%) (E)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>	0	12	12	12	12
<b>Actual</b>	14	11	10	6.7	
<b>Target met?</b>	<b>N</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	
<b>Definition:</b> The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.					
<b>Data Verification and Validation:</b> External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b>					

<b>Measure: Injury and Illness Rate Treasury wide, including DO (0e)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>	3.12	3	2.8	2.6	1.4
<b>Actual</b>	3.94	2.8	1	1.4*	
<b>Target met?</b>	<b>N</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	
<b>Definition:</b> The number of reported work-related injuries and illnesses Treasury-wide.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Safety and Health Information Management System					
<b>Data Verification and Validation:</b> Data are collected from the Safety and Health Information Management system					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> In fiscal year 2004, the Department of Labor recognized Treasury for reducing the total injury and lost time injury rates by more than 10 percent each, well below the recommended three percent for all federal agencies. In 2007, Treasury continued its aggressive occupational safety and health program and had a 1.4 percent reduction. In February 2007, Treasury received an award from the Department of Labor for reducing injuries and illnesses, including those that resulted in time away from work, more than any other Federal Agency.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

<b>Measure: Percent of Complainants Informally Contacting EEO (for the purposes of seeking counseling or filing a complaint) Who Participate in the ADR Process (%) (0e)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>		25	25	30	30
<b>Actual</b>		25	25	29	
<b>Target met?</b>	N/A	<b>Y</b>	<b>Y</b>	<b>N</b>	
<b>Definition:</b> Equal Employment Opportunity (EEO) contact means an instance where an EEO Counselor or an ADR Intake Officer performs the counseling duties described in Chapter 2 of MD 110 (Government-wide managing directive on EEO). This is the same information which is reported in Part One; Section one of 462 reports (Government-wide EEO report). Participation means both parties agree to enter an ADR process.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Treasury's automated Complaint Tracking System.					
<b>Data Verification and Validation:</b> Data is periodically reviewed to ensure accuracy.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> Treasury has set a goal of 30 percent participation in Alternative Dispute Resolution (ADR) for individuals who contact an EEO counselor and request EEO counseling. There is no requirement established by the Equal Opportunity Commission to establish a goal for ADR, but the EEO community in Treasury believes the establishment of a goal would be a way to measure our success in improving ADR processes. For fiscal year 2007, Treasury was at 29 percent, slightly less than our goal for the year. In fiscal year 2008, we have the same goal, and will concentrate on improving ADR marketing and developing a survey to assess why individuals choose not to participate.					

<b>Measure: Management Cost per Treasury Employee (\$) (E)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>		0	40.27	38.21	Discontinued
<b>Actual</b>		39.33	40.59	29.64	
<b>Target met?</b>	N/A	<b>N</b>	<b>N</b>	<b>Y</b>	
<b>Definition:</b> Total amount obligated for Treasury's strategic objective, M5B, divided by total amount of Treasury FTEs (excluding IRS employees).					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Total amount obligated for M5B is taken from year end execution reports. The total amount of Treasury FTEs is taken by each bureau (except IRS) from the Department of Agriculture's National Finance Center database.					
<b>Data Verification and Validation:</b> Treasury's Office of Performance Budgeting staff carefully checks and verifies data.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> This measure is being discontinued in fiscal year 2008.					

<b>Measure: Bureau Performance Plans for Supervisors, Managers, and SES Members Contain Elements that Link to the Bureau Mission (%) (0e) [DISCONTINUED FY 2007]</b>					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
<b>Target</b>	75	100	100	Discontinued	Discontinued
<b>Actual</b>	77	100	100	0	
<b>Target met?</b>	Y	Y	Y	N/A	
<b>Definition:</b> The overall percentage of bureaus whose performance plans for supervisors, managers, and SES members contain elements that specifically link to the bureau mission.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> Data will include bureau feedback in response to questions posed by the Office of Human Resources Strategy and Solutions, bureau results from using the Office of Personnel Management's Performance Appraisal and Assessment Tool to assess their performance management systems, and submission of sample bureau performance plans.					
<b>Data Verification and Validation:</b> The DASWM office will identify gaps in bureau plans and, as needed, discussions related to mitigation strategies will be held when appropriate.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> This measure is being discontinued in fiscal year 2007.					

### Strategic Outcome:

Exceptional accountability and transparency

<b>Measure: Percent of Statutory Audits Completed by the Required Date (%) (E)</b>					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
<b>Target</b>	100	100	100	100	100
<b>Actual</b>	100	100	100	100	
<b>Target met?</b>	Y	Y	Y	Y	
<b>Definition:</b> Legislation mandating certain audit work generally prescribes, or authorizes OMB to prescribe, the required completion date for recurring audits and evaluations, such as those for annual audited financial statements. For other types of mandated audit work, such as a Material Loss Review (MLR) of a failed financial institution, the legislation generally prescribes a time-frame to issue a report (6 months for an MLR, as an example) from the date of an event that triggers the audit.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The date OIG issues an audit, attestation engagement, or evaluation report is printed on the cover. The required dates may vary each year and are specified in different legislation.					
<b>Data Verification and Validation:</b> Official audit files and the dates on the reports themselves support the performance data.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> OIG expects to complete 100 percent of statutory audits by the required dates in fiscal year 2008.					

Measure: Percentage of Audit Products Delivered When Promised to Stakeholders					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target				Baseline	60
Actual				68	
Target met?	N/A	N/A	N/A	Y	
<p><b>Definition:</b> The likelihood that our products will be used is enhanced if they are delivered when needed to support Congressional and Internal Revenue Service (IRS) decision making. To determine whether our products are timely, we track the percentage of our products that are delivered on or before the day we committed to (Contract date) because it is critical that our work be done on time for it to be used by the IRS or the Congress.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Information regarding Contract dates and actual delivery dates for audits is maintained on the TCMIS. MIS Coordinators in the Office of Audit's Operating/Business Units monitor overall data accuracy and maintain secure controls over key milestone and "Contract" data entries.</p>					
<p><b>Data Verification and Validation:</b> Summary data used for purposes of reporting on this measure are extracted, from the Office of Audit's TeamCentral Management Information System (TCMIS), analyzed and summarized by personnel in our Office of Management and Policy. A qualified staff member independent of the process validates the progress related statistics. TCMIS data are reviewed and validated monthly by MIS Coordinators, Audit Managers and Directors.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> TIGTA OA goal for Percentage of Audit Products Delivered When Promised to Stakeholders is 60 percent. This year was a baseline year. TIGTA OA met that goal by the end of September. The actual performance as of September 30th was 68 percent. TIGTA OA closed 180 audit reports during fiscal year 2007. During the month of September, 22 audit reports were finalized. For those 22 final reports, TIGTA OA individually extracted the audit reports from its management information system to determine or project if the promised date was met. TIGTA OA determined that 16 of the 22 audits met their promised delivery dates. TIGTA OA will continue to monitor and evaluate the performance for fiscal year 2008 and make any adjustments if deemed appropriate.</p>					

Measure: Percentage of Recommendations Made That Have Been Implemented					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target				Baseline	80
Actual				90	
Target met?	N/A	N/A	N/A	Y	
<p><b>Definition:</b> The TIGTA Office of Audit (OA) makes recommendations designed to improve administration of the federal tax system. The Internal Revenue Service (IRS) must implement these recommendations in order for our work to produce financial or non-financial benefits. This measure assesses our effect on improving the IRS' accountability, operations, and services. Since the IRS needs time to act on recommendations, we track the percentage of recommendations that we made four (4) years ago that have since been implemented, rather than the results of our activities, during the fiscal year in which the recommendations are made. This timeframe is used because four (4) years is the point at which TIGTA-OA believes that if a recommendation has not been implemented, it is not likely to be.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> The IRS records recommendations in the Department's JAMES as they are issued. Summary data regarding the status of the IRS's corrective actions taken in response to our recommendations are provided to the Office of Audit via JAMES reports. Our Office of Management and Policy monitors implementation of recommendations as the IRS submits updated information to the JAMES.</p>					
<p><b>Data Verification and Validation:</b> Through a formal process, each audit team identifies the number of recommendations included in each report and the IRS enters the findings and corresponding recommendations into the Department of the Treasury's (the Department) Joint Audit Management Enterprise System (JAMES). The database is updated frequently. Our Office of Management and Policy receives summary data and monitors the data regularly to make sure the recommendations reported as implemented have been accurately recorded, as well as to accumulate data in regard to progress in meeting this measure. A qualified staff member independent of the process validates the progress related statistics.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> TIGTA OA goal for Percentage of Past Recommendations Implemented is 80 percent. This was a baseline year. TIGTA OA met that goal at the end of September. TIGTA OA will continue to monitor and evaluate the performance for fiscal year 2008 and make any adjustments if deemed appropriate.</p>					

Measure: Percentage of Results from Investigative Activities (%) (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	0	67	70	73	76
Actual	64	82	79	81	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> Investigative reports resulting in Criminal, Civil or Administrative adjudication or the identification of matters of security or investigative interest.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> The total number of investigative cases closed along with the total number of completed Criminal, Civil and Administrative Actions is extracted from the Performance and Results Information System (PARIS).					
<b>Data Verification and Validation:</b> Reports of Investigation and PARIS are reviewed for consistency by Special Agents in Charge prior to closing the investigation. Additionally, independent reviews are conducted periodically of each field office where samples of closed investigations are quality reviewed by the Operations Division Inspection Team to ensure accuracy of the PARIS data. Periodic tests of PARIS data are also conducted to ensure accuracy.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Monthly					
<b>Future Plans/Explanation for Shortfall:</b> TIGTA OI will continue to measure performance consistent with fiscal year 2007 criteria. TIGTA OI increased its measure by 5 percent over fiscal year 2007. TIGTA OI will monitor and evaluate fiscal year 2008 performance and may make adjustments if deemed appropriate. The fiscal year 2009 target will be determined based on evaluation of the fiscal year 2008 performance results.					

Measure: Audit Opinion Received on Government-wide Financial Statements (Oe)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	1	1	1	1	1
Actual	Met	Met	Met	Met*	
Target met?	Y	Y	Y	Y	
<b>Definition:</b> This is the independent audit opinion rendered on the financial statements by GAO. Treasury expects to receive a disclaimed audit opinion until fiscal year 2007.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> GAO is the statutorily prescribed auditor.					
<b>Data Verification and Validation:</b> Opinion is included in the published financial report and is also available directly from GAO.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Annually					
<b>Future Plans/Explanation for Shortfall:</b> Domestic Finance plans to continue receiving audit opinions from GAO as it has since fiscal year 2002.					
* Final data for this measure was not available at the time of publication. This data is an estimate.					

<b>Measure: Number of Completed Audit Products (Ot)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>	48	53	56	56	56
<b>Actual</b>	49	54	57	64	
<b>Target met?</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	
<b>Definition:</b> Audits, attestation engagements, and evaluations: (1)promote economy, efficiency, and effectiveness of Treasury programs and operations; (2)prevent and detect fraud, waste, and abuse in those programs and operations; (3)keep the Secretary and the Congress fully informed; and (4)help the federal government to be accountable to the public.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> OIG audits, attestation engagements, and evaluations result in sequentially numbered written products.					
<b>Data Verification and Validation:</b> Official audit files support the performance data.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> OIG expects to complete 56 audit products in fiscal year 2008 and 60 in fiscal year 2009.					

<b>Measure: Number of Investigations Referred for Criminal Prosecution, Civil Litigation or Corrective Administrative Action (Oe)</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Target</b>	15	72	85	105	105
<b>Actual</b>	23	85	144	188	
<b>Target met?</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	
<b>Definition:</b> In order to protect the integrity and efficiency of Treasury programs it is important that findings of criminal or civil misconduct be referred to the Justice Department, state and/or local governments for prosecution and litigation in a timely manner. Criminal and civil convictions have a greater impact and carry a greater deterrent effect when they are prosecuted expeditiously. Some investigations will identify violations of the Ethical Standards of conduct, Federal Acquisition Regulations, or other administrative standards, which do not rise to the level of criminal or civil prosecution. In these cases it is important that OIG findings are reported to the bureau or office in a timely manner to allow them to take administrative action against the individuals engaging in misconduct.					
<b>Indicator Type:</b> Measure					
<b>Data Capture and Source:</b> This data will be retrieved from the Investigations case management systems.					
<b>Data Verification and Validation:</b> All case files from fiscal year 2003 and fiscal year 2009 will be reviewed to ensure that the case data is correct and supported by documentation.					
<b>Data Accuracy:</b> Reasonable					
<b>Data Frequency:</b> Quarterly					
<b>Future Plans/Explanation for Shortfall:</b> Exceeded target significantly due to 64 one-time referrals for a GAO investigation into Metro Check fraud, and 10 one-time referrals for a cyber initiative. Actual without the one-time referrals would have been 114, which still exceeded target.					



Measure: Number of Total Taxpayer Accounts Potentially Impacted as a Result of Audit Activities (\$ millions) (0t) [DISCONTINUED FY 2007]					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target	13.4	13	14.5	Discontinued	Discontinued
Actual	49.7	2.8	1.8	0	
Target met?	Y	N	N	N/A	
<p><b>Definition:</b> This indicator measures the number of taxpaying entities that benefit from audit recommendations. The benefits include: insuring taxpayers receive refunds when warranted and are granted due process when the IRS conducts its return filing and compliance programs; decreasing the number, time or cost of contacts with the IRS by compliant taxpayers; increasing protection of taxpayer account and financial information; and improving security over tax administration systems.</p>					
<p><b>Indicator Type:</b> Measure</p>					
<p><b>Data Capture and Source:</b> Data is entered into a centralized database and verified against draft and final report documents.</p>					
<p><b>Data Verification and Validation:</b> Data on taxpaying entities impacted by protection of rights and entitlements, taxpayer burden, and improved privacy and security results from individual audits. All factual information in audit reports is supported by audit evidence. A qualified auditor independent of the review validates this data.</p>					
<p><b>Data Accuracy:</b> Reasonable</p>					
<p><b>Data Frequency:</b> Quarterly</p>					
<p><b>Future Plans/Explanation for Shortfall:</b> This measure is being discontinued in fiscal year 2007.</p>					

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## APPENDIX B: COMPLETENESS AND RELIABILITY OF PERFORMANCE DATA

### TREASURY'S COMMITMENT TO QUALITY PERFORMANCE MEASUREMENT

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Bureaus to rate the data for each performance measure as having:

- *Reasonable Accuracy*: Judged to be sufficiently accurate for program management and performance reporting purposes (specified in OMB Circular A-11, Section 230-4(f)).
- *Questionable or Unknown Accuracy*: Judged to be materially inadequate (specified in OMB Circular A-11, Section 230-4(f) as “materially inadequate”).
- Where statistical confidence intervals are available, these are provided instead of the rating statements. More verification efforts were added in fiscal year 2001 – fiscal year 2003, when bureaus were required to address any data reliability issues regarding their performance measures in the Assurance Statements required by the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA).

#### Procedures for Conducting Review of the Department's Performance Measure Data

The Department of the Treasury's Office of Strategic Planning and Performance Management (OSPPM) prepares the annual report on performance measures, and monitors component-submitted performance information and data. Based on an audit finding in fiscal year 2006, it was determined that improvements to the internal control process for performance measures were needed. Improvements to the process included:

- All measures will now be categorized by audit priority as high, medium, or low, based on the relationship to achieving the Department's goals
- A representative sample of measures are selected every fiscal quarter
- Supporting documentation from that sample is reviewed for accuracy and completeness
- All measure calculations are verified and data sources validated
- Information related to the measure audit is maintained in hard-copy form and can be reviewed at any time

As a result, performing this process will uncover any potential data or calculation error and will provide additional assurances on the integrity of the information and data presented in the annual performance and accountability report.

## COMPLETENESS OF DATA

**Not Available:** The following performance measures did not have any data available for this Report, but will have final numbers presented in the fiscal year 2008 Congressional Justification for Appropriations:

Bureau	Performance Measure

**Discontinued:** The following performance measures were discontinued in Fiscal Year 2007 and will not have data available for this Report:

Bureau	Performance Measure
DO	Level of MDB grant financing and satisfactory results measurements (AfDB/AfDF Grants)
DO	Level of MDB grant financing and satisfactory results measurements (Grants as a percent of IDA fiscal year commitment)
DO	Level of MDB grant financing and satisfactory results measurements (Grants as a percent of AfDF fiscal year commitment)
DO	Encourage movement towards flexible exchange rate regimes
DO	Bureau performance plans for supervisors, managers, and SES members contain elements that link to the bureau mission
IRS	Average tax compliance cost for individuals and small businesses
FinCEN	Percentage of customers finding FinCEN's analytic support valuable
TIGTA	Number of total taxpayer accounts potentially impacted as a result of audit activities

**Baseline:** The following measures established baseline values and targets in fiscal year 2007.

Bureau	Performance Measure
TTB	Unit cost to process a Wine Certificate of Label Approved
FinCEN	Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule
FinCEN	Percentage of customers finding FinCEN's analytic reports highly valuable
IRS	HCTC Cost per Taxpayer Served
TIGTA	Percentage of audit products delivered when promised to stakeholders
TIGTA	Percentage of recommendations made that have been implemented

**Data Reliability:** Performance data presented in this report meets the standards for reliability set forth in OMB Circular A-11, Section 230-5(f). There is neither a refusal nor a marked reluctance by agency managers or Government decision makers to use the data in carrying out their responsibilities.

## APPENDIX C: IMPROPER PAYMENTS INFORMATION ACT

The Improper Payments Information Act of 2002 (IPIA) requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments. According to OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments (A-123, Appendix C), “significant” means that an estimated error rate and a dollar amount exceed the threshold of 2.5% and \$10 million of total program funding. A-123, Appendix C also requires the agency to implement a corrective action plan that includes improper payment reduction and recovery targets.

Some federal programs are so complex that developing an annual error rate is not feasible. The government-wide Chief Financial Officers Council developed an alternative for such programs to assist them in meeting the IPIA requirements. Agencies may establish an annual estimate for a high-risk component of a complex program (e.g., a specific program population) with Office of Management and Budget (OMB) approval. Agencies must also perform trend analyses to update the program’s baseline error rate in the interim years between detailed program studies. When development of a statistically valid error rate is possible, the reduction targets are revised and become the basis for future trend analyses.

### **I. Description of the Department’s risk assessment(s) performed subsequent to compiling its full program inventory and risk-susceptible programs.**

Each year, a comprehensive inventory of the funding sources for all programs and activities is developed and distributed to the Department’s bureaus and offices. If program or activity funding is at least \$10 million, Risk Assessments are required at the payment type level (e.g., payroll, contracts, vendors, travel, etc.). For those payment types resulting in high risk assessments that comprise at least 2.5 percent and \$10 million of a total funding source, (1) statistical sampling must be performed to determine the actual improper payment rate, and (2) a Corrective Action Plan must be developed and submitted to the Department and OMB for approval.

Responses to the Risk Assessments produce a score that falls into pre-determined categories of risk. The following table describes the actions required to be taken at each risk level:

Risk Level	Required Action(s)
High Risk > 2.5% Error Rate & > \$10 Million	Corrective Action Plan
Medium Risk	Review Payment Controls for Improvement
Low Risk	No Further Action Required

The Risk Assessments performed across the Department in FY 2007 resulted in all programs and activities as low and medium risk susceptibility for improper payments except for the Internal Revenue’s (IRS) Earned Income Tax Credit (EITC) program. The EITC’s high-risk status is well-documented, having been previously identified in the former Section 57 of OMB Circular A-11, and has been deemed a complex program for the purposes of the IPIA.

## II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

### Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable federal tax credit that offsets income taxes owed by low income workers and, if the credit exceeds the amount of taxes owed, provides a lump-sum payment to those who qualify.

Discussions between the Department, the IRS, and OMB did not result in identification of a viable error rate measurement, however, IRS plans to conduct an annual EITC compliance study, as a component of the multi-year National Research Program (NRP). Meanwhile, progress is being made on the action items included in the Corrective Action Plan.

The rest of this section explains how the IRS currently develops its erroneous payment projections. The most recent projection is based on a Tax Year (TY) 2001 reporting compliance study that estimated the level of improper overclaims for fiscal year 2007 to range between \$10.4 - \$12.3 billion and 23 percent (lower bound) to 28 percent (upper bound) of approximately \$44.5 billion in total program payments.

### National Research Program (NRP) Analysis

The complexity of the EITC program, the nature of tax processing, and the expense of compliance studies preclude statistical sampling on an annual basis to develop error rates for comparison to reduction targets.

Under the TY 2001 NRP reporting compliance study, individual income tax returns filed during calendar year 2002 for TY 2001 were randomly selected for examination.<sup>1</sup> This selection method allows the measures for the entire NRP individual income tax return population to be estimated from the results of the NRP program sample returns. Because one of the objectives of the NRP is to provide data for compliance measurement, NRP procedures and data collection differed from those followed in standard examination programs. NRP classification and examination procedures were more comprehensive in scope and depth than those for standard examination programs. These expanded procedures were designed to provide a very accurate determination of what taxpayers should have reported on their returns.

Estimates of various compliance measures for individual income taxpayers can be calculated by comparing the NRP sample case results—the estimate of what taxpayers should have reported on their returns—to what these taxpayers voluntarily reported on their returns and then projecting the sample results to the population. The projection to the population is done using weights assigned to each return. These weights reflect the number of returns in the population that the sample return represents.

The TY 2001 NRP individual income tax return study covered filers of individual income tax returns. About 6,400 of the approximately 44,400 returns in the regular NRP sample were EITC claimants. About 1,600 other returns (the “calibration sample”) were included in the TY 2001 NRP Individual Income Tax Study. These returns went through a somewhat different examination process and they were not used for

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<sup>1</sup> The NRP used a stratified, random sample design. Returns are grouped into predefined categories or “strata” and selected randomly within each stratum.

these calculations. The NRP study results for this EITC claimant subset of NRP returns were the primary source of data for the improper payments estimates. Other data and information sources used for the estimates included IRS Enforcement Revenue Information System (ERIS) data (which tracks assessments and collections from IRS enforcement-related activities), Treasury Department estimates of the effect of the EITC provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) on erroneous EITC claims, and Treasury Department fiscal year 2006 EITC budget estimates.

The general approach for developing the fiscal year 2007 set of EITC improper payments estimates involved the following steps: (1) estimating an improper payment rate for TY 2001 using the NRP data, (2) adjusting the TY 2001 rate to reflect the estimated impact of the EITC-related EGTRRA provisions, (3) estimating EITC claims for fiscal year 2002 - fiscal year 2007 by projecting TY 2001 claims forward using the growth rates implicit in Treasury Department budget outlay estimates, and (4) multiplying the adjusted improper payment rate by the estimated claims to calculate estimated improper payments for each fiscal year.

The Department estimates that as a component of the upcoming NRP analysis, the next EITC compliance study will be completed in fiscal year 2009.

### **III. Describe the Corrective Action Plans for reducing the estimated rate of improper payments for the EITC program.**

The IRS uses a two-pronged approach to reduce erroneous EITC payments:

1. Continually seek opportunities to increase program efficiency within existing resources – in other words, make the base program better; and
2. Test potential business process enhancements to reduce error and then request implementation funding if the tests prove successful.

#### **Base Program**

In 2007, the IRS spent approximately \$161 million to prevent more than \$2.6 billion from being paid in error. Three areas of activity compose the bulk of this spending:

- **Examinations** – the IRS identifies tax returns for examination and holds the EITC portion of the refund until an audit can be conducted. This is the only ongoing IRS audit program where exams are conducted before a refund is released. The examination closures and enforcement revenue protected in the charts below do not include test initiatives.
- **Math Error** – this refers to an automated process in which IRS identifies math or other statistical irregularities and automatically prepares an adjusted return for a taxpayer. Congressional approval is required for math error use.
- **Document Matching** – involves comparing income information provided by the taxpayer with matching information (e.g., W-2s, 1099s) from employers to identify discrepancies.

The chart below shows significant results from fiscal year 2002 through fiscal year 2007. In fiscal year 2007 alone, the IRS conducted 499,881 examinations, issued 400,000 math error notices, and closed 394,217 document matching reviews.

Compliance Activities (thousands)								
	FY02	FY03*	FY04*	FY05*	FY06*	FY07**	FY08***	FY02-FY08 Total
Examinations	373,508	422,033	472,022	527,969	517,617	499,881	500,000	3,313,030
Math Error Notices**	993,387	699,277	624,590	515,890	460,316	400,000	400,000	4,093,460
Document Matching			300,000	324,419	364,020	394,217	390,000	1,772,656

\*Restated actual  
\*\*Preliminary estimates  
\*\*\*Estimate based on fiscal year 07 preliminary data

These activities had a significant effect. We project that continued enforcement efforts will protect a total of \$15.25 billion in revenue through fiscal year 2008.

Enforcement Revenue Protected (\$ billions)								
	FY02	FY03*	FY04*	FY05*	FY06*	FY07**	FY08***	FY02-FY08 Total
Examinations	0.95	1.00	1.12	1.35	1.50	1.50	1.50	8.92
Math Error Notices**	0.42	0.65	0.62	0.52	0.46	0.41	0.41	3.49
Document Matching			0.25	0.53	0.60	0.73	0.73	2.84
<b>TOTAL</b>	<b>1.37</b>	<b>1.65</b>	<b>1.99</b>	<b>2.40</b>	<b>2.56</b>	<b>2.64</b>	<b>2.64</b>	<b>15.25</b>

\*Restated actual  
\*\*Preliminary estimates  
\*\*\*Estimate based on fiscal year 07 preliminary data

## Business Process Enhancements

In 2003 and 2004, the IRS received a total of \$75 million to fund a number of EITC business process improvement initiatives. These initiatives, referred to as the “Investment Portfolio,” included the use of private sector solutions to better identify egregious cases, apply appropriate collection methods, assign and manage case inventory more efficiently, catch problems with amended returns, improve communications with taxpayers, better focus on under-reported income, and explore use of new notices to improve taxpayer response. The entire initiative process was managed using a project management governance structure known as the Enterprise Life Cycle which, among other requirements, includes a business case analysis to justify investment choices. It was conceived, designed, and implemented in three separate releases over a three year period. Here are the estimated benefits of the EITC Investment Portfolio. These estimates represent the low end of the range of estimates of revenue protected from the EITC Investment Portfolio:

Enforcement Revenue Protected (\$ billions)					
	FY05	FY06	FY07	FY08	FY02-FY08 Total
Investment Portfolio	0.06	0.06	0.06	0.06	0.24



## Testing New Business Processes

In addition to building new solutions for existing business processes, the IRS is developing options for certain EITC taxpayers to certify they meet a key eligibility requirement before receiving the credit. This analysis is scheduled to be completed in fiscal year 2008. This process could potentially affect a significant portion of EITC taxpayers and is the subject of careful evaluation. If the IRS concludes the process should be implemented, it will request additional funding to expand the scope of its existing EITC activities.

Finally, the IRS has a number of other activities it is using to combat program error. This past year saw the second year of a study to address egregious EITC return preparers. In addition, the IRS is partnering with two states to share information to prevent erroneous payments. The IRS has developed new strategies to prevent duplicate claims of qualifying children and annual enterprise research strategy in partnership with internal and external organizations to better focus EITC compliance and outreach activities. The research strategy includes a multi-dimensional database that tracks behavioral patterns of EITC claimants and qualifying children over a period of years.

## IV. EITC Improper Payment Reduction Outlook

The reduction outlook for EITC improper payments is as follows:

Improper Payment Reduction Outlook (\$ in millions)															
Program	PY Outlays	PY %	PY \$	CY Outlays	CY IP%	CY IP\$	CY+1 Est Outlays	CY+1 IP%	CY+1 IP\$	CY+2 Est Outlays	CY+2 IP%	CY+2 IP\$	CY+3 Est Outlays	CY+3 IP%	CY+3 IP\$
EITC Upper Bound Estimate	\$42.1	28%	\$11.6	\$44.5	28%	\$12.3	\$46.2	28%	\$12.8	\$47.1	28%	\$13.0	\$48.1	28%	\$13.3
EITC Lower Bound Estimate	\$42.1	23%	\$9.8	\$44.5	23%	\$10.4	\$46.2	23%	\$10.8	\$47.1	23%	\$11.0	\$48.1	23%	\$11.2

**Outlays:** Following prior methodology, the amount shown is the total EITC claimed.  
**IP % and IP \$:** These estimates follow the prior approach which provided a range for improper payments.  
**Note:** The Improper Payment percentage and Estimated Outlay columns reflect a constant error rate pending the development of an annual error rate measurement.  
**CY:** Current year; **PY:** Prior year

## Recovery Act

### V. The Department's Recovery Auditing Program

Section 831 of the Defense Authorization Act for Fiscal Year 2002 added a new subchapter to the U.S. Code (31 U.S.C 3561-3567), also known as the Recovery Auditing Act, that requires agencies that enter into contracts with a total value in excess of \$500,000,000 in a fiscal year carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities. In accordance

with Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, Appendix C, reporting on recovery auditing is required annually.

In fiscal year 2007, the Department issued contracts totaling \$5.1 billion. The annual Improper Payments Information Act Risk Assessment process includes a review of pre-payment controls that minimize the likelihood and occurrence of improper payments. For Recovery Act compliance, Treasury requires each bureau and office to review their post-payment controls and report on recovery auditing activities, contracts issued, improper payments made, and recoveries achieved. Bureaus and offices may use recovery auditing firms to perform many of the steps in their recovery program and identify candidates for recovery action.

The Department considers both pre-payment and post-payment reviews to identify payment errors a good management practice that should be included among basic payment controls. All of the Department's bureaus use some form of recovery auditing techniques to identify improper payments during post-payment reviews. At times, bureaus may use the services of recovery auditors to help them identify payment anomalies and target areas for improvement. However, the Department has extensive contract payment controls that are applied at the time each payment is processed, making recovery activity minimal. The low level of improper payments in 2007 did not require any Treasury bureau to develop a management improvement program under Recovery Act guidance.

Agency	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PY	Cumulative Amts. Identified for Recovery (CY+PYs)	Cumulative Amts. Recovered (CY+PYs)
Treasury	\$5,165,142,777	\$4,446,856,805	\$843,230	\$821,667	\$2,305,424	\$1,442,708	\$3,148,654	\$2,264,375

For FY 2007, the total number of contracts subject to review was 41,593; the total number reviewed was 28,756, for a total program cost of approximately \$2.9 million dollars.

## VI. Management Accountability

The Secretary of the Treasury has delegated responsibility for improper payments to the Assistant Secretary for Management/Chief Financial Officer (ASM/CFO). Improper payments falls under the Department's management control program. A component of the management control program is risk assessments, which are an extension of each bureau's annual improper payment review process. Through Treasury Directive 40-04, executives and other managers are required to have management control responsibilities as part of their annual performance plans. With oversight mechanisms such as the Treasury CFO Council and IRS's Financial and Management Control, Executive Steering Committee, managerial responsibility and accountability in all management control areas are visible and well documented.

Improper payments are a separate initiative under the President's Management Agenda and have been monitored for improvement as a material weakness under the Federal Managers' Financial Integrity Act. Managers who are responsible and accountable for reducing the level of EITC overclaims have been identified, while

other senior and mid-level officials have responsibility for monitoring progress in this area as bureau and program internal control officers.

## VII. Resources Requested in the FY 2008 Budget Submission to Congress

Several new initiatives were requested in the IRS fiscal year 2008 President's Budget submission which relate to the enforcement of tax laws. However, the only initiative approved in the President's Budget, *Increase Individual Taxpayer Compliance*, addressed reducing the tax gap and non-EITC audit coverage.

## VIII. Limiting Statutory and Regulatory Barriers

A number of factors serve as barriers to reducing overclaims in the EITC program. These include:

- The complexity of the tax law
- The structure of the Earned Income Tax Credit
- Confusion among eligible claimants
- High program turnover
- Unscrupulous return preparers
- Fraud

No one of these factors can be considered the primary driver of program error. Furthermore, the interaction among the factors makes addressing the credit's erroneous claims rate, while balancing the need to ensure the credit makes its way to taxpayers who are eligible, extremely difficult.

## IX. Other Factors

Since June 2003, the IRS has focused on reducing erroneous EITC overclaims by implementing a five-point initiative that serves to:

- Reduce the backlog of pending EITC examinations to ensure that eligible taxpayers whose returns are being examined receive their refunds quickly.
- Minimize the burden and enhance the quality of communications with taxpayers by improving the existing audit process.
- Encourage eligible taxpayers to claim the EITC by increasing outreach efforts and making the requirements for claiming the credit easier to understand.
- Ensure fairness by refocusing compliance efforts on taxpayers who claimed the credit but were ineligible because their income was too high.
- Pilot a certification effort to substantiate qualifying child residency eligibility for claimants whose returns are associated with a high risk for error.

As part of this initiative, in fiscal year 2005, the IRS completed the following tests designed to evaluate new ways of reducing erroneous EITC payments while maintaining participation by eligible taxpayers:

- Filing Status Test: Reviewed filing status claims to ensure they were correct. IRS selected claimants whose filing status had changed to one that increased the value of the credit (generally, from married filing joint to head of household);
- Misreporting Income (Automated Underreporter) Test: Enhanced error detection through the automated underreporter program. This test focused not on the number of cases IRS reviewed, but on improved selection methodologies.

In FY 2006, IRS initiated the final year of the Qualifying Child test, which required EITC claimants to certify that they met the qualifying child residency requirement before paying out the refund. In FY 2007, the test focused on improved selection methodology. Preliminary data from this test indicate both a compliance and deterrence impact.

Careful analysis of the final results of these tests will be imperative to assessing their effectiveness in reducing erroneous EITC overclaims while maintaining high participation rates by eligible taxpayers.

## APPENDIX D: MANAGEMENT CHALLENGES AND RESPONSES

Each year, the Inspectors General issue Semiannual Reports to Congress that include specific management challenges facing the Department. These challenges are sent to the Secretary at the end of each fiscal year and cite the challenges for the upcoming fiscal year.

The letters sent to the Secretary and the Secretary's responses are reflected on the following pages for each respective Inspector General.

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OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 24, 2007

**INFORMATION MEMORANDUM FOR SECRETARY PAULSON**

FROM: Dennis S. Schindel   
Acting Inspector General

SUBJECT: Management and Performance Challenges Facing the  
Department of the Treasury (OIG-CA-08-005)

The Reports Consolidation Act of 2000 requires that we provide you with our perspective on the most serious management and performance challenges facing the Department of the Treasury, for inclusion in the Department's annual performance and accountability report. We believe it is important to note that management and performance challenges do not necessarily represent a deficiency in management or performance. Instead, most of them represent inherent risks associated with Treasury's mission, organizational structure, or the environment in which it operates. As a result, the Department can take steps to mitigate these challenges but not entirely eliminate them; as such, they require constant management attention.

This year, we continue to report the same five challenges we reported last year: (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. In addition to these five management and performance challenges, we want to bring to your attention two additional areas that are of increasing concern to our office. These areas are: the potential impact of worsening real estate and credit markets on Treasury's regulators, and the effect of stagnant or reduced budgets on the Department's control environment. While we have not specifically declared these areas as management and performance challenges, we continue to monitor their impact on the Department's programs and operations.

**Challenge 1 – Corporate Management**

Starting in 2004, we identified corporate management as an overarching management challenge. In short, Treasury needs to provide effective corporate leadership in order to improve performance as a whole. Inherent in this is the need for clear lines of accountability between corporate, bureau, and program office management; enterprise solutions for core business activities; consistent application of accounting principles; and effective oversight of capital investments and information security. With nine bureaus and a number of program offices, Treasury is a highly decentralized organization. We believe the Department has made progress in building up a sustainable corporate control structure. The challenge now is to maintain emphasis on corporate governance and institutionalize these efforts to ensure that capital investments are properly managed, information about government operations and citizens is adequately secured, and financial resources used by Treasury can be linked to operational results. These matters are discussed in more detail in the following challenges.

## **Challenge 2 – Management of Capital Investments**

Managing large capital investments, particularly information technology (IT) investments, is a difficult challenge facing any organization whether in the public or private sector. In prior years we have reported on a number of capital investment projects that either failed or had serious problems. In light of this, with hundreds of millions of procurement dollars at risk, Treasury needs to be vigilant in this area as it proceeds with its telecommunications transition to TNet, implementation of Homeland Security Presidential Directive – 12, *Policy for a Common Identification Standard for Federal Employees and Contractor*, the anticipated renovation of the Treasury Annex, and other large capital investments.

During the last year, the Secretary and Deputy Secretary continued to emphasize that effective management of major IT investments is the responsibility of all Treasury executives. Additionally, the Department significantly increased the number of IT investments that are monitored through the Office of Management and Budget (OMB) quarterly high-risk reporting process. The Department also plans to reinstitute a governance board consisting of senior management officials to provide executive decision-making on, and oversight of, IT investment planning and management and to ensure compliance with the related statutory and regulatory requirements.

## **Challenge 3 – Information Security**

Despite notable accomplishments, the Department needs to improve its information security program and practices to achieve compliance with the Federal Information Security Management Act of 2002 (FISMA) and OMB requirements. Our 2007 FISMA evaluation found that the Department made progress in addressing previously reported deficiencies in the areas of certification and accreditation, information security training, plans of actions and milestones, system inventory, and incident response. However, our evaluation disclosed a significant deficiency in configuration management. Specifically, we noted that Treasury did not have adequate configuration management to provide the security necessary to protect against common and dangerous threats.

During 2006, OMB issued Memorandum 06-16, *Protection of Sensitive Agency Information* (M 06-16), requiring agencies to perform specific actions to protect certain personally identifiable information. Last year, we reported that our evaluation of Treasury's compliance with M 06 16 disclosed that Treasury still faced significant challenges to meet these requirements. We will be performing follow-up work to determine if Treasury has progressed in resolving these issues. However, as a significant action, the Department recently established the Personally Identifiable Information Risk Management Group (PIIRMG) consisting of senior management officials. The purpose of this group is to help manage and contain breaches of personally identifiable information. Our office, along with the Treasury Inspector General for Tax Administration, participates in the PIIRMG in an advisory role.

## **Challenge 4 – Linking Resources to Results**

Because the Department has not fully developed and incorporated managerial cost accounting (MCA) into its business activities, the Department cannot adequately link financial resources to operating results. This inhibits comprehensive program performance reporting and meaningful cost benefit analyses of the Department's programs and operations.



We have noted progress in this area, but more needs to be accomplished to implement an effective MCA program Treasury-wide. In 2006, we reported that the Department developed a high-level MCA implementation plan, but specific action items were not completed and certain target dates were missed. This year, Treasury established a Chief Financial Officer (CFO) Council workgroup to address MCA requirements. This workgroup is comprised of representatives from all of the Treasury offices and bureaus and is led by the Deputy CFO. We are also participating with the workgroup in an advisory capacity. The workgroup (1) developed a charter that was approved by the Treasury CFO Council, (2) surveyed current bureau MCA practices, (3) summarized bureau cost allocation methodologies for major expenses, and (4) defined organizational MCA needs. The Department expects to have a viable MCA program in place in Fiscal Year 2008. At that time, we plan to assess Treasury's progress in relation to this challenge.

### **Challenge 5 – Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement**

Treasury faces unique challenges in carrying out its responsibilities under the Bank Secrecy Act (BSA) and USA Patriot Act to prevent and detect money laundering and terrorist financing. While the Financial Crimes Enforcement Network (FinCEN) is the Treasury bureau responsible for administering BSA, a large number of federal and State entities participate in efforts to ensure compliance with BSA. These entities include the five federal banking regulators, the Internal Revenue Service (IRS), the Securities and Exchange Commission, the Department of Justice, and state regulators. Many of these entities also participate in efforts to ensure compliance with U.S. foreign sanction programs administered by Treasury's Office of Foreign Assets Control (OFAC).

The dynamics and challenges for Treasury of coordinating the efforts of multiple entities, many external to Treasury, are difficult. In this regard, FinCEN and OFAC have entered into memoranda of understanding (MOU) with many federal and State regulators in an attempt to build a consistent and effective process. Long-term data, however, is not yet available to make an overall determination of the effectiveness of the MOUs.

Recently, federal regulators and the Department of Justice have participated with FinCEN in assessing fines, often in the tens of millions of dollars, against financial institutions which have not been maintaining effective BSA compliance programs. While this is a sign that regulators are more willing to aggressively enforce BSA requirements, it is also a sign that not all financial institutions, despite years of warnings, have implemented effective or adequate programs. At the same time, the financial services industry has often complained about regulatory burden. To this end, Treasury has taken steps to clarify program and reporting requirements, and must continually monitor and balance the needs of law enforcement with these concerns.

In Fiscal Year 2006, the number of BSA reports filed increased to 17.6 million, from 15.6 million in Fiscal Year 2005. Although these reports are critical to law enforcement, past audits have shown that many contain incomplete or erroneous data. Also, the Patriot Act increased the types of financial institutions required to file these reports. The regulation of certain industries, such as casinos, insurance companies, jewelers, and money service businesses, is the responsibility of IRS as a default regulator. IRS has often struggled to conduct examinations of many of these entities and recently postponed examinations of jewelers, which were supposed to start in January 2006, until at least Fiscal Year 2008.

Given the criticality of this management challenge to the Department's mission, we will continue to devote a significant portion of our audit resources to this challenge. Last year we reported that we planned to review the effectiveness of (1) FinCEN's Office of Compliance, and (2) the MOUs that have been established. Due to resource constraints and other required work, we have yet to initiate these reviews but hope to do so during Fiscal Year 2008.

In addition to these five management challenges, we want to bring to your attention two areas that are of increasing concern. As mentioned at the beginning of this memorandum, while we have not declared these areas as management challenges, we continue to monitor their impact on the Department's programs and operations.

- Recently, conditions in the real estate market have worsened. At the same time, credit markets are being impacted by problems associated with subprime loans. Together, these events are putting pressure on financial institutions, including those supervised by the Office of the Comptroller of the Currency and the Office of Thrift Supervision (OTS). For example, in September the OTS-supervised NetBank failed, representing the largest financial institution failure since 2001. Accordingly, Treasury needs to ensure it has the capability to monitor and take prompt action to address potential problems at other institutions should economic conditions worsen.
- Many Federal agencies, including Treasury, are facing an increasingly difficult budget environment. In these situations agencies tend to rely on attrition and hiring freezes to address budget shortfalls. While in the short term this strategy may work, longer term it often leads to a less than optimal mix of positions and skills, ultimately impacting an agency's ability to meet its mission for many years. Additionally, agencies tend to cut certain operations that are viewed as non-mission related, particularly those involved in review and monitoring functions, including contractor oversight – fundamental elements of a strong control environment. Over time, such actions could lead to the deterioration of the control environment and compromise both the effectiveness and integrity of programs and operations.

We would be pleased to discuss our views on these management and performance challenges in more detail.

cc: Peter B. McCarthy, Assistant Secretary for Management  
and Chief Financial Officer



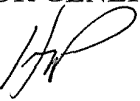
DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

November 13, 2007

**MEMORANDUM FOR DENNIS SCHINDEL**  
**ACTING INSPECTOR GENERAL**

**FROM:**

Henry M. Paulson, Jr. 

**SUBJECT:**

Response to Management and Performance Challenges Facing  
the Department of the Treasury

I am responding to your October 24, 2007 memorandum describing the Office of Inspector General's (OIG) perspective on the most serious management and performance challenges facing the Department of the Treasury. We appreciate your independent assessment of our progress in addressing these challenges.

As described in detail below, the Department has taken, and will continue to take, many actions to address its performance and management challenges. However, as noted in your memorandum, most of these challenges represent inherent risks associated with the Department's mission and the external environment in which the Department operates, rather than deficiencies that can be eliminated. As such, the Department's goal is to ensure that we are taking the right actions to mitigate these challenges to the extent practicable, recognizing that our actions need to evolve to meet changing future circumstances. While recognizing that we must be ever vigilant, and that we can improve our activities to address our challenges, we believe that we have made substantial progress thus far.

Information on actions taken and planned by the Department is provided below.

**Challenge 1 - Corporate Management**

The Treasury Department is dedicated to strengthening corporate management through sound oversight of bureaus and policy offices by taking actions to encourage Department-wide collaboration and unity. In Fiscal Year (FY) 2007, corporate leadership was maintained and strengthened through daily meetings with senior management, and monthly Treasury-wide council meetings led by senior officials. In addition, to provide a forum for policy discussions and guidance at the Department level, the Treasury Department maintained its monthly bureau heads meeting. The Department also implemented corporate strategies to review major information technology investments on a quarterly basis, which will ensure that each investment is managed effectively, is cost efficient, and supports the mission and strategic goals of the Department. The Treasury Department leveraged its buying power in FY 2007 by promoting and expanding corporate strategic sourcing. The Department will continue to support this initiative due to its positive results and recognition as a government-wide best-practice.

In FY 2007, the Department released its Strategic Plan for FYs 2007-2012. This plan provides a framework to assess corporate performance through its goals, objectives, and outcomes.

## Response to Management and Performance Challenges Facing the Department of the Treasury

Outcomes cross organizational boundaries and focus on the common goals and objectives that are related to the Department's core mission areas of collecting revenue, disbursing funds, borrowing, strengthening U.S. and world economies, regulating financial institutions, securing the nation's financial system, and manufacturing coins and currency. Although the Treasury Department is diverse and highly decentralized, these outcomes help us look beyond the constraints of our organizational structure and unify our actions to accomplish effective corporate management.

In FY 2008, we will continue to strengthen and encourage corporate teamwork through councils and meetings, and begin to implement a scorecard that establishes a consistent and recurring performance review process at the corporate level. The scorecard will contain key budget, cost, performance, and other important information for each outcome. The performance review process will help provide an understanding of how key bureau and office activities contribute to the applicable outcomes, and provide the information necessary to improve overall agency performance.

### **Challenge 2 - Management of Capital Investments**

The management of capital investments, particularly information technology (IT) investments, proves to be a continuing challenge for the Department. In July 2007, the Government Accountability Office (GAO) issued a report with recommendations for the Treasury Department to improve the management and oversight of IT investments. The Department fully supports the recommendations outlined in the report and has committed to working with GAO on the implementation of its recommendations. The cornerstone of the Department's plan to improve the management of IT investments is the reestablishment of an Executive Investment Review Board to ensure executive visibility of the Department's IT portfolio. Other key components of the plan include developing a sound methodology for addressing cost and schedule baseline change requests, implementing a more robust process for assessing the actual results and objectives achieved for each IT investment, and ensuring that the Department's capital planning and investment control processes are applied to all IT investments, irrespective of dollar amount or scope.

Although we are still developing some of the specific process improvements needed to enhance Treasury IT investment management, improvements achieved during FY 2007 include introducing new processes for managing non-major investments, requiring project managers and Bureau CIOs to certify the accuracy of information reported on their IT investments, and strengthening reporting requirements for the Treasury Department internal watch list, which requires investments failing to meet defined performance and compliance criteria to be subject to greater oversight. Additionally, in FY 2007, the Department developed a core curriculum and competency model for IT project managers that serves as a framework for training designed to improve the management of IT investments. In FY 2008, Treasury is implementing the new Federal Acquisition Council Program and Project Managers (FAC-P/PM) requirements to ensure that Treasury project managers are well trained and certified.

## Response to Management and Performance Challenges Facing the Department of the Treasury

### **Challenge 3 - Information Security**

As noted in your memorandum, the OIG's FY 2007 evaluation of Treasury's Federal Information Security Management Act (FISMA) implementation found that the Department has made progress in reporting previously reported deficiencies. However, despite this notable progress, the OIG determined that Treasury has a significant FISMA deficiency in configuration management. Accordingly, the Department remains in noncompliance with FISMA.

To elaborate, the Treasury Department made substantial improvements in its Information Security Program with the outcome of "significant progress in compliance" with FISMA, for both Treasury unclassified and National Intelligence systems. In the FY 2007 FISMA Report submitted to OMB, the Office of the Chief Information Officer (OCIO) reported 93-94% compliance for certification and accreditation, testing of security controls, and contingency plans testing for the Department's IT systems. For information security awareness and specialty training, the OCIO achieved 97% and 98% compliance rates, respectively. The OCIO undertook efforts to improve Configuration Management (CM) in 2007, issuing detailed updates to existing CM policy and new policy in response to OMB guidance. In FY 2008, the OCIO will build on this progress in CM, working to: address the OIG's FISMA findings; concentrate on meeting OMB's February deadline to standardize the configuration of Windows operating systems; and extend the rigor to all operating systems and databases.

Treasury's activities in protecting Sensitive Agency Information are equally robust. Through the implementation of OMB's M-06-16 recommendations, Treasury is reporting a laptop encryption rate of greater than 99% for its 61,000 laptops world wide, implementation of 2-factor authentication for all Departmental remote access systems despite the increase in the number of off-site employees, and a "time-out/lockout" function installed on over 99% of Personal Digital Assistants (PDA). In 2008, the OCIO will evaluate current technologies to automate reducing retention times for Sensitive Agency Information, implementing the recommendations in the Department's 2007 proof-of-concept study.

The OCIO recognizes the need for continued leadership attention on FISMA in 2008 and will continue to focus and improve the IT Security program to better address ever increasing cyber security threats.

### **Challenge 4 – Linking Resources to Results**

We appreciate your acknowledgement of the progress the Department made during 2007 toward the development of managerial cost accounting at the Department wide level. This progress was accomplished largely through the efforts of our Chief Financial Officers Council work group, whose membership spans the Department's bureaus and offices.

Treasury recognizes that, lacking relevant and reliable cost accounting information, federal managers may not understand and control the full cost of programs. And, without a link between performance and cost, agencies are not in a position to establish cost reduction goals and maintain or improve performance results because they do not know how much it costs to deliver outcomes.



## Response to Management and Performance Challenges Facing the Department of the Treasury

The key to having a strong linkage between financial resources and operating results is a clear description of a strategic framework, and how financial resources support the framework. As previously noted, the new Strategic Plan for FYs 2007 – 2012 provided the necessary framework to link operating budgets and Departmental performance metrics. The Department has defined how costs are reported in a manner that is aligned with the Strategic Plan and defined the reporting needs from the bureaus to the Department.

In FY 2008, the Chief Financial Officers Council work group will continue to refine the Departmental managerial cost accounting model, establish key cost accounting goals for all of the Department's components, and develop a plan for future Departmental oversight of cost accounting implementation and use as a management tool. These tasks are to be completed by August 2008.

### **Challenge 5 – Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement**

We agree that the Treasury Department faces unique challenges in carrying out its responsibilities, under the Bank Secrecy Act (BSA) and USA PATRIOT Act (USPA), to prevent and detect money laundering and terrorist financing. Our responsibilities in this area are addressed mainly through the efforts of the Financial Crimes Enforcement Network (FinCEN), the Office of Thrift Supervision (OTS), and the Office of the Comptroller of the Currency (OCC). The Department also works closely with other federal banking agencies to enforce BSA and USPA requirements.

The Department has several ongoing efforts to address this management challenge.

In July 2007, the federal banking agencies jointly issued the *Interagency Statement on Enforcement of Bank Secrecy Act/Anti-Money Laundering (AML) Requirements*. The statement provides for greater consistency among the agencies in enforcement decisions in BSA matters and offers insight into the considerations that form the basis of those decisions.

In August 2007, the federal banking agencies released a revised Federal Financial Institution Examination Council *BSA/AML Examination Manual*. The manual has been updated annually. Both the BSA/AML Examination Manual and enforcement guidance were designed to foster interagency consistency and transparency regarding the BSA examination process.

The federal banking agencies developed an Advanced BSA/AML Specialists Conference for the most seasoned BSA examination experts to address emerging money laundering and terrorist financing risks. A pilot conference was held in August 2007.

OTS, along with the other federal banking agencies, continues to work in partnership with the National Credit Union Administration, Conference of State Bank Supervisors, FinCEN, and the Department's Office of Foreign Assets Control (OFAC) to abate money laundering and terrorist financing. The approach the regulatory agencies have taken to achieve these goals is to ensure examination consistency and provide guidance to financial institutions for developing policies and programs to comply with anti-money laundering requirements

## Response to Management and Performance Challenges Facing the Department of the Treasury

In FY 2007, to enhance regulated industries' understanding of and compliance with BSA programmatic, recordkeeping, and reporting requirements, FinCEN published guidance on a range of issues including suspicious activity reporting and Customer Identification Program requirements, and participated in over 90 outreach events to financial industry representatives and regulators. FinCEN also focused greater emphasis on outreach to money services businesses about BSA anti-money laundering program and registration requirements. Additionally, FinCEN continued to develop analytic products for regulatory partners and the financial industry and to process and communicate enforcement actions in accordance with Departmental timelines.

OTS continues to examine thrifts for BSA, USPA, and other AML compliance. OTS has increased resources to further build expertise devoted to BSA supervision, has provided training for examiners and the industry, and has communicated clear expectations to the industry through guidance. The OCC continues to examine for BSA/AML compliance in national banks and take enforcement actions as appropriate. The OCC also continues to work with FinCEN and other federal banking agencies under the Memorandum of Understanding to enhance BSA/AML guidance.

In FY 2008, among other activities, FinCEN will continue to: develop a coordinated strategy with the IRS to ensure BSA compliance by non-bank financial institutions; review and enhance understanding of BSA regulatory requirements, including working to further clarify requirements through reorganizing BSA regulations in a new chapter of the Code of Federal Regulations, and publishing additional guidance to provide further information; work with regulatory partners toward the goal of matching risk-based examination for BSA compliance with risk-based obligations, so that financial institutions may avoid compliance expenditures that are not commensurate with actual risks; as necessary, take enforcement actions against financial institutions for willful violations of BSA requirements; and solicit feedback from regulatory partners to assess satisfaction with existing memoranda of understanding.

The Department is committed to continuing efforts to improve its enforcement of BSA and USPA requirements. Previous Office of Inspector General audit work has assisted the Department in fulfilling its responsibilities, and we appreciate your planned audit efforts in this critical area.

### Additional Areas of Concern

Your memorandum describes two areas of increasing concern: the worsening real estate market and the effects of a tight budget situation on the control environment. While you have not formally declared these to be management challenges, the Department recognizes their importance and is working to address them.

During FY 2007, the Departments of the Treasury and Housing and Urban Development (HUD), and others in the Administration, carefully focused on evaluating the challenges faced by individuals in the subprime market. The Department and HUD took several actions to provide assistance to homeowners, including the pursuit of legislation modernizing the Federal Housing Administration and legislation to provide tax relief for homeowners facing foreclosure or debt forgiveness in connection with a mortgage restructuring. In addition, the Department will

## Response to Management and Performance Challenges Facing the Department of the Treasury

continue reaching out to a wide variety of entities, such as NeighborWorks America, mortgage originators and servicers, and government-sponsored entities, like Fannie Mae and Freddie Mac, to identify struggling homeowners and expand their mortgage financing options.

During FY 2007, the OCC and OTS worked with other federal banking regulators to issue guidance on subprime mortgage lending and non-traditional mortgage products. This guidance articulates consumer protection standards to ensure borrowers obtain loans they can afford to repay. Additionally, the agencies worked with the Conference of State Bank Supervisors and American Association of Residential Mortgage Regulators to encourage individual states to adopt the guidelines for mortgage brokers under their supervision. The agencies also encouraged financial institutions to work with residential borrowers that are unable to meet their contractual home loan obligations.

To make an informed decision when entering into a mortgage, the consumer needs to understand and compare material features and potential risks. The guidance issued by the OCC, the OTS, and other federal banking agencies sets forth recommended practices to ensure that consumers have clear and balanced information about products. To facilitate this, the agencies published a booklet which provides a glossary of lending terms, a mortgage shopping worksheet, and additional information for buying or refinancing a home.

The Department recognizes the ongoing challenge of allocating limited resources effectively to ensure that we execute our mission while not compromising the effectiveness and integrity of programs and operations. This often becomes more difficult when faced with the growing uncertainty of the appropriations process. To meet this challenge the Department continues to focus on linking resources to results, as described earlier in this memo, and executing effective human capital strategies.

Through an annual Human Capital Operating Plan, the Department focuses on enterprise-wide goals and initiatives to enhance our ability to attract and retain the talent we need to meet the Department's mission, including ensuring adequate attention to mission support occupations in the areas of financial management, procurement, and information technology. While budget constraints have limited our ability to maintain optimal bench strength in these areas, a focus on succession planning will help ensure that we will have the right human capital resources dedicated to these critical functions.

We look forward to continue working with you to address these challenges.

cc: The Deputy Secretary  
Assistant Secretary for Management and Chief Financial Officer



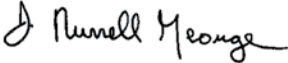


OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 29, 2007

**MEMORANDUM FOR SECRETARY PAULSON**

FROM: J. Russell George   
Inspector General

SUBJECT: Management and Performance Challenges Facing the Internal  
Revenue Service for Fiscal Year 2008

The Reports Consolidation Act of 2000<sup>1</sup> requires that the Treasury Inspector General for Tax Administration (TIGTA) summarize, for inclusion in the *Department of the Treasury Accountability Report for Fiscal Year 2007*, its perspective of the most serious management and performance challenges confronting the Internal Revenue Service (IRS or Service). The top 10 challenges in order of priority are:

1. Modernization;
2. Tax Compliance Initiatives;
3. Security;
4. Providing Quality Taxpayer Service Operations;
5. Complexity of the Tax Law;
6. Human Capital;
7. Erroneous and Improper Payments;
8. Taxpayer Protection and Rights;
9. Processing Returns and Implementing Tax Law Changes During the Tax Filing Season; and
10. Using Performance and Financial Information for Program and Budget Decisions.

TIGTA's assessment of the major IRS management challenge areas for Fiscal Year 2008 has not changed substantially from the prior year. While the IRS has continued to address each challenge area, TIGTA was unable to remove any challenge areas at this time. However, TIGTA did make one important change to the priority of the challenges. Human Capital moved from last place to sixth in terms of importance in our view and Using Performance and Financial Information for Program and Budget Decisions moved from sixth place to tenth.

One reason for this change is last year, the Office of Personnel Management reported that approximately 60 percent of the Federal Government's 1.6 million white-collar employees and 90 percent of about 6,000 Federal executives will be eligible for retirement over the next 10 years. Along with a retiring workforce, the IRS faces gaps in talent because of changes in the knowledge, skills, and competencies in occupations needed to meet its mission. The IRS needs to strengthen its efforts and use of available flexibilities to acquire,

<sup>1</sup> 31 U.S.C. § 3516(d) (2000).

develop, motivate, and retain talent. Strategic human capital management must be the centerpiece of the IRS's change management strategy.

The following is a discussion of each of the challenges:

### **Modernization of the Internal Revenue Service**

The Business Systems Modernization (Modernization) program is a complex effort to modernize IRS technology and related business processes. It involves integrating thousands of hardware and software components while replacing outdated technology and maintaining the current tax system.

The Modernization program is in its ninth year and has received approximately \$2.3 billion for contractor services. Additionally, the IRS had spent \$220 million through Fiscal Year 2006 and planned to spend an additional \$45 million in Fiscal Year 2007 to manage the Modernization program. According to the IRS's original plan, the Modernization program should be near the halfway point in Calendar Year 2007. However, due to receiving less funding than initially anticipated and having difficulties in managing contractor work, the IRS has not completed as many Modernization projects as planned. For example, the Customer Account Data Engine is the foundation of the Modernization program. The IRS originally planned to complete replacement of its Individual Master File with the Customer Account Data Engine in 2005.<sup>2</sup> The current estimated completion date for this replacement is 2012.

Although the IRS has made advances in its Modernization effort, it has not maintained anticipated progress. TIGTA has previously reported that inconsistent compliance with project development controls has contributed to delays in project deliveries, increased development costs, and reduced capabilities.<sup>3</sup> Since Fiscal Year 2002, TIGTA's Modernization program annual assessments have cited the following four specific challenges the IRS needs to overcome to deliver a successful modernization effort:

1. Implement planned improvements in key management processes and commit necessary resources to enable success;
2. Manage the increasing complexity and risks of the Modernization program;
3. Maintain the continuity and strategic direction with experienced leadership; and
4. Ensure that contractor performance and accountability are effectively managed.

These challenges continue to exist.

Accordingly, since solutions to the IRS's serious and intractable financial management problems largely depend upon the success of the IRS's Modernization efforts, in January 2005 the financial management risk was combined with the Modernization risk into the Business Systems Modernization high-risk area.<sup>4</sup> Modernization remains a high risk for the IRS.

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<sup>2</sup> The Individual Master File is the IRS database that stores individual taxpayer account information.

<sup>3</sup> Treasury Inspector General for Tax Administration, Ref. No. 2007-20-121, *Annual Assessment of the Business Systems Modernization Program* (2007).

<sup>4</sup> In January 2005, the Government Accountability Office (GAO) combined its two previous high-risk areas, IRS Business Systems Modernization and IRS Financial Management, into one Business Systems Modernization high-risk area. See U.S. Gov't Accountability Office, GAO-05-207, *High Risk Series: An Update* (2005).

## **Tax Compliance Initiatives**

A similarly compelling challenge confronting the IRS is tax compliance. Tax compliance initiatives include the administration of tax regulations, collection of the correct amount of tax for businesses and individuals, and oversight of tax-exempt and government entities. Late in Fiscal Year 2007, the Department of the Treasury (Department) issued a report on improving voluntary compliance.<sup>5</sup> The report outlines steps that the IRS plans to take to increase voluntary compliance and reduce the tax gap.

### **Business and Individual**

The IRS defines the gross tax gap as the difference between the estimated amount taxpayers owe and the amount they voluntarily and timely pay for a tax year. The IRS estimated that the gross tax gap for Tax Year 2001 was \$345 billion. TIGTA evaluated the reliability of the IRS-developed tax gap figures and concluded that the IRS still does not have sufficient information to completely and accurately assess the overall tax gap and voluntary compliance rate.<sup>6</sup> The IRS has significant challenges in both obtaining complete and timely data, and developing the methods for interpreting the data. Although better data will help the IRS further identify noncompliant segments of the population, broader strategies and better research are also needed to determine what actions are most effective in addressing noncompliance.

The IRS must continue to seek accurate measures of the various components of the tax gap and the effectiveness of actions taken to reduce it. This information is critical to the IRS for strategic direction, budgeting, and staff allocation. Additionally, the IRS Oversight Board has adopted an 86 percent voluntary compliance goal by 2009, and Senate Finance Committee Chairman Max Baucus has asked for a 90 percent voluntary compliance goal by 2017.

As the IRS takes steps to improve compliance, TIGTA's reviews will help gauge the IRS's progress in achieving the specific long-term compliance objectives. The Department also needs these measures for tax policy purposes, and Congress needs this information to help develop legislation that improves the effectiveness of the tax system. For example, the IRS may never significantly reduce the number of miscellaneous income and wage statements with mismatched names and identification numbers without legislative changes. TIGTA reports and those of the Government Accountability Office (GAO) have long called for legislative changes to address fundamental and systemic problems associated with inaccurate identification numbers on miscellaneous income and wage statements. In a recent review, TIGTA was successful in manually matching 50 percent of the sampled information documents containing incorrect names and identification numbers to taxpayer accounts.<sup>7</sup> Based on that sample, TIGTA projected that approximately 6,000 individuals had not filed tax returns, although the statements reported they had earned, on average, about \$104,000.

### **Tax-Exempt Entities**

The IRS continues to face challenges in administering programs focused on tax-exempt organizations to ensure that they comply with applicable laws and regulations to qualify for tax-exempt status. The

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5 Internal Revenue Service, U.S. Dep't of the Treasury, *Reducing the Federal Tax Gap: A Report on Improving Voluntary Compliance* (2007).

6 Treasury Inspector General for Tax Administration, Ref. No. 2006-50-077, *Some Concerns Remain About the Overall Confidence That Can Be Placed in Internal Revenue Service Tax Gap Projections* (2006).

7 Treasury Inspector General for Tax Administration, Ref. No. 2007-30-159, *Mismatched Names and Identification Numbers on Information Documents Could Undermine Strategies for Reducing the Tax Gap* (2007).

IRS has noted that the nonprofit community has not been immune from the recent trends toward bad corporate practices that have been highlighted in the for-profit area.<sup>8</sup> Recent concerns involve a highly noncompliant credit counseling industry, differentiating tax-exempt hospitals from for-profit hospitals, and seemingly excessive compensation and loans to executives of charitable organizations.

TIGTA has made recommendations that would improve the IRS's oversight of filing compliance by political entities and State and local governments, enhance its ability to identify and address abusive tax-avoidance transactions within the tax-exempt sector, and identify potential terrorist activities related to tax-exempt organizations. Furthermore, TIGTA recommended additional improvements to assure that timely, accurate, and complete information returns are received for employee benefit plans and that referrals of noncompliance are examined timely. We also noted that the IRS must develop better research tools, improve training to trace funds through complex transactions, and develop the ability to analyze data to determine high-risk noncompliant areas. The IRS agreed with TIGTA's recommendations and initiated corrective actions to address these concerns.

### **Security of the Internal Revenue Service**

Millions of taxpayers entrust the IRS with sensitive financial, personal and other data that are processed by and stored on IRS computer systems. Reports of identity thefts from both the private and public sectors have heightened awareness of the need to protect this data. The risk that sensitive data or computer systems could be compromised and computer operations disrupted continues to increase. These vulnerabilities are due to internal factors, such as the increased connectivity of computer systems and increased use of portable laptop computers; and external factors, such as the volatile threat environment resulting from increased terrorist and hacker activity. The IRS has designated computer security as a material weakness under the Federal Managers' Financial Integrity Act of 1982.<sup>9</sup>

Section 301 of the Federal Information Security Management Act (FISMA)<sup>10</sup> requires each Federal agency to report annually to the Office of Management and Budget and Congress on the effectiveness of its security programs and to perform an annual independent evaluation of its information security program and practices. During 2007, the IRS Modernization and Information Technology Services organization and representatives from each IRS operating unit have partnered to improve the IRS's compliance with FISMA. Efforts continued this year to develop an enterprise-wide approach to help employees understand their responsibilities for securing IRS systems and data.

The IRS has made steady progress in complying with FISMA requirements since the law's enactment in 2002 and states it continues to place a high priority on efforts to improve its security program. However, the Service still needs to do more to adequately secure its systems and data. The most significant areas of concern are annual testing of security controls and contingency plans, implementation of configuration manage-

<sup>8</sup> Written Statement of Mark W. Everson, Commissioner of Internal Revenue, Before the Committee on Finance, United States Senate Hearing on Exempt Organizations: Enforcement Problems, Accomplishments, and Future Direction, April 5, 2005.

<sup>9</sup> 31 U.S.C. §§ 1105, 1106, 1108, 1113, 3512 (2000). The Federal Managers' Financial Integrity Act (FMFIA) requires that agency management establish and maintain effective internal controls to achieve the objectives of: 1) effective and efficient operations; 2) reliable financial reporting; and 3) compliance with applicable laws and regulations. The FMFIA also requires the head of each Executive agency to report annually to the President and the Congress on the effectiveness of the internal controls and any identified material weaknesses in those controls. Reporting material weaknesses under FMFIA is not limited to weaknesses over financial reporting.

<sup>10</sup> Pub. L. No. 107-347, tit. III, 116 Stat. 2899, 2946 (2002) (codified as amended at 44 U.S.C. §§ 3541-49).

ment standards,<sup>11</sup> and privacy requirements for protecting personally identifiable information. Additionally, phishing schemes are a growing security concern.<sup>12</sup> In Fiscal Year 2006, TIGTA worked closely with the IRS to create a joint IRS-TIGTA reporting site. By September 30, 2007, approximately 18,700 complaints had been received and 435 different phishing schemes had been identified. TIGTA's FISMA evaluations and other audits led to the conclusion that sufficient attention is not yet being given by the IRS to the security of sensitive systems.

### **Providing Quality Taxpayer Service Operations**

Since the late 1990s, the IRS has increased its delivery of quality customer service to taxpayers. The first goal in the IRS's current strategic plan is to improve taxpayer service. However, since the late 1990s, the IRS has allocated over time more resources to its collection, examination, and criminal investigation functions and fewer resources to taxpayer service functions. As a result of this resource shift and other factors, in July 2005, Congress requested that the IRS develop a five-year plan, including an outline of which services the IRS should provide and how it will improve services for taxpayers. The IRS developed the plan, the Taxpayer Assistance Blueprint, in two phases.

The focus of the Blueprint is on services that support the needs of individual filers who file or should file the Form 1040 series tax returns.<sup>13</sup> The plan states that the initiative will address the challenges of effectively and efficiently aligning service content, delivery, and resources with taxpayer and partner expectations.<sup>14</sup> The Phase I report identified strategic improvement themes by researching IRS services relative to taxpayers' needs and preferences. The Phase II report was designed to validate those themes through further research of taxpayers' service preferences and to create the strategic plan for service delivery.

The IRS is already facing challenges with its Blueprint. For the Phase I report, the conclusions and strategic improvement themes were valid; however, not all information was accurate or consistent. Given the importance of this plan as the IRS moves forward, inaccuracies and inconsistencies will put the plan at risk of improperly aligning service content, delivery, and resources with taxpayer and partner expectations.

### **Complexity of the Tax Law**

Simplicity, transparency, and ease of administration are interrelated and desirable features of a tax system. Over the years, the Federal tax system, especially the Federal income tax, has become more complex, less transparent, and subject to frequent revision. Tax complexity and frequent revisions to the Internal Revenue Code make it more difficult and costly for taxpayers who want to comply with the system's requirements and for the IRS to explain and enforce the tax laws. Tax law complexity results in higher costs for both tax

11 Configuration management is a collection of processes and tools that promote network consistency, track network change, and provide up-to-date network documentation and visibility. By building and maintaining configuration management standards, several benefits may be achieved, such as increased security, improved network availability and lower costs.

12 Phishing is the act of sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that could be used for identity theft.

13 The Form 1040 series tax returns include any IRS tax forms that begin with "1040" such as the U.S. Individual Income Tax Return (Form 1040), U.S. Individual Income Tax Return (Form 1040-A), and Income Tax Return for Single and Joint Filers With No Dependents (Form 1040EZ).

14 Partners encompass all service providers including community-based stakeholders, practitioners, commercial preparers, and software vendors.

administration and tax compliance. Simplification and reform have the potential of reducing the tax gap by billions of dollars.

Tax law complexity continues to challenge the IRS and taxpayers. For example, TIGTA recently determined that the IRS regulations for like-kind exchanges are complex and may be unclear to taxpayers.<sup>15</sup> Little published information exists regarding the IRS's position on like-kind exchanges involving second and vacation homes. This absence of clarification leaves unrebutted the sales pitch of like-kind exchange promoters who may encourage taxpayers to improperly claim deferral of capital gains through "tax-free" exchanges.<sup>16</sup> These complexities hamper IRS efforts to provide assistance to taxpayers. Without meaningful simplification, the complexities of the current tax code will likely continue to contribute to the tax gap.

### Human Capital

The Government Performance and Results Act of 1993<sup>17</sup> was enacted to bring more accountability to Federal agencies for how they spent their budget and how well they fulfilled their public service roles. In 2001, the President's Management Agenda designated Strategic Management of Human Capital as the first of its five governmentwide initiatives. Despite significant focus and progress over the past few years, the GAO has designated human capital as a "high risk" governmentwide concern and recently reported that ample opportunities exist for agencies to improve. The GAO also reported that a governmentwide framework to advance human capital reform is needed.<sup>18</sup>

The Federal workforce is aging, and agencies are dealing not only with retirements and staff turnover, but also with the unique challenges of the 21st Century. The IRS recognizes that it must be prepared to respond to an increasing and more demanding population, a more global and multi-lingual environment, and an increasing number of taxpayers who have complex financial holdings and the means and motive to resist paying their taxes.<sup>19</sup> In addition, the IRS, along with other Federal agencies, is slowly moving toward changing pay, classification, and performance management systems to transition to a more market-based and performance-oriented culture. While the IRS has made some progress in these areas, the strategic management of human capital remains one of the IRS's major management challenges.

TIGTA has conducted audits in areas such as recruiting, workforce planning, training delivery, and employee turnover. As a result of these audits, we have made a significant number of recommendations for improvement. The IRS has agreed with these recommendations and stated it plans to take corrective actions. In 2008, TIGTA will begin executing a broad strategy for assessing human capital initiatives at an IRS agency-wide level and will focus on key portions of the IRS's Human Capital strategy.

15 A like-kind exchange is also known as a "1031 exchange," referring to Section 1031 of the Internal Revenue Code. In essence, a like-kind exchange is a way of deferring capital gains taxes by reinvesting proceeds from a sale into a similar asset.

16 As reported in Treasury Inspector General for Tax Administration, Ref. No. 2007-30-172, *Like-Kind Exchanges Require Oversight to Ensure Taxpayer Compliance* (2007), many promoters of like-kind exchanges refer to them as "tax-free" exchanges, not "tax-deferred" exchanges.

17 Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

18 U.S. Gov't Accountability Office, GAO-07-310, *High Risk Series: An Update* (2007).

19 Internal Revenue Service, Publ'n No. 3744, *IRS Strategic Plan: 2005–2009* (revised 6-2004).



## **Erroneous and Improper Payments**

As defined by the Improper Payments Information Act of 2002,<sup>20</sup> an improper payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts. For the IRS, improper and erroneous payments generally involve improperly paid refunds, tax return filing fraud, or overpayments to vendors or contractors. Some tax credits, such as the Earned Income Tax Credit and the Education Credit, provide opportunities for abuse in income tax claims. The IRS estimated that between 27 percent and 32 percent of the \$31 billion in Earned Income Tax Credits claimed on TY 1999 returns should not have been paid.<sup>21</sup> The IRS's Criminal Investigation function is responsible for detecting and combating tax refund fraud through its Questionable Refund Program, which was established to address the serious problem of refund fraud, now estimated to exceed \$1 billion annually. On September 29, 2006, the Criminal Investigation function reported that during Processing Year 2006, it had identified more than 44,700 fraudulent refund returns claiming approximately \$232.3 million in refunds during Processing Year 2006. In contrast, through September 13, 2007, the Criminal Investigation function identified approximately 200,900 fraudulent returns claiming about \$1.3 billion in refunds during Processing Year 2007.

Although the IRS has taken actions to improve the Questionable Refund Program, TIGTA continues to have concerns with many of the procedures that have been implemented. For example, in January 2006 the National Taxpayer Advocate reported that automatically preventing a future year's tax return refund was a significant problem with the Questionable Refund Program.<sup>22</sup> According to the National Taxpayer Advocate, future refunds were being frozen until taxpayers filed a certain number of legitimate returns even though there was little evidence to suggest that taxpayers were likely to repeat refund fraud after the initial attempts. As a result, the IRS Office of Refund Crimes discontinued placing a freeze on future years' refund returns and instead identified certain high-risk categories as exceptions to this process. This revised procedure concerns us because we believe the future year freeze is an effective means for protecting revenue, when considered along with the procedural changes to notify taxpayers of refund freezes.

## **Taxpayer Protection and Rights**

The IRS continues to dedicate significant resources and attention toward implementing the taxpayer rights provisions of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98).<sup>23</sup> Annual audit reports are mandated for the following taxpayer-rights provisions:

- *Notice of Levy*
- *Restrictions on the Use of Enforcement Statistics to Evaluate Employees*
- *Fair Debt Collection Practices Act Violations*
- *Notice of Lien*

20 Pub. L. No. 107-300, 116 Stat. 2350 (2002).

21 Treasury Inspector General for Tax Administration, Ref. No. 2005-40-093, *The Earned Income Tax Credit Income Verification Test Was Properly Conducted* (2005).

22 1 National Taxpayer Advocate, *2006 Annual Report to Congress* (2006).

23 Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. App., 16 U.S.C., 19 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

- *Seizures*
- *Illegal Protestor Designations*
- *Assessment Statute of Limitations*
- *Restrictions on Directly Contacting Taxpayers Instead of Authorized Representatives*
- *Separated or Divorced Joint Filer Requests*

In general, the IRS has improved its compliance with these statutory taxpayer rights provisions. For example, TIGTA believes the IRS's efforts to ensure that managers are not using enforcement statistics, production goals or quotas to evaluate employees are generally effective and are helping protect the rights of taxpayers. Nonetheless, there is still room for improvement with respect to certain provisions. TIGTA continues to identify instances in which there is no documentation that taxpayers were advised of their rights when agreeing to extend the period of time the IRS has to assess taxes. TIGTA also continues to identify instances in which IRS employees refer to taxpayers as Illegal Tax Protesters or similar designations.

Some IRS management information systems do not track cases that require mandatory annual audit coverage.<sup>24</sup> Thus, neither TIGTA nor the IRS could evaluate the Service's compliance with certain RRA 98 provisions.

### **Processing Returns and Implementing Tax Law Changes During the Tax Filing Season**

Each filing season tests the IRS's ability to implement tax law changes made by Congress. It is during the filing season that most individuals file their income tax returns and call the IRS with questions about specific tax laws or filing procedures. Correctly implementing tax law changes is a continuing challenge because the IRS must identify the tax law changes; revise the various tax forms, instructions, and publications; and reprogram the computer systems used for processing returns. Changes to the tax laws have a major effect on how the IRS conducts its activities, what resources are required, and how much progress can be made on strategic goals. Congress frequently changes the tax laws; thus, some level of change is a normal part of the IRS environment. However, certain types of changes can significantly impact the IRS in terms of its quality and effectiveness of service and in how taxpayers perceive the Service. For example, the 2007 Filing Season was successful but demanding for the IRS. Before the filing season began, the IRS Commissioner told Congress that the IRS was at high risk due to high-profile administrative changes such as the Telephone Excise Tax Refund and the Split Refund option. Late enactment of the Tax Relief and Health Care Act of 2006<sup>25</sup> added additional risk to the 2007 Filing Season.

Potential changes to the Alternative Minimum Tax (AMT) may pose a significant challenge for the IRS for the 2008 Filing Season. The AMT originally was created as a parallel tax system in 1969 to prevent 155 wealthy people from avoiding taxes through excessive exemptions, credits and other deductions. Because it was not indexed for inflation, the AMT increasingly affects people with more modest incomes by denying deductions such as personal exemptions, property taxes and medical expenses.

<sup>24</sup> Treasury Inspector General for Tax Administration, Ref. No. 2007-40-119, *Fiscal Year 2007 Statutory Review of Disclosure of Collection Activity With Respect to Joint Returns* (2007); Treasury Inspector General for Tax Administration, Ref. No. 2007-40-118, *Fiscal Year 2007 Statutory Review of Restrictions on Directly Contacting Taxpayers* (2007).

<sup>25</sup> Pub. L. No. 109-432, 120 Stat. 2922.



Unless Congress acts, the AMT will gradually impose \$1.35 trillion in additional taxes on U.S. households over the next decade, including as many as 23 million families for Tax Year 2007. A series of temporary measures that index the AMT for inflation have limited the tax's reach to about 4 million households annually. Lawmakers have not yet renewed the temporary fix for Tax Year 2007. A delay in legislation renewing the temporary fix could significantly disrupt the tax filing season because the IRS would need time to print new tax forms and reprogram computers.

### Using Performance and Financial Information for Program and Budget Decisions

While the IRS has made some progress in using performance and financial information for program and budget decisions, this area is still a major challenge. The IRS lacks a comprehensive, integrated system that provides accurate, relevant, and timely financial and operating data that describes performance measures, productivity, and associated costs of IRS programs. In addition, the IRS cannot produce timely, accurate, and useful information needed for day-to-day decisions, which inhibits its ability to address financial management and operational issues in order to fulfill its responsibilities. TIGTA has continued to report that various IRS management information systems are insufficient to enable IRS management to measure costs, determine if performance goals have been achieved, or monitor progress in achieving program goals. For example, TIGTA reported that progress is being made in addressing the reliability of Trust Fund Recovery Penalty (TFRP) transaction information recorded in taxpayer accounts (a long-term material weakness); however significant work remains. Specifically, as of May 2007, there were nearly 50,000 TFRP-related errors in taxpayers' accounts that the IRS needs to correct before implementing the systemic posting of payments on TFRP assessments beginning in March 2008.<sup>26</sup>

### Conclusion

These are the 10 major IRS management challenges issues for the IRS in Fiscal Year 2008. TIGTA's **FY 2008 Annual Audit Plan** contains our planned audits, inspections, and evaluations and is organized by these challenges. If you have questions or wish to discuss TIGTA's views on these management and performance challenges in greater detail, please contact me at (202) 622-6500.

cc: The Deputy Secretary  
Assistant Secretary for Management and Chief Financial Officer  
Acting Commissioner of Internal Revenue

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<sup>26</sup> Treasury Inspector General for Tax Administration, Ref. No. 2007-10-183, Progress Has Been Made in Improving the Accuracy of Trust Fund Recovery Penalty Transactions; However, Significant Work Remains (2007).

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DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

November 13, 2007

**MEMORANDUM FOR J. RUSSELL GEORGE  
TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION**

**FROM:**

Henry M. Paulson, Jr. 

**SUBJECT:**

Response to Management and Performance Challenges Facing  
the Internal Revenue Service for Fiscal Year 2008

I am responding to your October 29, 2007 memorandum describing the Internal Revenue Service's (IRS) most serious management and performance challenges. We appreciate your independent assessment of the IRS's challenges, and the progress made towards addressing these challenges.

As described in detail below, the IRS has taken, and will continue to take, many actions to address its performance and management challenges. However, it should be noted that many of these challenges represent inherent risks associated with the IRS's mission and the environment in which the IRS operates, rather than deficiencies that can be eliminated. As such, the IRS's goal is to ensure that it is taking the right actions to mitigate these challenges to the extent practicable, recognizing that its actions need to evolve to meet changing future circumstances and taxpayer needs. While recognizing that the IRS must be ever vigilant, and that it can improve its activities to address these challenges, we believe that the IRS has made substantial progress thus far.

Specific information on the actions that the IRS completed in Fiscal Year (FY) 2007 and the actions that are planned for FY 2008 to address these ten challenges is provided below.

**Challenge 1 – Modernization of the Internal Revenue Service**

The IRS provided leadership and oversight essential to success in managing complex and complicated system development efforts. As a result, the IRS made substantial progress in meeting targets for the Business Systems Modernization (BSM) project deliveries with 92 percent of system releases delivered within +/- 10% of estimated cost and 77 percent delivered within +/- 10 percent of estimated schedule.

The annual update of the IRS Information Technology (IT) Modernization Vision & Strategy (MV&S) was released in November 2007. The update demonstrates the actions taken to incorporate an investment decision support process into IRS operations and outlines the planning steps necessary for the consolidation, retirement, and potential reuse of the approximately 400 legacy systems. MV&S includes an Enterprise Transition Strategy that addresses priorities for modernizing front-line tax administration functions and guides IT investment decision-making. Important aspects include establishing partnerships among IT

## Response to Management and Performance Challenges Facing the Internal Revenue Service

and business leadership; leveraging existing systems; emphasizing the delivery of smaller, incremental releases; and unifying the portfolio-level view of investments. More specifically, the Enterprise Transition Strategy describes how existing and proposed investments align to the overall vision and strategy by providing decision makers with the visibility to use the IRS enterprise architecture (EA) for organization-wide planning.

In FY 2007, the IRS also implemented a new governance structure to oversee all IT investment projects. The new structure standardizes existing procedures to ensure investment projects are delivering required results before proceeding to the next phase of development and facilitates the ability to identify and address project-related issues and risks. Project-level accountability and decision-making is promoted for projects that do not have problems or issues, while the new governance model specifies appropriate thresholds for elevating (to the appropriate governance entity) project-related issues that may arise.

The IRS has also taken steps to ensure better management of its contractors including development of performance-based work statement templates to encourage the use of performance standards for all systems development contracts and updated guidance and training to emphasize the use of performance-based acquisitions.

In FY 2008, the IRS will continue its focus on modernization of the tax administration systems to provide additional benefits to taxpayers and maintain continuity of the program while mitigating risk through improved governance. Expansion of modernized electronic filing systems will provide electronic filing capabilities to US income tax returns for foreign corporations to accommodate the 2008 electronic filing requirement for exempt organizations with less than \$25,000 in gross receipts. The IRS will also continue deployment of improved management through its High Priority Initiative Process and include a performance-based contracting seminar with a focus on contractor monitoring in its 2008 Advance Acquisition Planning conference.

### **Challenge 2 – Tax Compliance Initiatives**

In FY 2007, the IRS continued compliance efforts that promote taxpayer confidence and support Treasury's goal to reduce the tax gap. The IRS also improved its ability to pinpoint areas where taxpayers are not in compliance with federal tax laws. A reporting compliance study for Subchapter S Corporations was initiated and the examination phase was completed. A Tax Year (TY) 2006 individual income reporting compliance study began in October 2007. The IRS also updated its workload selection models for TY 2006 using data from prior reporting compliance studies to better leverage limited enforcement resources and reduce the burden on compliant taxpayers.

#### *Individuals and Businesses*

In FY 2007, the IRS released the report "Reducing the Federal Tax Gap: A Report on Improving Voluntary Compliance." The report identifies current tax gap activities and presents the steps being taken to reduce opportunities for tax evasion, leverage technology, and support legislative proposals to improve compliance. The report outlines the seven components that must be addressed in order to reduce the tax gap and builds upon the research and program improvements already initiated. The components address reducing opportunities

## Response to Management and Performance Challenges Facing the Internal Revenue Service

for evasion; improvements to information technology; simplification of the tax laws; improving compliance activities; enhancing taxpayer service; coordinating with partners and stakeholders; and making a long-term commitment to further research to better understand the elements of non-compliance.

In FY 2007, over \$59 billion in enforcement revenue was collected, a 75 percent increase from FY 2001, resulting from concerted efforts by the IRS to detect and deter non-compliance. The IRS continued to reengineer its examination and collection procedures and invest in technology, resulting in efficiency gains and better targeted examination efforts translating into expanded coverage, higher audit yields, and reduced burden on compliant taxpayers. As a result, the number of examinations, particularly in individual and high-income examinations, and collection case closures continued to increase.

Enhanced enforcement of abusive tax schemes continued to be a high priority for the IRS. In FY 2007, the IRS targeted preparers whose tax work indicates questionable return preparation practices, the dissemination of questionable advice, or promotion of questionable tax avoidance strategies. Over \$69 million in penalties were assessed and promoters' admissions of these behaviors received significant publicity.

Further, to economically and efficiently detect and pursue noncompliant taxpayers, the IRS and the Social Security Administration established rigorous systemic procedures to perfect and validate Social Security Numbers shown on information documents used in compliance matching programs. While additional tax law changes may improve the accuracy of identification numbers, changes to disclosure laws must be approached with caution to ensure continued voluntary compliance with tax laws.

The IRS FY 2008 budget request includes funding for three significant research initiatives: increasing compliance studies for additional taxpayer segments, updating the data from the 2001 National Research Program (NRP) study, and researching the effects of service on taxpayer compliance. The IRS also plans to examine the relationship between complexity and taxpayer burden as well as implement provisions contained in the report on the federal tax gap.

### *Tax Exempt Organizations*

Maintaining a strong enforcement presence in the tax-exempt sector is particularly important because of the possibility these entities could be misused by third parties to facilitate abusive transactions. The IRS enhanced its enforcement presence to mitigate these risks, conducting reviews in areas of concern within the charitable sector such as charitable contribution overvaluation, charities established to benefit the donor, credit counseling organizations, down payment assistance organizations, executive compensation practices, and the regulation and reporting of political activities. The IRS also began a review of the community benefit standard applied by non-profit hospitals, and the differences between non-profit and for profit hospitals. In FY 2007, compliance contacts for all tax-exempt categories (exempt organizations, employee plan, federal, state and local governments) increased 12 percent. New outreach tools were developed including the deployment of [www.stayexempt.org](http://www.stayexempt.org), a popular tax compliance website for exempt entities; web-based tools to help tax exempt

## Response to Management and Performance Challenges Facing the Internal Revenue Service

entities understand their federal tax requirements; and workshops to assist remote tribal villages with federal and state employment tax and other reporting requirements.

In FY 2008, the IRS will continue to focus its efforts on tax shelter schemes and abusive transactions, increasing the efficiency of the determination letter process. The IRS also will increase its presence in enforcement, for example, by initiating additional compliance checks at tribal casinos for adherence to Bank Secrecy Act (BSA) regulations. Additional actions include enhancing transparency by redesigning certain forms for the first time since 1979 and mandating electronic filing for large tax exempt organizations.

### **Challenge 3 - Security of the Internal Revenue Service**

The IRS established two new offices to consolidate efforts related to privacy, identity theft, incident management, information protection training, and communication. The Office of Privacy, Information Protection, and Data Security ensures IRS programs and projects gather only the taxpayer and employee data necessary to accomplish objectives and the new Associate Chief Information Officer manages the IRS Information Technology Security Program.

To enhance security, the IRS developed an integrated Information Technology (IT) Security Schedule and Plan and a comprehensive IRS security strategy, which defined areas for improvement in the security posture of the IRS. In FY 2007, the IRS encrypted all laptop data and tapes used in electronic data exchange and updated its mandatory employee training to reflect recent policy guidance and reinforced employee responsibilities related to the protection of sensitive information and the use of encryption tools.

The IRS also completed all activities required to support the annual Federal Information Security Act (FISMA) reporting cycle. One hundred percent of all 260 applications/systems on the FISMA master inventory completed IT contingency plan testing. The IRS also completed an enhanced mainframe testing effort that included live disaster recovery testing for 24 major applications.

Planned actions for FY 2008 include completing an enterprise business impact assessment analysis, in support of IT systems disaster recovery. Computing center restoration priorities will be validated and there will be continued enhancements of disaster recovery and contingency plan testing programs, emphasizing more live and functional testing. A new policy manual will also be issued, addressing IT system disaster recovery. In addition, the IRS will complete the upgraded certification and accreditation packages for all IRS applications, deploy an automated means of identifying and accounting for IT assets connected to the network, and upgrade its core security infrastructure components. The IRS will also continue to research, identify, and assess new on-line computer fraud schemes.

### **Challenge 4 – Providing Quality Taxpayer Service Operations**

The IRS continues to emphasize taxpayer service as an important component of addressing the tax gap and made improvements in key areas involving services for taxpayers in FY 2007. The IRS provided assistance to millions of taxpayers through its toll-free call centers, IRS.gov website, over 400 Taxpayer Assistance Centers, and approximately 12,000 Volunteer Income



## Response to Management and Performance Challenges Facing the Internal Revenue Service

Tax Assistance and Tax Counseling for the Elderly sites. The IRS also held the first ever National Earned Income Tax Credit (EITC) Day, a single day nationwide media campaign created to increase awareness of the program.

Additionally, in FY 2007, the IRS completed the Taxpayer Assistance Blueprint (TAB), its most extensive research effort on the needs, preferences, and behaviors of taxpayers and partners who assist them in complying with the tax laws. The IRS also responded to previous TIGTA findings on the data presented in the Phase 1 Report by developing and implementing a thorough quality review process for TAB Phase 2. The quality review process is still in place and continues to be refined. Consequently, all subsequent research conducted to produce the data that will guide service delivery decisions and other Blueprint initiatives will undergo a thorough quality review process. The quality review process serves as an effective tool to assure the accuracy and consistency of data, ensuring decisions made properly align service content, delivery, and resources with taxpayer and partner expectations.

The IRS planned actions for FY 2008 include: implementation of TAB service improvement initiatives; expansion of interactive applications to the Spanish speaking sector such as “Where’s My Refund” and hyperlinked tax information; and continued efforts utilizing IRS partners to disseminate information and simplify forms and tax filing processes.

### **Challenge 5 - Complexity of the Tax Law**

In FY 2007, the IRS took a number of steps to reduce taxpayer burden including the review of existing tax products with the goal to simplify. The IRS also incorporated taxpayer feedback, research, and focus group results to obtain taxpayer information relative to product changes. For example, the IRS redesigned Form 8857, Request for Innocent Spouse Relief which is expected to eliminate 30,000 follow-up letters annually, resulting in reduced burden and quicker response to taxpayers. The new form was downloaded more than 12,000 times in the month it debuted. The IRS continued its Nationwide Tax Forums, which provided an opportunity for taxpayer feedback regarding tax forms and publications. In FY 2008, the IRS will update instructions and information for certain tax forms and publications such as Form 8824 (Like-kind Exchanges) and Publication 17 (Your Federal Income Tax).

Also in FY 2008, the IRS will complete the study of universal use of the Advanced Payment of Earned Income Credit (AEITC) mandated by Congress. The study will assess AEITC’s benefits, costs, risks, and barriers to workers and businesses (with a special emphasis on small businesses). The study will also develop a simplified employee plan application process for small employers and guidance in response to The Pension Protection Act of 2006. Another FY 2008 study will address reporting and compliance issues associated with the growing number of taxpayers claiming deferred gains or losses under the provisions of “like-kind exchanges”.

### **Challenge 6 - Human Capital**

Actions were undertaken in FY 2007 to address the response trends from the Office of Personnel Management’s Human Capital Survey. The IRS undertook initiatives in Learning and Knowledge Management, as well as Leadership categories, which are directly related to efforts to identify competency gaps and to expand availability of training programs for

## Response to Management and Performance Challenges Facing the Internal Revenue Service

employees. The IRS took actions to improve its Performance Culture category results by assessing and initiating redesign of the appraisal system to a uniform, results-based process and developing web-based performance management training and guidance for managers to improve program administration. To enhance the results for the category Satisfaction with Benefits the IRS began the implementation of recommendations from its Pay for Performance program study.

The IRS continued to hire and train qualified candidates to fill its key enforcement occupations: Revenue Agent, Revenue Officer, Special Agent, and Tax Compliance Officer, successfully achieving 99.1 percent of filing season hiring commitments, and over 100 percent at 6 of 10 campus locations in FY 2007. The IRS attributes the steady and consistent increases in enforcement revenue collected since FY 2001 to its more effective use of enforcement resources along with timely and effective recruiting, hiring, and development of new talent to meet changing demands. The IRS also redesigned its tuition assistance program to expand it to a significantly larger employee base.

Like all of the federal government, the IRS faces a shortage of leaders over the next decade from the expected retirement wave and increased competition for senior leadership talent from both the private and public sectors. To address the need to identify and train its future leaders, the IRS established and implemented a Succession Management Program (SMP) for the identification and recruitment of talented leaders. Underpinning the SMP is the Leadership Succession Review (LSR) process, which gives a direct “line of sight” into the available bench strength for critical management positions. The LSR is designed to focus on competency gaps and provides information necessary to target training and development to areas of greatest impact. The SMP program and, more importantly, use of the LSR tool, will eventually lead to full bench strength across the management spectrum for the IRS.

The IRS also continued to work on development of a human capital strategy in FY 2007. The strategy includes bringing critical personnel on board and includes objectives for employee training, leadership development, determination of skills and competencies through a Center of Excellence Office and workforce retention.

Plans for FY 2008 include analysis of turnover rates, implementation of a cost index model to determine the cost and drivers of turnover, and increasing the hiring base for mission critical positions through automation, simplification of the application process and the use of hiring incentives. The IRS will also continue its efforts to quickly replace key leaders lost to retirement by expanding the SMP and expanding use of the LSR tool to levels below the senior executive.

### **Challenge 7 - Erroneous and Improper Payments**

In FY 2007, the IRS protected about \$2.6 billion in revenue through EITC enforcement efforts which included the examination of over 500,000 returns claiming EITC, 390,000 document matching reviews, and almost 500,000 math error process corrections. In addition, the IRS met all the Improper Payment Improvement Act (IPIA) requirements for the EITC, providing a current estimate of erroneous payment amounts, an explanation of the methodology to calculate the amount and an action plan to reduce the number and amount of those payments.



## Response to Management and Performance Challenges Facing the Internal Revenue Service

As part of detecting and combating refund fraud through the Questionable Refund Program (QRP), the QRP Executive Steering Committee evaluated the results of the FY 2007 program and determined the procedures put in place to freeze subsequent year's returns of accounts identified in the current year as fraudulent were not necessary based on analysis showing a majority of the returns would be identified through standard QRP techniques.

The IRS will also identify opportunities to reduce the number of erroneous and improper payments by analyzing the results from the first year of the multi-year National Research Program (NRP) study. The study is designed to provide an annual update of the EITC error rate and will enable the IRS to more quickly explore research-based, cost-effective approaches to improve EITC participation and minimize errors. Testing of new preparer focused treatments to reduce EITC errors on returns from paid preparers will also take place.

### **Challenge 8 - Taxpayer Protection and Rights**

Taxpayer protection remains a high priority for the IRS. In FY 2007, through quarterly managerial and annual independent reviews, the IRS continued to monitor compliance with the taxpayer rights provisions of Section 1204 of the Internal Revenue Restructuring and Reform Act of 1998 which prohibits the use of Records of Tax Enforcement Results to evaluate, impose or suggest production goals and quotas with respect to such employees. The IRS also implemented systemic controls in the collection functions to ensure levies are not generated before the allotted waiting period and continued to monitor the action plan developed to ensure timely release of Federal Tax Liens.

In FY 2008, the IRS will continue efforts to protect taxpayer rights through established reviews and safeguards and remind employees of their responsibilities concerning protection of taxpayer rights through issuance of targeted memoranda. In addition, the IRS will complete the Federal Levy Payment Program (FPLP) research project and use results to determine the best approach to ensure that levies processed on Social Security and Railroad Retirement Board benefits do not result in hardship for low-income taxpayers who depend solely on these payments.

### **Challenge 9 - Processing Returns and Implementing Tax Law Changes during the Tax Filing Season**

Filing season 2007 was another success for the IRS with more than 139.7 million individual returns filed, and more than 105.5 million refunds issued totaling \$261 billion. Electronic filing increased to 57.1 percent for individuals, and 19.1 percent for business returns, increases of 5 percent and 15 percent respectively over FY 2006. More taxpayers filed using a home computer than ever before and 10 percent more tax professionals filed returns electronically over the number in 2006.

The successful implementation of new tax law changes concerning split refunds and delivery of an integrated approach to the Telephone Excise Tax Refund (TETR) enabled the filing of over 94 million 2006 federal income tax returns, which claimed more than \$4.81 billion in credits or refunds. The implementation of TETR and split refunds resulted in significant

## Response to Management and Performance Challenges Facing the Internal Revenue Service

changes to all of the 1040 series of returns, requiring the addition of line items to claim the credit, the development of new forms taxpayers without filing requirements could use, creation of new publications and re-programming of the 38 major filing systems. All of the changes including making the necessary changes to the many forms and systems to accommodate late passage of provisions of the Tax Relief and Health Care Act of 2006 were made in time to begin the filing season.

The IRS will continue to plan and prepare for the 2008 filing season, however, from a tax administration perspective, the uncertainty around enactment of an Alternative Minimum Tax (AMT) “patch” that affects 50 million taxpayers will create significant challenges and poses high risk to the 2008 filing season. Late enactment (mid-November or later) will create compliance challenges for affected taxpayers, preparers, and software developers. Updated printed forms would not be available until after the filing season has started and return processing systems may not be ready to process tax returns with the AMT until March. More importantly, the backlog in processing returns would mean refunds could be delayed and have an impact on timely issuance of refunds and ultimately may mean the Government would be required to pay interest if delays exceed the time required under law for issuing refunds. The downstream effects would be felt throughout the organization with substantial increases in telephone calls for assistance, increases in written correspondence, increases in issuance of error notices for taxpayers who file incorrect returns due to confusion in the rules, as well as an increase in the number of amended returns for taxpayers who filed prior to the forms and system changes.

### **Challenge 10 - Using Performance and Financial Information for Program and Budget Decisions (GAO)**

In FY 2007, the IRS made significant progress in improving its tax administration financial systems by expanding the capabilities of the Custodial Detail Database (CDDDB), providing the means to trace payments and refunds at the point of receipt providing the data necessary to quickly trace missing payments and missing refund information. A second release for CDDDB provided weekly updates for unpaid trust fund assessments, allowing for the tracing of multiple and sometimes duplicate transactions.

The IRS continued to work on the cleanup of the Trust Fund Recovery Penalty (TFRP) Database that began in September 2006, using weekly error reports extracted from the Custodial Detailed Data Base (CDDDB). Between September 2006 and September 2007, the IRS saw a 21 percent improved accuracy rate on TFRP accounts, exceeding the 10 percent goal set.

Progress was made on reporting the full cost of major programs and an IRS Cost Accounting Policy document was issued in FY 2007 to provide guidance organization-wide on how costs should be allocated and reported. Additionally, the IRS improved the accuracy and reliability of its property and equipment (P&E) accounting records leading the GAO to conclude in its report on the IRS FY 2006 and 2005 financial statements that P&E no longer constitutes a reportable condition.

## Response to Management and Performance Challenges Facing the Internal Revenue Service

In FY 2008, the IRS will complete the TFRP clean up and evaluate the feasibility of conducting another review of all the TFRP accounts prior to conversion to a systemic payment posting process by February 2008. The IRS also plans to complete the development and implementation of additional CDDB releases that add other revenue receipt transactions and create a refund transactions subsidiary ledger. The IRS will develop the functional requirements for the Interim Revenue Account Control System (IRACS) Redesign effort to move the existing system into general ledger compliance. Costing efforts will continue including developing a methodology for systemically producing cost data for key products and services.

We look forward to continue working with you to address these challenges.

cc: The Deputy Secretary  
Assistant Secretary for Management and Chief Financial Officer  
Commissioner of Internal Revenue

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## APPENDIX E: MATERIAL WEAKNESSES, AUDIT FOLLOW-UP, AND FINANCIAL SYSTEMS

This section consists of detailed descriptions of the Department’s material weakness inventory, including a summary of actions taken and planned to resolve the weaknesses; tracking and follow-up activities related to the Department’s audit inventory; an analysis of potential monetary benefits arising from audits performed by the Department’s Inspectors General; and an update on the Department’s financial systems framework.

### TREASURY’S MATERIAL WEAKNESSES

Management may declare audit findings or internal situations as a material weakness whenever a condition exists that may jeopardize the Treasury mission or continued operations. Material weaknesses are required in these instances by the Federal Managers’ Financial Integrity Act of 1982 (FMFIA) and the Federal Financial Management Improvement Act of 1996 (FFMIA).

#### Federal Managers’ Financial Integrity Act of 1982 (FMFIA)

The FMFIA requires agencies to establish and maintain internal control. The Secretary must annually evaluate and report on the controls (Section 2) and financial systems (Section 4) that protect the integrity of federal programs. The requirements of FMFIA serve as an umbrella under which other reviews, evaluations, and audits should be coordinated and considered to support management’s assertion about the effectiveness of internal control over operations, financial reporting, and compliance with laws and regulations. Treasury has six material weaknesses under Section 2 of the FMFIA, summarized as follows:

Summary of FMFIA and FFMIA Material Weaknesses	Section 2	Section 4	Total
Balance at the Beginning of FY 2007	5	1	6
Closures/Downgrades during FY 2007	0	0	0
Reassessed during FY 2007	1	(1)	0
New MW declared during FY 2007	0	0	0
Balance at the End of FY 2007	6	0	6

Below are detailed descriptions of Treasury’s six material weaknesses:

Material Weakness Description	
<b>Internal Revenue Service - Improve Modernization Management Controls and Processes.</b>	
The IRS needs to improve its Business Systems Modernization program. Key elements: <ul style="list-style-type: none"> <li>Assess the recommendations from the Special Studies and Reviews of the Business Systems Modernization program and projects</li> <li>Implement and institutionalize procedures for validating contractor-developed costs and schedules</li> <li>Establish effective contract management practices</li> <li>Complete a human capital strategy</li> <li>Improve configuration management practices</li> </ul>	
Actions Completed	What Remains to be Done
<ul style="list-style-type: none"> <li>✓ Study and review recommendations assessed and implemented where warranted</li> <li>✓ Formal process for contractor-developed cost and schedule evaluation implemented</li> <li>✓ Contract management policy and procedures developed and implemented</li> <li>✓ Human Capital Plan completed</li> <li>✓ Configuration management policies and practices improved and implemented</li> </ul>	<ul style="list-style-type: none"> <li>☐ Allow assessment time to observe long-term effect of actions completed</li> <li>☐ Targeted Downgrade/Closure: FY 2008</li> </ul>

Material Weakness Description	
<b>Internal Revenue Service – Reduce Earned Income Tax Credit (EITC) Overclaims.</b>	
The IRS has high erroneous payment error rates within the EITC program. Key elements: <ul style="list-style-type: none"> <li>Review and implement the EITC Task Force Recommendations to reduce overclaims</li> <li>Develop enhanced initiatives to reduce overclaims in existing EITC programs</li> <li>Develop focused initiatives to educate the EITC population</li> <li>Identify new ways to administer the EITC by partnering with state, federal, and private organizations and through the productive use of proactive research initiatives</li> </ul>	
Actions Completed	What Remains to be Done
<ul style="list-style-type: none"> <li>✓ Assessed and implemented Task Force recommendations where warranted</li> <li>✓ Conducted special studies to identify solutions for 3 key overclaim areas</li> <li>✓ Met all of the Improper Payment Information Act of 2002 (IPIA) requirements for the EITC by providing a current estimate of error, an explanation of the methodology, and an action plan to reduce error</li> <li>✓ Completed second phase of the return preparers' compliance study and, through due diligence visits, reduced erroneous refunds by assessing 8,554 due diligence penalties against 219 of the preparers visited</li> <li>✓ Developed and implemented a robust enterprise research strategy in partnership with internal and external organizations to support the IRS goals of reducing erroneous claims and increasing participation of EITC-eligible taxpayers</li> <li>✓ Conducted the first, nationwide EITC Awareness Day for EITC-eligible taxpayers</li> </ul>	<ul style="list-style-type: none"> <li>☐ Partner with OMB to develop more accurate error rate estimates</li> <li>☐ Monitor plan for improper payment reduction</li> <li>☐ Identify opportunities to reduce the number of erroneous and improper payments by analyzing the results from the first year of the multi-year National Research Program study, which is designed to provide an annual update of the EITC error rate and will enable IRS to more quickly explore research-based, cost-effective approaches to improve EITC participation and minimize errors</li> <li>☐ Continue to identify and investigate high-impact fraud and tax scheme promoters</li> <li>☐ Complete development of a new Concept of Operations, a multi-year vision that will drive development of expanded and new EITC Program strategic initiatives, including a paid preparer strategy</li> <li>☐ Targeted Downgrade/Closure: FY 2008</li> </ul>

Material Weakness Description	
<b>Internal Revenue Service – Computer Security.</b>	
<p>The IRS has various computer security controls that need improvement. Key elements:</p> <ul style="list-style-type: none"> <li>• Adequately restrict electronic access to and within computer network operational components</li> <li>• Adequately ensure that access to key computer applications and systems is limited to authorized persons for authorized purposes</li> <li>• Adequately configure system software to ensure the security and integrity of system programs, files, and data</li> <li>• Appropriately delineate security roles and responsibilities within functional business, operating, and program units, as required by the Federal Information Security Management Act (FISMA)</li> <li>• Appropriately segregate system administration and security administration responsibilities</li> <li>• Sufficiently plan or test the activities require to restore certain critical business systems when unexpected events occur</li> <li>• Effectively monitor key networks and systems to identify unauthorized activities and inappropriate system configurations</li> <li>• Provide sufficient technical security-related training to key personnel</li> <li>• Certify and accredit 90% of all systems</li> </ul>	
Actions Completed	What Remains to be Done
<ul style="list-style-type: none"> <li>✓ Delineated responsibilities for carrying out security management activities within organizational units across IRS as well as the expectation of performance of security-related tasks associated with individual roles</li> <li>✓ Ensured that one individual cannot independently control all key aspects of a process or computer-related operation for systems administration</li> <li>✓ Encrypted all laptop data and tapes used in electronic data exchange</li> <li>✓ Updated IRS mandatory employee training to reflect recent policy guidance and reinforced employee responsibilities related to the protection of sensitive information and the use of encryption tools</li> <li>✓ Completed all required FISMA activities related to contingency plan testing on all of the 260 application/ systems in the master inventory and live disaster recovery tests for all major applications</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Restrict electronic access to and at the operating system level of network operational components</li> <li><input type="checkbox"/> Control access to systems software and applications</li> <li><input type="checkbox"/> Implement configuration management and change control to safeguard the security and integrity of system programs, files, and data</li> <li><input type="checkbox"/> Monitor user activity on network operating devices, operating systems, and applications</li> <li><input type="checkbox"/> Provide training development, delivery, and evaluation for security responsibilities to key personnel</li> <li><input type="checkbox"/> Certify 90% of total systems</li> <li><input type="checkbox"/> Targeted Downgrade: FY 2009</li> </ul>

Material Weakness Description	
<b>Financial Management Service – Consolidated Government-wide Financial Statements.</b>	
<p>The government does not have adequate systems, controls, and procedures to properly prepare the Consolidated Government-wide Financial Statements. Key elements:</p> <ul style="list-style-type: none"> <li>• The government lacks a process to obtain information to effectively reconcile the reported excess of revenue over net costs with the budget surplus</li> <li>• Weaknesses in financial reporting procedures in internal control over the process for preparing the Consolidated Financial Statements</li> </ul>	
Actions Completed	What Remains to be Done
<ul style="list-style-type: none"> <li>✓ Developed a model to provide analysis of unreconciled transactions that affect the change in net position</li> <li>✓ Accounted for intra-governmental differences through formal consolidating and elimination accounting entries using all reciprocal fund categories including the General Fund</li> <li>✓ Established a process to ensure that Federal agencies submit complete closing packages to GAO</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Create the reciprocal category for the Treasury General Fund</li> <li><input type="checkbox"/> Implement changes identified by the Fiscal Assistant Secretary as a result of their review of the Reporting Entity definitions per the Financial Accounting Standards Advisory Board (FASAB) criteria</li> <li><input type="checkbox"/> Establish traceability from agency footnotes to the Consolidated Financial Statements (CFS) for completeness</li> <li><input type="checkbox"/> Include all disclosures as appropriate</li> <li><input type="checkbox"/> Include all loss contingencies as appropriate</li> <li><input type="checkbox"/> Targeted Downgrade/Closure: FY 2011</li> </ul>

Material Weakness Description	
<b>Treasury Departmental Offices – Lack of Substantial Compliance with the Federal Information Security Management Act (FISMA).</b>	
<p>Key elements:</p> <ul style="list-style-type: none"> <li>• Need to establish a Departmental Offices Headquarters Information Technology Security Program</li> <li>• The Treasury Chief information Officer needs to implement the Treasury Communications System disaster recovery plan and ensure bureau connectivity to the backup facility is established for uninterrupted services</li> <li>• Provide effective oversight to ensure Treasury's compliance with the FISMA and track bureaus inventories and Plans of Actions and Milestones to ensure all systems are certified and accredited.</li> </ul>	
Actions Completed	What Remains to be Done
<ul style="list-style-type: none"> <li>✓ Departmental Offices Headquarters Information Technology Security Program developed and implemented</li> <li>✓ The Treasury Communications System Disaster Recovery Plan (including connectivity and backup capability) developed, tested, and implemented</li> <li>✓ Policy and procedures issued and infrastructure in place to allow for tracking of systems and plans of action</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Implement a configuration management baseline that is compliant with OMB requirements.</li> <li><input type="checkbox"/> Targeted Downgrade/Closure: FY 2008*</li> </ul> <p>*subject to change pending further review</p>



Material Weakness Description	
<b>Internal Revenue Service – Accounting for Revenue.</b>	
<p>The IRS needs to have detail data to support custodial financial reporting for revenue. Key elements:</p> <ul style="list-style-type: none"> <li>• Inability to provide detailed support for large types of revenue for employment and excise taxes</li> <li>• Lack of effective custodial supporting systems/subsidiary detail</li> <li>• Subsidiary ledger does not track and report one Trust Fund Recovery Penalty (TFRP) balance</li> <li>• Untimely posting of TFRP assessments and untimely review of TFRP accounts</li> <li>• Lack of a single, integrated general ledger to account for tax collection activities and the costs of conducting those activities</li> <li>• Inability to generate and report reliable cost-based performance data for collection activities to make informed resource allocation decisions</li> <li>• IRS's general ledger for its custodial activities does not use the standard federal accounting classification structure</li> </ul>	
Actions Completed	What Remains to be Done
<ul style="list-style-type: none"> <li>✓ Custodial Detail Database (CDDDB) enhanced to analyze and classify larger percentage of unpaid payroll tax accounts</li> <li>✓ Enhanced CDDDB to begin journalizing tax debt information weekly to IRS's general ledger</li> <li>✓ Expanded CDDDB capabilities to provide means to trace payments and refunds at point of receipt</li> <li>✓ Timing of certification of excise tax receipts accelerated</li> </ul>	<ul style="list-style-type: none"> <li>☐ Completion of CDDDB Releases to provide a single, integrated subsidiary ledger using standard federal accounting classification structure.</li> <li>☐ Targeted Downgrade/Closure: FY 2010</li> </ul>

## FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996 (FFMIA)

The FFMIA requires agencies to have financial management systems that substantially comply with the Federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. Financial management systems shall have general and application controls in place in order to support management decisions by providing timely and reliable data. The Secretary shall make a determination annually about whether the agency's financial management systems substantially comply with the FFMIA. If the systems are found not to be compliant, management shall develop a remediation plan to bring those systems into substantial compliance. Management shall determine whether non-compliances with FFMIA should also be reported as non-conformances with Section 4 of FFMIA.

The IRS Accounting for Revenue material weakness is reported as a non-compliance material weakness under FFMIA. This material weakness is not reported as a non-conformance material weakness under Section 4 of FFMIA.

## AUDIT FOLLOW-UP ACTIVITIES

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During FY 2007, Treasury made steady progress in both the general administration of management control issues throughout the Department and the timeliness of the resolution of all findings and recommendations identified by the Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), the Government Accountability Office (GAO), and external auditors. During the year, Treasury continued to provide enhancements to the tracking system called the “Joint Audit Management Enterprise System” (JAMES). JAMES is a Department-wide, interactive, Web-based system accessible to the OIG, TIGTA, Bureau management, Departmental management, and others. The system contains tracking information on audit reports from issuance through completion of all corrective actions required to address findings and recommendations contained in an audit report.

### Potential Monetary Benefits

The Inspector General Act Amendments of 1988, Public Law 101-504, require that the Inspectors General and the Secretaries of Executive Agencies and Departments submit semiannual reports to the Congress on actions taken on audit reports issued that identify potential monetary benefits. The Department consolidates and analyzes all relevant information for inclusion in this report. The information contained in this section represents a consolidation of information provided separately by the Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and Department management.

In the course of their audits, the Inspectors General periodically identify questioned costs, make recommendations that funds be put to better use, and identify measures that demonstrate the value of audit recommendations to tax administration and business operations. “Questioned costs” include:

- a cost that is questioned because of an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds;
- a finding, at the time of the audit, that such costs are not supported by adequate documentation (i.e., an unsupported cost); or
- a finding that expenditure of funds for the intended purpose is unnecessary or unreasonable.

The Department regularly reviews progress made by the bureaus in realizing potential monetary benefits identified in audit reports, and coordinates with the auditors as necessary to ensure the consistency and integrity of information on monetary benefit recommendations being tracked.

The statistical data in the following summary table and charts represent audit report activity for the period from October 1, 2006, through September 30, 2007. The data reflect information on reports that identified potential monetary benefits issued by the OIG and TIGTA.

<b>Audit Report Activity With Potential Monetary Benefits For Which Management Has Identified Corrective Actions (OIG and TIGTA) October 1, 2006 through September 30, 2007 (Dollars in Millions)</b>								
	Questioned Costs		Better Used Funds		Revenue Enhancements		Totals	
	Reports	Dollars	Reports	Dollars	Reports	Dollars	Report Total*	Total Dollars
<b>Beginning Balance</b>	8	\$39.2	5	\$115.3	16	\$14,197.2	<b>28</b>	<b>\$14,351.7</b>
<b>New Reports</b>	11	13.1	6	15.8	8	1,808.8	<b>24</b>	<b>1,837.7</b>
<b>Total</b>	19	52.3	11	131.1	24	16,006.0	<b>52</b>	<b>16,189.4</b>
<b>Reports Closed</b>	7	16.4	4	121.4	12	15,307.7	<b>23</b>	<b>15,445.4</b>
<b>a. Realized or Actual</b>	6	42.7	2	111.1	3	90.2	<b>11</b>	<b>244.0</b>
<b>b. Unrealized - Written off</b>	3	1.1	2	10.3 <sup>1</sup>	12	15,217.5 <sup>2</sup>	<b>17</b>	<b>15,228.9</b>
<b>Ending Balance</b>	<b>12</b>	<b>\$36.0</b>	<b>7</b>	<b>\$9.7</b>	<b>12</b>	<b>\$698.3</b>	<b>29</b>	<b>\$744.0</b>

\* Report total column may not add across due to inclusion of reports in multiple categories.

1 This category includes one report, with \$9.86 million written off, for which IRS management did not concur with TIGTA's projected benefits.

2 This category includes two reports, with \$85.2 million written off, for which TIGTA does not agree with the IRS that the benefits have not been realized; one report, with \$6 billion written off, for which legislation is needed to realize the benefit; one report, with \$1.17 billion written off, for which IRS management did not agree with TIGTA's recommended corrective action; and four reports, with \$829.4 million written off, for which IRS management did not concur with TIGTA's projected benefits.

The following table provides a snapshot of OIG and TIGTA audit reports with significant recommendations reported in previous semiannual reports for which corrective actions had not been completed as of September 30, 2006 and September 30, 2007, respectively. There were no "Undecided Audit Recommendations" during the same periods.

<b>Significant Unimplemented Recommendations</b>				
	September 30, 2006		September 30, 2007	
	OIG	TIGTA	OIG	TIGTA
	No. of Reports	No. of Reports	No. of Reports	No. of Reports
<b>Unimplemented</b>	9	37	14	39

The following table presents a summary of TIGTA and OIG audit reports that were open for more than a year with potential monetary benefits at the end of the PAR Report Year.

<b>Number of Reports Open for More than One Year (Dollars in Millions)</b>				
	PAR Report Year	FY 2005	FY 2006	FY 2007
	<b>TIGTA</b>	<b>No. of Reports</b>	17	15
	<b>Projected Benefits</b>	\$7,581.8	\$ 13,097.6	\$66.5
<b>OIG</b>	<b>No. of Reports</b>	0	0	1
	<b>Projected Benefits</b>	\$0	\$0	\$29.4

The following table presents a summary of TIGTA and OIG audit reports on which management decisions were made on or before September 30, 2006, but the final actions have not been taken as of September 30, 2007.

Details of the Audit Reports on Which Management Decisions Were Made On or Before September 30, 2006, But Final Actions Have Not Been Taken as of September 30, 2007 (Dollars In Thousands)								
Bureau	Report Number	Report Issue Date	Brief Description	Questioned Costs	Funds Put to Better Use	Revenue Enhancement	Total	Due Date/Reason for Delay
IRS	2003-30-071	3/14/2003	Improvements could be made to the Schedule K-1 matching program by increasing the use of electronic or scannable data		3,000.0		3,000.0	Delayed to 1/15/08. IRS has decided to consider mandating e-filing at the time each form is to be converted in the Modernized e-file environment.
<b>FY 2003</b>	<b>1</b>				<b>3,000.0</b>		<b>3,000.0</b>	
IRS	2004-10-128	7/28/2004	LOU: Contractor's documentation was not adequate to support the tax forum income and expenses	684.0			684.0	Delayed to 10/15/08. The action pursuant to this recommendation and recovery of management fees paid by the contractor are contingent on the U.S. Attorney's Office timeline.
IRS	2004-20-014	11/19/2003	The IRS should use the planned Travel and Reimbursement Accounting System long-term travel authorization processing enhancements to assure that IRS periodically reassesses employee travel plans	25.0		180.5	205.5	Due 10/31/2007
IRS	2004-20-142	8/26/2004	The IRS should ensure the Storage Strategy Study addresses the data storage capacity deficiency and recommends a cost-effective Virtual tape system solution to reduce maintenance and tape shipping costs		200.0		200.0	Due 12/31/2010

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Details of the Audit Reports on Which Management Decisions Were Made On or Before September 30, 2006, But Final Actions Have Not Been Taken as of September 30, 2007 (Dollars In Thousands)								
Bureau	Report Number	Report Issue Date	Brief Description	Questioned Costs	Funds Put to Better Use	Revenue Enhancement	Total	Due Date/Reason for Delay
IRS	2004-30-170	9/21/2004	Improvements are needed for processing income tax returns of controlled corporate groups			29,670.0	29,670.0	Due 12/15/2007
<b>FY 2004</b>	<b>4</b>			<b>709.0</b>	<b>200.0</b>	<b>29,850.5</b>	<b>30,759.5</b>	
IRS	2005-30-013	12/2/2005	Contractor provides more training to its personnel emphasizing unreasonable costs per the FAR and applicable supplements			135.0	135.0	Delayed to 12/15/2008. Additional time is needed to complete the pilot and evaluate the results.
IRS	2005-1c-175	9/29/2005	Contractor provides more training to its personnel emphasizing unreasonable costs per the FAR and applicable supplements	81.8			81.8	Due 9/15/2008
<b>FY 2005</b>	<b>2</b>			<b>81.8</b>		<b>135.0</b>	<b>216.8</b>	
BEP	OIG-06-010	12/2/2005	Full cost of BEP's Currency Operations is not reflected in its billing rates.			29,400.0	29,400.0	Due 3/1/2008
IRS	2006-10-126	8/25/2006	Develop methods for ensuring more timely deposits of Tax Exempt/ Government Entities Division customer payments of \$50,000 or more.			112.1	112.1	Due 1/15/2008

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Details of the Audit Reports on Which Management Decisions Were Made On or Before September 30, 2006, But Final Actions Have Not Been Taken as of September 30, 2007 (Dollars In Thousands)								
Bureau	Report Number	Report Issue Date	Brief Description	Questioned Costs	Funds Put to Better Use	Revenue Enhancement	Total	Due Date/Reason for Delay
IRS	2006-1c-142	9/25/2006	The IRS Contracting Officer should use the results of the Defense Contract Auditing Agency (DCAA) report to fulfill his/her duties in awarding and administering contracts.	32,373.7			32,373.7	Due 8/15/2009
IRS	2006-1c-147	9/28/2006	The IRS Contracting Officer should use the results of the DCAA report to fulfill his/her duties in awarding and administering contracts	22.1			22.1	Due 9/15/2009
<b>FY 2006</b>	<b>4</b>			<b>32,395.8</b>		<b>29,512.1</b>	<b>61,907.9</b>	
<b>TOTAL</b>	<b>11</b>			<b>33,186.6</b>	<b>3,200.0</b>	<b>59,497.6</b>	<b>95,884.2</b>	

## PLAN FOR FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

### **Overview**

The Department of the Treasury's financial management systems structure consists of financial and mixed systems maintained by the Treasury bureaus and the Department-wide Financial Analysis and Reporting System (FARS). The bureau systems process and record the detailed financial transactions and submit summary-level information to FARS on a scheduled basis. FARS maintains the key financial data necessary for consolidated financial reporting. In addition, the FARS modules also maintain data on performance management and the status of audit-based corrective actions. Under this systems structure, the bureaus are able to maintain financial management systems that meet their specific business requirements. On a scheduled basis, the required financial and performance data is submitted to FARS to meet Departmental analysis and reporting requirements. The Department uses FARS to produce its periodic financial and performance reports as well as the annual Performance and Accountability Report. This structured financial systems environment enables Treasury to receive an unqualified audit opinion and supports its required financial management reporting and analysis requirements.

The FARS structure consists of the following components: bureau core and financial management systems that process and record detailed financial transactions; the Treasury Information Executive Repository (TIER) data warehouse; CFO Vision to produce monthly financial statements and analyze financial results; the Joint Audit Management Enterprise System (JAMES) to capture information on audit findings, recommendations and planned corrective actions; and the Performance Reporting System (PRS) to track the status of key performance measures. Bureaus submit summary-level financial data to TIER on a monthly basis, within three business days of the month-end. This data is then used by CFO Vision to generate financial statements and reports on both a Department-wide and bureau-level basis. This structure enables the Department to produce its monthly and audited annual financial statements. During fiscal year 2007, Treasury continued to upgrade its FARS applications to take advantage of improvements in system technology. This included a pilot roll-out of CFO Vision to several Treasury bureaus, which will provide them with direct system access for enhanced reporting capabilities.

Treasury continues with its plans to enhance the financial management systems structure. As of September 2007, the Department's inventory of financial management systems lists 64 financial and mixed systems compared to 69 in September 2006. As part of the Department's enhancement effort, twelve Treasury bureaus and reporting entities are cross-serviced for core financial systems by the Bureau of Public Debt's Administrative Resource Center (ARC). Cross-servicing enables these bureaus to have access to core financial systems without having to maintain the necessary technical and systems architectures. In addition, as part of the Department's implementation of the e-Travel initiative, bureaus have eliminated their legacy travel systems.

### **Continued Improvement**

Treasury's target financial management systems structure will build upon the current FARS foundation. As processing and reporting requirements change and FARS is expanded to collect additional financial data, it may be necessary to implement additional applications to support these new requirements. FARS will provide management with the appropriate tools needed to analyze Department and bureau performance.

In fiscal year 2005, the IRS implemented the Integrated Financial System (IFS) as its new core financial system. IFS provides core financial accounting, budget management, cost management, labor projections, plan development, and reporting capabilities. The IRS received an unqualified audit opinion in the first year of IFS operation and continues to receive clean audit opinions. The Government Accountability Office (GAO) did not identify any significant deficiencies or material weaknesses related to the IFS system during its audit of the IRS's financial statements. In fiscal year 2008, the IRS will continue to focus on the operation and the maintenance of the IFS system.

The Custodial Detail Data Base (CDDDB), implemented by the IRS in fiscal year 2006, serves as the subsidiary ledger for unpaid assessments and contains detailed transaction level data. CDDDB supported the IRS's fiscal year 2006 financial audit by providing the ability to correctly classify portions of the duplication related to unpaid payroll taxes.

During fiscal year 2007, the IRS successfully completed a second phase of the CDDDB project, implementing an interface between CDDDB and the Interim Revenue Accounting and Control System (IRACS) data base for the posting of unpaid assessments. Once IRACS is redesigned and the data are posted to the new IRACS general ledger accounts, the IRS financial systems will be in substantial compliance with the Federal Financial Management Improvement Act (FFMIA).

The interface between CDDDB and IRACS allowed the IRS to (a) post unpaid assessment data from CDDDB using the same financial classifications that are used for the financial statements, (b) post duplicate and non-duplicate transactions related to unpaid payroll taxes, and (c) post related accrued penalty and interest figures for the first time. The IRS also completed the programming for CDDDB Release 2B in June 2007. In November 2007, the IRS will begin posting revenue transactions to CDDDB, which will serve as the revenue sub-ledger and maintain transaction level details. In fiscal year 2009, IRACS will be redesigned to serve as the financial system for custodial reporting to conform to the U.S. Government Standard General Ledger (USSGL) structure. The redesign will allow posting of amounts from CDDDB as the sub-ledger to the proper general ledger accounts.

In fiscal year 2007, the IRS also delivered new filing capabilities for the Customer Account Data Engine (CADE), the replacement for the decades-old Master File legacy system. CADE posted over 11.2 million returns and issued 10.9 million refunds which totaled in excess of \$11.6 billion. CADE will continue to increase the number of returns posted and refunds issued, while maintaining additional accounts in the CADE database.

As previously indicated, the Bureau of Public Debt's Administrative Resource Center cross-services twelve Treasury bureaus and reporting entities for core financial systems. In addition to the cross-servicing for core financial systems, Treasury bureaus are also being cross-serviced for other financial management services, such as electronic travel and human resource processing. This cross-servicing has resulted in a reduction in the number of financial management systems maintained by the Department.



## **Federal Financial Management Improvement Act (FFMIA) Compliance**

As of September 30, 2007, the Treasury Department's financial management systems were not in substantial compliance with FFMIA due to deficiencies with the IRS's financial management systems. The IRS has a remediation plan in place to correct the deficiencies. For each FFMIA recommendation, the remediation plan identifies specific remedies, target dates, responsible officials, and resource estimates required for completion. This plan is reviewed and updated on a quarterly basis.

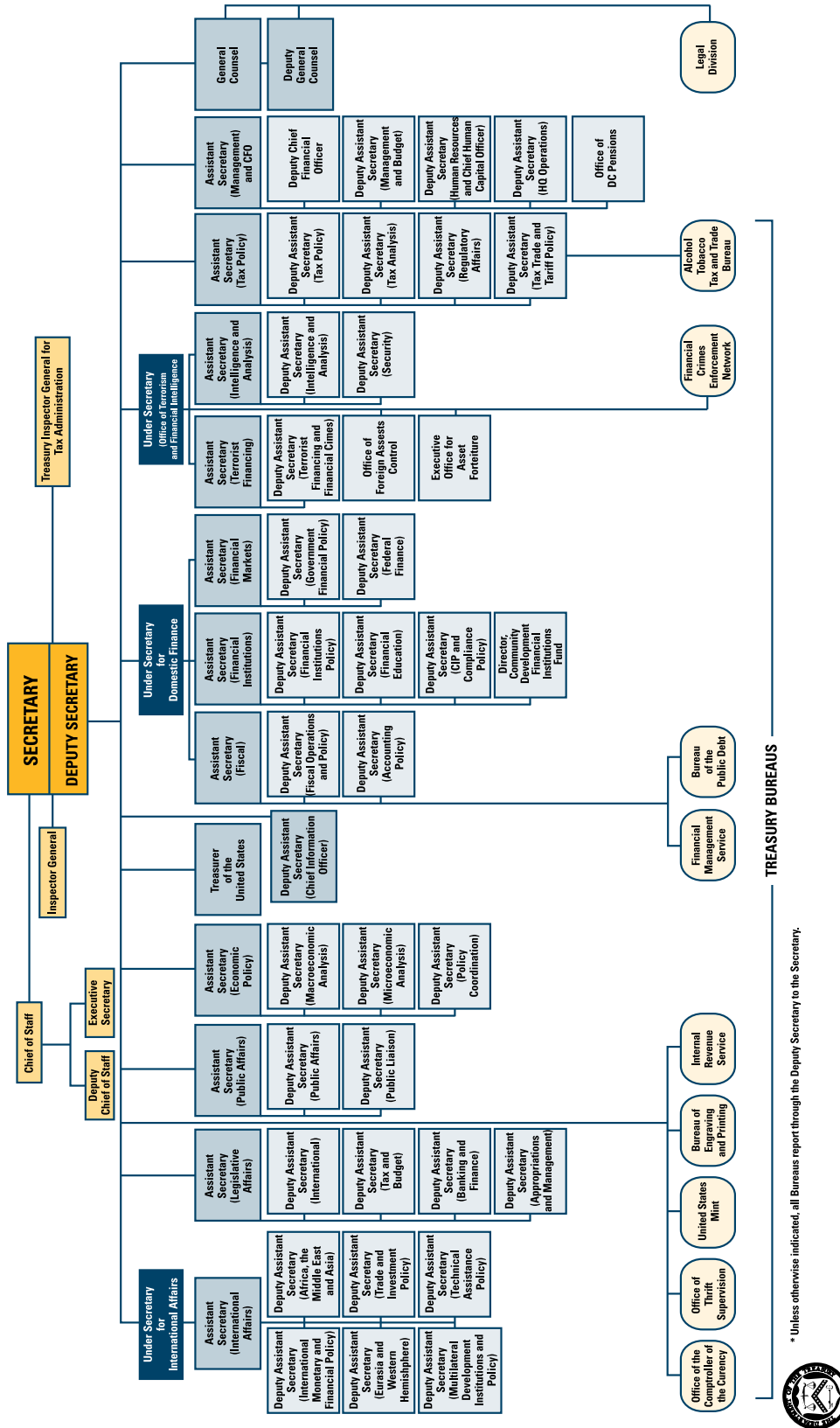
The Custodial Detail Data Base (CDDDB) is a financial data warehouse that leverages existing legacy assets to address the critical financial material weaknesses reported by the Government Accountability Office (GAO). Release 1 of CDDDB uses the files from the subsidiary ledger of unpaid assessments to support the annual financial statement audit.

In fiscal year 2007, the IRS implemented the interface to post unpaid assessments from the CDDDB to the Interim Revenue Accounting and Control System (IRACS) database. The IRS also completed the programming to input revenue transactions to the CDDDB warehouse to serve as the sub-ledger for revenue and providing transaction level details. CDDDB incrementally builds to FFMIA compliance, and each CDDDB future release addresses one or more of the material weaknesses in financial reporting. The IRS incorporated additional milestones for developing Releases 2 and 3 into its material weakness and FFMIA remediation action plans, and will continue to report on remediation activities related to future releases of CDDDB. In fiscal year 2009, the IRACS will be redesigned to serve as the financial system for custodial reporting to conform to the U.S. Government Standard General Ledger (USSGL) structure. The redesign will allow posting of amounts from CDDDB as the sub-ledger to the proper general ledger accounts. With full implementation of all CDDDB releases and this redesign of IRACS, the IRS expects to be in substantial compliance with FFMIA.

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# APPENDIX F: ORGANIZATIONAL STRUCTURE

## THE DEPARTMENT OF THE TREASURY



\* Unless otherwise indicated, all Bureaus report through the Deputy Secretary to the Secretary.



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# APPENDIX G:

## PROGRAM ASSESSMENT RATING TOOL (PART) EVALUATIONS

<b>Departmental Office</b>	<b>FY PARTed: FY 2002</b>
<b>Program: Economic and Trade Sanctions - Office of Foreign Asset Control</b>	
<b>Rating: Results Not Demonstrated</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The program lacks long-term performance goals with specific targets.</li> <li>• The program has not yet instituted annual performance goals to determine the effectiveness of its sanctions.</li> <li>• The program is lacking unit cost measures.</li> </ul>	
<b>In Response, DO:</b>	
<ul style="list-style-type: none"> <li>• Developed a qualitative assessment on the impact of OFAC's sanctions programs. OFAC has conducted one qualitative assessment on the impact of economic sanctions against Colombian drug cartels, published in March 2007. This is a demonstrative, narrative report that identifies the policy purpose of sanctions against Colombian narcotics traffickers, how OFAC developed a program to address this policy, and it provides specific examples that are both indicative of how OFAC actions meet the purposes of the sanctions and their overall impact. OFAC intends to issue additional qualitative reports in this vein on other sanctions programs, including the possibility of issuing shorter reports that highlight accomplishments. OFAC has numerous sanctions programs, such as its Foreign Narcotics Kingpin program and WMD programs, which could be the subject of upcoming reports.</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2002</b>
<b>Program: Earned Income Tax Credit</b>	
<b>Rating: Ineffective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The program has failed to reduce EITC erroneous payments to acceptable levels. While IRS prevents roughly \$1 billion in erroneous EITC payments per year, 27 to 32 percent of all EITC payments were still made in error for 1999. The magnitude of this error rate is the reason for the rating of "ineffective."</li> <li>• IRS has a strong planning process closely linked to its budget process, but it has not yet used outcome information for this program to set performance targets that allow it to demonstrate results.</li> <li>• IRS has made numerous management improvements in recent years. However, its financial management systems do not provide the information needed to make effective day to day management decisions.</li> </ul>	
<b>In Response, IRS:</b>	
<ul style="list-style-type: none"> <li>• Completed development of a new Concept of Operations, a multi-year vision that will drive development of expanded and new EITC Program strategic initiatives. Include a Paid Preparer strategy with goals of establishing indicators to define levels of preparer non-compliance and developing treatment alternatives that align treatment intensity with level of paid-preparers' behavior; and goal of establishing an outreach and education component which will leverage various partners. Measures will be developed once the specific solutions in our Concept of Operations are established. Since paid preparers prepare 70 percent of EITC returns, the Service plans to include compliance and outreach focus on them to influence EITC error.</li> </ul>	

<b>Community Development Financial Institution</b>	<b>FY PARTed: FY 2002</b>
<b>Program: Bank Enterprise Award</b>	
<b>Rating: Results Not Demonstrated</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>This program is unable to measure results because it can not determine how awardees would behave in the absence of the program.</li> </ul>	
<b>In Response, CDFI is:</b>	
<ul style="list-style-type: none"> <li>Working with Congress to consolidate this program into a more efficient and effective federal program within the Department of Commerce and the Department of Housing and Urban Development.</li> </ul>	

<b>Departmental Office</b>	<b>FY PARTed: FY 2002</b>
<b>Program: International Development Association</b>	
<b>Rating: Adequate</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>The International Development Association is in the process of improving its performance measurement and performance-based budget allocations. In the latest donor negotiation, the World Bank and its donors agreed to significantly expand and improve the result measurement framework to increase the Association's effectiveness in achieving key development results in areas such as education.</li> <li>The latest donor negotiation agreed to implement reforms to significantly improve the ability of the poorest countries to handle their debts. In particular, the International Development Association will increase the share of funding for grants for the most debt-vulnerable countries to roughly 30 percent, making progress towards the President's goal of 50 percent.</li> <li>The International Development Association is improving transparency and access to its information. The United States helped secure significant improvements by insisting on a review of the World Bank's internal financial controls and the disclosure of individual country's performance scores under the International Development Association's new performance measurement system.</li> </ul>	
<b>In Response, DO is:</b>	
<ul style="list-style-type: none"> <li>In fiscal year2006, Congress authorized U.S. contributions of \$950.0 million per year from 2006 to 2008 to institute reforms agreed to for the fourteenth replenishment to the International Development Association (IDA). For fiscal year2006 and fiscal year2007 Congress did not fully fund the President's request, appropriating \$940.5 million and \$909.150 million respectively. Presently, U.S. arrears to IDA as of end-fiscal year2007 total \$377.9 million. For fiscal year2008, the President's budget request included \$950.0 million for the U.S. annual commitment and \$110 million to pay a part of U.S. arrears to IDA.</li> <li>Due to U.S. efforts, the development of the IDA14 Results Measurement System (RMS) was a major development in the broader effort to improve IDA's effectiveness and track the impact of its resources. By most institutional measures, the quality of IDA's programs and achieved development impact, has improved over the past several years, while the U.S. continues to push for further progress. The IDA14 RMS data is updated by replenishment, a three-year cycle, and the next update will be in November, 2007.</li> <li>The World Bank, working in collaboration with the IMF, recently developed a robust framework for annual monitoring of debt levels and debt sustainability for grant as well as debt relief recipients. This debt sustainability framework is being used to determine the grant level of IDA individual country allocations with 100 percent grant financing for the poorest and most debt distressed countries. IDA is also working to increase the technical assistance it provides for debt capacity management.</li> </ul>	

<b>Office of Thrift Supervision</b>	<b>FY PARTed: FY 2002</b>
<b>Program: Thrift Supervision</b>	
Rating: <b>Effective</b>	
<p><b>OMB Found:</b></p> <ul style="list-style-type: none"> <li>• The program contributes to the safety and soundness of the banking industry.</li> <li>• The program recently developed new goals that are outcome-oriented and program measurements which are clear and the program is efficiently and effectively managed.</li> <li>• The program is not unique because other Federal agencies perform similar types of regulatory functions in the banking industry.</li> </ul>	
<p><b>In Response, OTS is:</b></p> <ul style="list-style-type: none"> <li>• Working with Federal banking regulatory agencies to align outcome goals and related measures to allow for greater comparison of program performance in the industry.</li> <li>• Conducting comprehensive examination for both Safety and Soundness and Compliance instead of two separate examinations and providing one consolidated report of examination to institutions.</li> <li>• Examining long-term systemic risks in the industry.</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2002</b>
<b>Program: Tax Collection</b>	
Rating: <b>Results Not Demonstrated</b>	
<p><b>OMB Found:</b></p> <ul style="list-style-type: none"> <li>• IRS collection of unpaid taxes yields substantial revenue (\$18 billion in 2001). However, IRS does not work enough collection cases with its current resources, work processes and technology to ensure fair tax enforcement. Each year billions of dollars of unpaid taxes goes uncollected.</li> <li>• IRS has been working to make management improvements in the last several years, including implementing good output measures. However, its financial management systems do not provide the information needed to make effective day to day management decisions.</li> <li>• IRS has a strong planning process closely linked to its budget process. IRS is currently developing improved collection outcome measures and goals.</li> </ul>	
<p><b>In Response, IRS is:</b></p> <ul style="list-style-type: none"> <li>• Implementing new tools in 2007 to segment collection workload according to risk to ensure IRS takes the right action to secure delinquent taxes.</li> <li>• Implementing legislation - including strong taxpayer rights protections - allowing IRS to hire private collection agents to help secure delinquent tax debt (full implementation by January 2008).</li> <li>• Reviewing the effectiveness of the revised collection performance measures of workload coverage and efficiency. Information from these measures will be used in the development of the 2008 budget.</li> </ul>	

<b>U.S. Mint</b>	<b>FY PARTed: FY 2002</b>
<b>Program: Coin Production</b>	
<b>Rating: Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The Mint has established performance measures focused on customer satisfaction and improving cost efficiencies. For instance, the Mint reports the results of a Federal Reserve Board Customer Satisfaction survey.</li> <li>• The Mint needs to improve customer satisfaction survey scores.</li> <li>• The Mint has shown some efficiency improvements in achieving reduced manufacturing costs. The Mint has achieved a 19 percent reduction in manufacturing costs since 1997.</li> </ul>	
<b>In Response, Mint is:</b>	
<ul style="list-style-type: none"> <li>• Reducing the maintenance down time of coin manufacturing machinery.</li> <li>• Competing customer service and order mailing staff to determine if contractors could handle these functions more efficiently.</li> <li>• Establishing a performance target to reduce the time required to process raw materials into produce coins.</li> </ul>	
<b>Alcohol &amp; Tobacco Tax and Trade Bureau</b>	<b>FY PARTed: FY 2002</b>
<b>Program: Consumer Product Safety Commission</b>	
<b>Rating: Adequate</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The program has a clear and unique Federal role as the only Federal agency with the authority to identify and address risks posed by over 15,000 types of consumer products.</li> <li>• Long-term goals and annual performance measures are concrete, measurable, and directly support the agency's mission. CPSC is on track to achieve its long-term performance goal of a 20 percent reduction in the death rate from fires involving consumer products by 2013. Annual performance measures were revised to better indicate performance.</li> <li>• CPSC recently improved its management practices by developing a better way to systematically review its current regulations.</li> </ul>	
<b>In Response, TTB is:</b>	
<ul style="list-style-type: none"> <li>• Establishing broader, more comprehensive long-term goals consistent with CPSC's overall mission.</li> <li>• Ensuring budget requests are explicitly tied to the accomplishment of annual and long-term performance goals, and that resource needs are presented clearly in the budget.</li> </ul>	
<b>Office of the Comptroller of the Currency</b>	<b>FY PARTed: FY 2002</b>
<b>Program: Bank Supervision</b>	
<b>Rating: Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The program contributes to the safety and soundness of the banking industry.</li> <li>• The program goals are outcome-oriented, program measurements are clear, and the program is efficiently and effectively managed.</li> <li>• The program is not unique in that other Federal agencies perform similar types of regulatory functions in the banking industry.</li> </ul>	
<b>In Response, OCC is:</b>	
<ul style="list-style-type: none"> <li>• Developing common measures of performance for the Federal banking regulatory agencies so each program's performance can be compared and best practices can be shared.</li> </ul>	



<b>Departmental Office</b>	<b>FY PARTed: FY 2003</b>
<b>Program: Office of Technical Assistance</b>	
<b>Rating: Adequate</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• Independent evaluations have not assessed the program's effectiveness. State and Treasury Inspectors General and the Government Accountability Office have reviewed aspects of the program, but none has evaluated effectiveness in advising foreign governments.</li> <li>• Budget requests are not explicitly tied to accomplishment of goals such as increases in annual per capita income, and resource needs are not presented in a complete and transparent manner in the program's budget.</li> <li>• The program does not routinely measure and achieve efficiencies in program execution. The program lacks efficiency measures to compare relative costs.</li> </ul>	
<b>In Response, DO is:</b>	
<ul style="list-style-type: none"> <li>• Implementing the Project Management Tracking System.</li> <li>• Developing long-term and annual measures and targets.</li> </ul>	

<b>Departmental Office</b>	<b>FY PARTed: FY 2003</b>
<b>Program: African Development Fund</b>	
<b>Rating: Results Not Demonstrated</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The African Development Fund is starting to improve its performance measurement and use of performance-based funding allocations. In the latest donor negotiation, the Fund and donors agreed to implement better results measurement for key development goals, such as education, and reconfirmed the allocation of funding towards better-performing countries, but more remains to be done.</li> <li>• In the negotiations, the Fund and donors agreed to reforms to improve the ability of the poorest countries to handle their debts. In particular, they agreed that grants to assist the poorest countries will be expanded based on countries' debt vulnerability. Grants are expected to rise to more than one-third of the Fund's assistance.</li> <li>• Accountability and transparency require additional improvements. The Bank Group has established a new anti-corruption and fraud unit and improved internal financial controls. The Bank Group is also expanding public access to its documents but more remains to be done.</li> </ul>	
<b>In Response, DO is:</b>	
<ul style="list-style-type: none"> <li>• Working with Congress to secure \$136 million annually for the period 2006 to 2008 to fund the U.S. commitment to the latest African Development Fund replenishment.</li> <li>• Monitoring the Fund's effectiveness in achieving its development objectives, including its progress in measuring and meeting development objectives across-the-board.</li> <li>• Working with Fund and other donors to improve the ability of developing countries to handle their debt, including providing grants to the most debt-vulnerable countries using the Fund.</li> </ul>	

<b>Bureau of Engraving and Printing</b>	<b>FY PARTed: FY 2003</b>
<b>Program: New Currency Manufacturing</b>	
<b>Rating: Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>The program's New Currency program has a clear purpose, is well planned, and is managed effectively.</li> <li>The program met the initial production and timeline goals of its New Currency program with the rollout of the new twenty dollar bill in 2003.</li> <li>The program has adequate long-term targets and timeframes, including planned rollouts of counterfeit deterrent features for use in future generation notes through the next 7 to 10 years.</li> </ul>	
<b>In Response, BEP is:</b>	
<ul style="list-style-type: none"> <li>Working closely with the Advanced Counterfeit Deterrent Steering Committee to identify and evaluate future counterfeit deterrent designs.</li> <li>Continuing to work with the Advanced Counterfeit Deterrent Steering Committee to assess the impact of New Currency on counterfeiting performance measures across government.</li> <li>Monitoring its design and overhead costs related to the manufacture of New Currency to ensure the most efficient production and distribution of future denominations.</li> </ul>	

<b>Financial Management Services</b>	<b>FY PARTed: FY 2003</b>
<b>Program: Debt Collection</b>	
<b>Rating: Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>The program has a clear purpose, is well designed, well managed, and generally meets or exceeds its annual performance targets. In 2005, the program collected \$3.25 billion in delinquent debts owed to Federal agencies and States, up from \$2.84 billion in 2002.</li> <li>The program has the potential to collect additional delinquent debt. Its effective performance indicates that it is capable of taking on additional debt collection activities. Legislation to increase and enhance debt collection opportunities should be sought.</li> </ul>	
<b>In Response, FMS is:</b>	
<ul style="list-style-type: none"> <li>Establishing annual performance measures for collections and referrals of debt by agencies. Listed are examples of collection tools and initiatives used by FMS to achieve long-term measures: 1) Administrative Wage Garnishment (AWG), 2) DebtCheck, 3) Continuous Agency Outreach 4) President's Management Agenda (PMA), 5) Receivables Reporting</li> <li>Examining, through the Federal Contractor Tax Compliance Task Force consisting of FMS, IRS, and the Center for Medicare and Medicaid Services, the issue of how best to incorporate CMS payments to Medicare providers into the Federal Payment Levy Program.</li> <li>Fully funding FMS' Debt Collection Budget Activity by fee revenues in fiscal year 2008, as a result of increased debt revenues.</li> <li>Supporting numerous legislative proposals enabling them to significantly enhance their debt collection opportunities. Listed are some of the debt collection enhancement proposals for 2007-08: 1) (26 U.S.C. 6402) Offsets of past-due, legally enforceable state unemployment compensation debts against overpayment; this proposal will allow FMS to offset federal tax refunds to collect past-due state unemployment compensation debts. This proposal is contained in President's fiscal year 2008 Budget and Briefed Senate finance 4/13/07. 2) (21 U.S.C. 3716) Eliminate the Ten-year period of Offset. This proposal will eliminate the ten-year limitation on the collection of delinquent non-tax deferral debts by administrative offset. This proposal is contained in President's fiscal year 2008 Budget and Briefed Senate Finance 4/13/07. 3) Allow the IRS to issue its due process notice for levy after the levy has been served. Contained in President's fiscal year 2008 Budget. Briefed Senate Finance 4/13/07. Under consideration for inclusion in Senate Finance Committee "Good Government" bill. 4) Allow the offset of federal tax refunds for delinquent state tax for out-of-state residents. This will allow FMS to offset federal income tax refunds for delinquent state tax debt of residents who currently reside in a different state. Under consideration for inclusion in Senate Finance "Good Government" bill.</li> <li>Evaluating and updating the debt long-term measure as part of FMS' Strategic Plan update. For 2007, FMS has a target of \$3.2 billion in collections.</li> </ul>	

<b>Bureau of Public Debt</b>	<b>FY PARTed: FY 2003</b>
<b>Program: Administering the Public Debt</b>	
Rating: <b>Effective</b>	
<p><b>OMB Found:</b></p> <ul style="list-style-type: none"> <li>• The Bureau of the Public Debt has a clear purpose and is well designed and managed.</li> <li>• The program meets its annual performance goals and continues to improve targets for subsequent fiscal years.</li> <li>• The program lacks long-term performance measures and targets.</li> </ul>	
<p><b>In Response, BPD:</b></p> <ul style="list-style-type: none"> <li>• Created goals for the following programs: Wholesale Securities Services, Government Agency Investment Services, and Summary Debt Accounting programs.</li> <li>• Plans to develop a new long-term PART goal for its Retail Securities program by the end of fiscal year 2010.</li> </ul>	

<b>Financial Management Services</b>	<b>FY PARTed: FY 2004</b>
<b>Program: Collections</b>	
Rating: <b>Effective</b>	
<p><b>OMB Found:</b></p> <ul style="list-style-type: none"> <li>• The program has a clear purpose, is well designed, well managed, and generally meets or exceeds its annual performance targets. In 2005, the program collected \$3.25 billion in delinquent debts owed to Federal agencies and States, up from \$2.84 billion in 2002.</li> <li>• The program has the potential to collect additional delinquent debt. Its effective performance indicates that it is capable of taking on additional debt collection activities. Legislation to increase and enhance debt collection opportunities should be sought.</li> </ul>	
<p><b>In Response, FMS is:</b></p> <ul style="list-style-type: none"> <li>• Has initiated a comprehensive effort to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. This effort will improve financial performance by enabling FMS and government agencies to more effectively manage financial transaction information and improve the efficiency of the collections information reporting processes.</li> <li>• Partnered with the State of Illinois to pilot joint Federal and state tax payments through the Electronic Federal Tax Payment System (EFTPS). An evaluation is underway to determine whether this pilot can be expanded cost-effectively to additional states. For Fiscal Year 2007, EFTPS processed more than 90 million payments, an increase of 8 percent, over fiscal year 2006; and collected more than \$2.09 trillion, representing an increase in receipts of over 8 percent from last year.</li> <li>• Will continue to promote its other electronic collection mechanisms such as: 1) Electronic Check Processing (ECP) System which converts paper checks received at a lockbox to electronic debits or truncates the checks and processes the images via Check 21. All non-tax lockbox collections will be collected through ECP by the end of 2007 and we expect to convert tax lockbox collections by the end of 2009; 2) Pay.gov collects money for 99 Federal agencies. FMS will be working with a number of Federal agencies, including the Departments of Housing and Urban Development and Education to move their large cash flows to Pay.gov; 3) The Paper Check Conversion Over the Counter (PCC OTC) System converts paper checks to electronic debits or truncates the checks and processes the images via Check 21. PCC OTC supports 32 Federal agencies in the U.S. and overseas; 4) TGA.net, a web-based deposit reporting system for over-the-counter collections, is now capable of supporting activity for both domestic and international deposits. FMS will continue to convert more agencies and banks to TGA.net over the next few years.</li> <li>• Will operate within budgetary resources.</li> </ul>	

<b>U.S. Mint</b>	<b>FY PARTed: FY 2004</b>
<b>Program: Numismatic</b>	
<b>Rating: Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>The program has made enormous strides over the past several years to streamline the production of numismatic products. Between 1999 and 2003, the Mint reduced costs by 38 percent and reduced workforce by 50 percent. During that same time period, production levels increased by 46 percent.</li> <li>The Mint has an excellent internal management structure that is able to receive and analyze real-time financial, production, and other operating data on a daily basis. This enables the Mint to respond quickly to changing production and customer</li> <li>The Mint is making significant progress toward meeting its inventory turnover target of 4.2 in 2005, which reflects the number of times per year the Mint works through its inventory. This measure improved 27 percent from 1.96 in 2003 to 2.48 in 2004. By improving performance, the Mint reduces costs associated with inventory and the production planning process runs more efficiently.</li> </ul>	
<b>In Response, Mint is:</b>	
<ul style="list-style-type: none"> <li>Continuing substantial progress toward reaching the Mint's target goal for inventory turnover.</li> <li>Continuing to streamline the production of numismatic products in order to reduce costs to improve efficiency.</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2004</b>
<b>Program: Taxpayer Advocate Service</b>	
<b>Rating: Moderately Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>The quality of the Advocate's case work on behalf of taxpayers has improved from 71 percent with quality standards in 2001 to 90.5 percent in 2004.</li> <li>Taxpayer hardship cases caused by flaws in IRS' business processes have declined from 217,081 in 2001 to 129,382 in 2004 as the Advocate has worked with IRS program managers to improve processes.</li> <li>During the assessment, the program set goals and developed an efficiency measure. These include achieving a 100 percent closure-to-receipts ratio through 2010, 95 percent case quality score by 2009, and 4.53 (out of 5) customer satisfaction score by 2009. Efficiency is measured by counting the reduction in the quantity of taxpayer problems resulting from flaws in IRS' business processes.</li> </ul>	
<b>In Response, IRS is:</b>	
<ul style="list-style-type: none"> <li>Developing a unit cost measure for its casework by 2006 (delayed to 2008).</li> <li>Exploring other means to measure its effectiveness in solving systemic problems leading to taxpayer hardship. IRS will report its findings in 2006 for possible inclusion in its fiscal year 2008 Budget.</li> <li>Improving case quality to 91.5 percent by 2006, 93 percent by 2009, and 95 percent by 2014.</li> </ul>	

<b>Departmental Office</b>	<b>FY PARTed: FY 2004</b>
<b>Program: Global Environment Facility</b>	
<b>Rating: Results Not Demonstrated</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The Global Environment Facility has been very slow to implement the reforms agreed to in 2002 as part of the last donor negotiation, the GEF-3 replenishment. Several of those reforms are incomplete, such as some performance related reforms. Several of these issues remain part of the current negotiations begun in 2005 to replenish the Facility's funding.</li> <li>• The Facility has not yet fully instituted key performance improvements. For example, the Facility has not fully instituted improvements in the measurement of environmental results and implementation of a system to prioritize the allocation of its funding based on country performance and environmental benefit.</li> <li>• The Facility lacks strong anti-corruption mechanisms. These include, for example, setting high standards, independent audit functions, financial disclosure and codes of ethics, obtaining clean annual external financial audits, and implementing procurement based on best practices.</li> </ul>	
<b>In Response, DO is:</b>	
<ul style="list-style-type: none"> <li>• Working with the Facility donors to fully implement a performance-based funding allocation system based on relative country performance and environmental benefit. (In 2005, the GEF agreed to a performance-based allocation framework. It is now operational for two-thirds of GEF resources).</li> <li>• Working with the Facility and donors to establish ambitious long-term performance goals and measures and undertaking more rigorous evaluations of project performance. (The GEF-4 Replenishment agreement includes ambitious performance goals and measures, and in 2007, the GEF instituted a performance measurement framework. The GEF Evaluation Office has enhanced the quality of project evaluation. The GEF Evaluation Office has enhanced the quality of project evaluation).</li> <li>• Working with the Facility and donors to strengthen anti-corruption mechanism, including establishing high fiduciary standards and achieving clean annual audits from independent external auditors. (In June 2007, the GEF established minimum fiduciary standards, consistent with best international practice, for all agencies that receive GEF funding).</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2004</b>
<b>Program: Taxpayer Service</b>	
<b>Rating: Adequate</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• IRS has significantly improved taxpayer service and maintained high levels of customer satisfaction in recent years. In 2001, the IRS was able to answer only 62 percent of taxpayer calls. In 2005, IRS had improved this to 83 percent with a 94 percent customer satisfaction rate.</li> <li>• IRS continues to have trouble with the accuracy of answers. In 2004, IRS estimates only 80 percent of tax law calls were answered accurately (improved to 89 percent in 2005). Accuracy is a significant challenge given the complexity of the tax code.</li> <li>• IRS has developed a strong set of balanced measures (quality, customer satisfaction and results) to understand its taxpayer service performance. During the assessment, the IRS added an efficiency measure (customer contacts per staff year) for this program.</li> </ul>	
<b>In Response, IRS is:</b>	
<ul style="list-style-type: none"> <li>• Converting to cost based efficiency measures for the 2007 budget (e.g., cost per call answered) and adding efficiency measures for service processes for management. (Delayed until 2008)</li> <li>• Improving the accuracy of tax law telephone information provided to taxpayers to 90 percent accuracy by 2010.</li> <li>• Improving program performance by researching the impact of taxpayer service programs on voluntary compliance and reporting findings by 2007. (Delayed until 2008)</li> </ul>	

<b>Community Development Financial Institution</b>	<b>FY PARTed: FY 2004</b>
<b>Program: Financial and Technical Assistance</b>	
<b>Rating: Adequate</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• This program duplicates several Federal, state and private community and economic efforts.</li> <li>• The program has long-term and annual performance measures but has not the opportunity to demonstrate success in accomplishing its long-term goals.</li> </ul>	
<b>In Response, CDFI is:</b>	
<ul style="list-style-type: none"> <li>• Not taking any action because fewer than ten states administer CDFI programs and none of these state programs fully meet the capital needs of the CDFIs in its state. Furthermore, there are too few private sector equity investments available to meet CDFIs needs for capital.</li> </ul>	

<b>Community Development Financial Institution</b>	<b>FY PARTed: FY 2004</b>
<b>Program: New Markets Tax Credit</b>	
<b>Rating: Adequate</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The program has established meaningful long-term and annual performance measures.</li> <li>• The program needs to measure progress towards achievement of its goals.</li> </ul>	
<b>In Response, CDFI is:</b>	
<ul style="list-style-type: none"> <li>• Establishing and refining baselines and targets for its long-term and annual measures.</li> <li>• Conducting an independent evaluation of the program in 2006.</li> </ul>	

<b>Departmental Office</b>	<b>FY PARTed: FY 2005</b>
<b>Program: Asian Development Fund</b>	
<b>Rating: Results Not Demonstrated</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The Fund recently agreed to improve its performance measurement and performance-based allocations. In the latest donor negotiations, the AsDF-9 replenishment, the Fund and donors adopted several important reforms to improve performance and to implement results measurement, including launching the Managing for Results action plan. These reforms remain to be implemented and expanded in the future.</li> <li>• AsDF-9 agreed to reforms to improve the ability of the poorest countries to handle their debts. In particular, it established a new program to give 30 percent of funding in the form of grants to these countries. These reforms remain to be implemented.</li> <li>• Transparency and accountability in the Bank Group are improving. AsDF-9 requires more transparency through improved information disclosure and communication policies. The Bank Group's anti-corruption and auditing procedures require improvements.</li> </ul>	
<b>In Response, DO is:</b>	
<ul style="list-style-type: none"> <li>• Working with Congress to secure \$115 million annually for the period 2006 to 2009 to fund the U.S. commitment to the latest Asian Development Fund replenishment (AsDF-9).</li> <li>• Monitoring the Fund's improvements and implementation of measures to show its effectiveness in achieving development goals, including its progress in meeting development objectives across-the board.</li> <li>• Working with Fund and other donors to improve the ability of developing countries to handle their debt, including increasing the amount of grants for the most debt-vulnerable Asian countries.</li> </ul>	

<b>Financial Crimes Enforcement Network (FinCEN)</b>	<b>FY PARTed: FY 2005</b>
<b>Program: Bank Secrecy Act (BSA) Data, Collection, Retrieval and Sharing</b>	
Rating: <b>Moderately Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The program has long-term performance measures that focus on the program's purpose and strategic goals, but more work is needed to measure the quality of data collected. The program is looking at how to measure data quality.</li> <li>• Federal managers are held accountable for cost, schedule and performance results. However, some activities are managed by another entity and are outside the scope of the performance measures.</li> <li>• The program can show improved efficiencies and cost effectiveness for collecting and sharing data. The program has been able to show substantial increases in the number of users directly accessing data, the share of filings submitted electronically, and improved cost effectiveness for costs per form e-Filed.</li> </ul>	
<b>In Response, FinCEN is:</b>	
<ul style="list-style-type: none"> <li>• Reducing filing burden on the financial community, including streamlining reporting obligations and increasing feedback and notices to filers.</li> <li>• Working with stakeholders to identify additional steps on how to increase efficiency in completing and filing required reports.</li> <li>• Implementing the BSA Data Management framework to increase the quality of BSA data and review progress of this implementation to identify ways to simplify or improve the process.</li> <li>• Implementing a minimum of two releases of system changes to address between 20-25 percent of prioritized issues.</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2005</b>
<b>Program: Criminal Investigations</b>	
Rating: <b>Moderately Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The tax gap, the difference for a given year between taxes legally owed and taxes actually paid, for 2001 (latest available figure) is estimated to be between \$312 and \$353 billion. Criminal Investigation is one of the major IRS programs intended to minimize this revenue loss.</li> <li>• Research suggests that higher levels of criminal sentences lead to higher tax compliance. IRS has succeeded in raising convictions in recent years. They rose from 1,926 in 2002 to 2,215 in 2005. However, they remain low by historical standards (in 1996 convictions totaled 2,915).</li> <li>• IRS has set long term goals and efficiency measures. However, it has difficulty measuring compliance in a timely manner due to the complexity and expense involved and in holding employees accountable for performance due to legal restrictions.</li> </ul>	
<b>In Response, IRS is:</b>	
<ul style="list-style-type: none"> <li>• Exploring methods for measuring the impact of criminal investigations on tax compliance. IRS will report on its progress by the end of 2006.</li> <li>• Implementing a new information management system in 2006 to enhance investigative case tracking and improve efficiency.</li> <li>• Developing methods to improve case prioritization in 2006 to ensure that cases yield the greatest impact on compliance.</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2005</b>
<b>Program: Examinations</b>	
<b>Rating: Moderately Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The tax gap, the difference for a given year between taxes legally owed and taxes actually paid, for 2001 (latest available figure) is estimated to be between \$312 and \$353 billion. Examination is one of the major IRS programs intended to minimize this revenue loss.</li> <li>• After dropping substantially in the late 1990s, IRS' audit rates have begun to rise and will continue to increase, largely through productivity growth. IRS' audit rate has grown from a low of 1.49 percent (i.e., less than two returns in one hundred audited) in 2001 to 3.09 percent in 2005.</li> <li>• IRS has set long term goals and efficiency measures. However, it has difficulty measuring compliance in a timely manner due to the complexity and expense involved and in holding employees accountable for performance due to legal restrictions. It also needs cost based efficiency measures.</li> </ul>	
<b>In Response, IRS is:</b>	
<ul style="list-style-type: none"> <li>• Researching tax compliance of S-corporations (a popular business form where profits are taxed only once passed through to the owners) based on a statistically valid sample of the filing population.</li> <li>• Improving tools for selecting the most productive audit cases by 2007 using the detailed compliance information gathered in the recent individual tax gap study.</li> <li>• Introducing cost based efficiency measures by 2008 (e.g., enforcement revenue/program budget).</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2005</b>
<b>Program: Submission Processing</b>	
<b>Rating: Moderately Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• More Americans are electronically filing their taxes. Electronic filing is growing more than 10 percent per year. However, this growth is not sufficient for IRS to meet the legislative goal of 80 percent electronic filing by 2007. Congress has not yet acted on the Administration's proposals to accelerate the increase in electronic filing.</li> <li>• Every return converted from paper to electronic filing saves the IRS \$2.15 in processing costs. More importantly, electronically filed returns have a less than one percent error rate compared to five percent for paper filed returns, saving taxpayers time and money. Finally, according to the annual American Customer Satisfaction Results report electronic filers have high satisfaction rates.</li> <li>• Based on IRS' recently completed tax gap study, approximately 13 percent of refund dollars (excluding earned income tax credit refunds) are paid in error. With current third party reporting and technology, IRS is unable to identify and prevent these errors during processing.</li> </ul>	
<b>In Response, IRS is:</b>	
<ul style="list-style-type: none"> <li>• Seeking legislative changes to promote electronic filing, including greater authority to require electronically-filed returns.</li> <li>• Setting goals by 2007 for reduced taxpayer filing burden resulting from the time and expense of preparing and filing their returns.</li> <li>• Using a single cost based efficiency measure by 2008 (cost per return processed).</li> </ul>	



<b>U.S. Mint</b>	<b>FY PARTed: FY 2005</b>
<b>Program: Protection Program</b>	
Rating: <b>Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The Mint has developed adequate long-term performance measures with ambitious targets and timeframes. The Mint's target for total losses is \$250,000 in 2005 and \$0 in 2010.</li> <li>• Mint's Protection program has a clear purpose, is well planned, and managed effectively. However, it is somewhat duplicative of other Federal efforts aimed at protecting money, such as the Bureau of Engraving and Printing, and the Federal Reserve Police forces.</li> <li>• The Mint regularly achieves its annual performance goals and works with other law enforcement partners to assess threat levels and assist in achieving future goals. The Mint is a participant in the multi-agency Counter-Terrorism Program.</li> </ul>	
<b>In Response, Mint is:</b>	
<ul style="list-style-type: none"> <li>• Continuing to assess and implement ways in which the cost of protection per square foot can be minimized.</li> <li>• Continuing to improve employee confidence in the United States Mint protection program.</li> </ul>	

<b>Alcohol &amp; Tobacco Tax and Trade Bureau</b>	<b>FY PARTed: FY 2005</b>
<b>Program: Collect the Revenue</b>	
Rating: <b>Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The "Collect the Revenue" program has a clear purpose and is well designed to achieve its goals. TTB administers and ensures compliance with portions of the Internal Revenue Code dealing with collection of excise taxes on alcohol, tobacco, firearms and ammunitions and regulation of those manufacturers.</li> <li>• The program has developed adequate long-term performance measures with ambitious targets and timeframes. TTB measures the percent of voluntary compliance in filing tax payments and will increase this target from 82 percent in 2004 to 92 percent in 2010.</li> <li>• The program has not developed adequate baselines for its annual performance measures. Three out of the four annual measures do not have baselines.</li> </ul>	
<b>In Response, TTB is:</b>	
<ul style="list-style-type: none"> <li>• Collaborating with other state and federal agencies to increase education outreach to regulated taxpayers, to increase voluntary compliance in filing tax payments.</li> <li>• Simplifying tax forms in order to reduce taxpayer burden.</li> </ul>	

<b>Financial Management Services</b>	<b>FY PARTed: FY 2005</b>
<b>Program: FMS Payments</b>	
Rating: <b>Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>The assessment found that the program has a clear purpose, is well managed, and generally meets its annual performance targets. In 2005, the Program issued 100 percent of payments accurately and on time, and 76 percent of these payments were made electronically (approximately 725 million of the 952 million total payments).</li> <li>The program must continue its effort towards an all-electronic Treasury. Each payment transaction that occurs electronically saves the taxpayer about 75 cents and is more secure for the recipient.</li> </ul>	
<b>In Response, FMS is:</b>	
<ul style="list-style-type: none"> <li>Working with federal agencies to reduce the number of paper check payments and increasing the number of more efficient and secure electronic payments. This reflects FMS' efforts to work toward its 2010 goal of 90 percent of all payments made electronically.</li> <li>Continuing to promote its electronic payment mechanisms such as Stored Value Card (SVC), a smartcard, similar to a credit/debit card, using an encrypted computer chip to process "electronic money" stored on the card and the Internet Payment Platform (IPP) which provides a centralized electronic invoicing and payment information portal accessible to all participants in federal payment transactions: agencies, payment recipients, and FMS.</li> <li>Implementing Go Direct, a nationwide campaign to encourage current Federal check recipients to switch to direct deposit. Go Direct has converted one million check recipients to direct deposit since its inception.</li> <li>Implementing a pilot program, Direct Express, this is targeted at the un-banked, to disburse benefit payments through debit cards.</li> <li>Developing plans entitled Universal Direct Deposit which will require at some future date, which all newly enrolled beneficiaries receive payments electronically unless they do not have a bank account.</li> </ul>	

<b>Bureau of Engraving and Printing</b>	<b>FY PARTed: FY 2006</b>
<b>Program: Protection and Accountability</b>	
Rating: <b>Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>This program is on track to reduce security costs by 43 percent from 2006 to 2012. To do so, this program contracts with the private sector, provides an incentive program to employees exceeding aggressive performance standards, and has implemented a suggestion program that awards employees with a share of cost savings. From 2004 to 2006, BEP has saved over \$1.3 million implementing employee suggestions.</li> <li>This program maintains high consistency and reliability standards, demonstrated by its ISO 9001 certification. ISO is an internationally recognized quality assurance program.</li> <li>Guarding against theft is a priority of this program. However, since 2003 the Bureau reported two incidents of theft. After each incident the program requested independent security professionals to conduct threat assessments of facilities and processes. The program has been highly responsive to deficiencies found during these evaluations and has worked to implement all recommendations.</li> </ul>	
<b>In Response, BEP is:</b>	
<ul style="list-style-type: none"> <li>Performing in-depth, annual assessments of the program's security and accountability by an internal group not associated with the program. In addition, performing in-depth assessments of the program's security and accountability by contracting with an outside group on a 2- to 3-year cycle. BEP continues to ensure the accountability of product and the safeguarding of innovative counterfeit-deterrent technologies through stringent testing oversight, physical inventories; unannounced compliance reviews, and independent audits of the quality management system which directly impacts security and accountability monitoring.</li> <li>Ensuring that proper accountability and security features are identified and addressed during each stage of acquisition and installation of new equipment. The BEP's Internal Control Policy Committee have developed policies to ensure that from concept, through solicitation to factory inspection and Bureau acceptance of new production equipment, accountability and security personnel are directly involved to ensure that proper accountability and security features are identified and addressed during each stage of acquisition and installation. In addition, if space is being reconfigured for production processes, the Office of Security provides clearance to ensure proper camera coverage and two-person compliance.</li> <li>Updating and revising its strategic plan, focusing on enhancing the Protection and Accountability program.</li> </ul>	

<b>Financial Crimes Enforcement Network</b>	<b>FY PARTed: FY 2006</b>
<b>Program: Bank Secrecy Act Administration</b>	
<b>Rating: Results Not Demonstrated</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• The program has no long-term performance measures or targets to indicate accomplishment of its mission, but it has annual performance goals. The annual performance goals focus on BSA implementation.</li> <li>• Questions have been raised concerning compliance and burden issues relating to the regulations that the Financial Crimes Enforcement Network (FinCEN) issues. FinCEN is currently performing a cost-benefit analysis, including a review of the regulatory burden, of a contemplated cross-border wire transfer reporting system.</li> <li>• Although FinCEN has made progress in executing memoranda of understanding governing the exchange of information with federal and state regulatory agencies, additional time is needed to ensure BSA compliance in more vulnerable industries, particularly money services businesses. The indicators developed will be long-term, outcome measures for the program.</li> </ul>	
<b>In Response, FinCEN is:</b>	
<ul style="list-style-type: none"> <li>• Expanding outreach efforts to certain targeted industries to augment their understanding of the value of BSA data. The FinCEN has developed a BSA value presentation for standard outreach presentations and training sessions targeted toward depository institutions presented by the FinCEN. In fiscal year 2008, the FinCEN will continue including the BSA value presentation in standard outreach presentations, with a focus on expanding use of presentations to involve other covered industries</li> <li>• Developing a long-range plan to expand compliance oversight and reporting by state regulators for newly covered industries. FinCEN is currently in discussions with the IRS, the federal banking agencies, and state regulatory agencies and their associations to develop a long-range plan for compliance oversight over the money services business industry</li> <li>• Developing measures to assess the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities. By the end of fiscal year 2007, the FinCEN will review options with management for possible measures</li> <li>• Meeting with staff from the Office of Information and Regulatory Policy and OMB to discuss the tools and methods they employ when making cost/benefit decisions related to regulations.</li> </ul>	

## Financial Management Services

FY PARTed: FY 2006

## Program: Government-wide Accounting and Reporting

Rating: **Moderately Effective****OMB Found:**

- The program has a clear purpose, is well managed, and meets or exceeds its current performance targets. In 2006, 100 percent of Government-wide accounting reports were issued accurately and on time.
- The program must develop a baseline for its efficiency performance measure. While FMS has unit cost, timeliness, and accuracy measures in its internal and external performance reporting that are used to manage for improved efficiency, at the time of this PART evaluation, a baseline for the new unit cost measure had yet not been established.
- More work needs to be done in order to achieve a clean opinion on the Financial Report of the U.S. Government. Improvement is needed on material weaknesses in the areas of accounting data compilation/consolidation and reconciliation of intra-governmental reporting differences.

**In Response, FMS is:**

- Developing a baseline for the efficiency performance measure that measures the unit cost to manage one million dollars of cash flow.
- Modernizing long standing federal accounting processes, through two major initiatives, and providing agencies with methodologies and tools to improve the accuracy and consistency of their financial data: 1) The Government-wide Accounting (GWA) Modernization project which will replace existing government-wide accounting functions and processes. This project will improve the reliability, usefulness, and timeliness of the government's financial information, provide agencies and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies, resulting in significant government-wide savings. It will also improve the budgetary information being collected from the agencies at the transaction level. 2) The Financial Information and Reporting Standardization (FIRST) initiative integrates budget and financial reports from Federal Program Agencies. FIRST will improve the consistency of the budgetary and proprietary accounting data recorded in agency financial statements and reported to FMS through its trial balance.
- Taking the following actions to address un-reconciled intergovernmental transactions: 1) Requiring comprehensive intergovernmental accounting data from agencies on a quarterly basis that will allow FMS to provide data to all federal agencies for them to better analyze and reconcile intergovernmental differences. 2) Working with the CFO Council and OMB to enforce the business rules for intra-governmental transactions and to organize the Dispute Resolution Committee. 3) Encouraging greater auditor participation by requiring agency auditors to more closely scrutinize intergovernmental out-of-balance conditions with other agencies. 4) Moving forward on the FIRST initiative which is being designed to provide authoritative information contained in Treasury's central accounting system to the agencies to facilitate the reconciliation process for specific intra-governmental transactions.

<b>Financial Crimes Enforcement Network</b>	<b>FY PARTed: FY 2006</b>
<b>Program: Bank Secrecy Act Analysis</b>	
Rating: <b>Adequate</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• While the program has long-term performance measures in place, more time is needed to gauge the usefulness and impact of the program's analysis activities.</li> <li>• FinCEN currently administers a survey to its customers to evaluate the impact and usefulness of its analytic reports, but more work is needed to develop a method for better assessing the law enforcement impact of FinCEN's analytic products.</li> <li>• Although the Treasury Office of Inspector General has recently conducted an evaluation of the program's internal processes in conducting analysis of BSA data, no evaluations to date have been conducted on the effectiveness of FinCEN's analysis of BSA data in combating terrorism, money laundering and financial crime.</li> </ul>	
<b>In Response, FinCEN is:</b>	
<ul style="list-style-type: none"> <li>• Developing a plan to improve the survey response rate from domestic law enforcement. FinCEN has devised a plan to improve its survey response rate.</li> <li>• Evaluating the feasibility of better assessing law enforcement impact of FinCEN's products. During fiscal year 2007, FinCEN is taking steps, including meeting with stakeholders, to evaluate the options for better assessing the law enforcement impact related to the utility of BSA data. In fiscal year 2008, based on the information collected, FinCEN will draft a recommendation on the next steps to implement a process to collect information that would quantify the impact of utilization of BSA data to law enforcement</li> <li>• Developing measures to assess the impact of FinCEN's efforts to strengthen anti-terrorist financing and anti-money laundering programs worldwide; in fiscal year 2007, FinCEN determined that an annual customer survey would be the most appropriate mechanism. The FinCEN is identifying international liaison activities that could be utilized to measure impact, drafting a survey to solicit customer input, and creating a database to capture requisite contact information for potential respondents. The FinCEN plans to administer the survey and review and analyze the response rate in fiscal year 2008.</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2006</b>
<b>Program: Health Care Tax Credit</b>	
Rating: <b>Results Not Demonstrated</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>• This tax credit has low participation. This can be attributed to the time it takes for other agencies to identify potentially eligible workers and for the Internal Revenue Service (IRS) to enroll them. Another likely cause is the affordability of coverage to potential recipients. It is also possible that many of those identified as potentially eligible may ultimately not qualify.</li> <li>• This program's performance measures do not adequately capture the program's success in providing access to the credit to potential beneficiaries. These measures cost per taxpayer served and customer satisfaction, do provide useful management information. The program also has not coordinated performance goals with the other agencies involved in implementing this program.</li> <li>• The IRS successfully implemented this unique tax credit in 2003. This required the creation of a new process outside of the normal tax filing system in a short timeframe. Since that time, in response to the low take up, the IRS has successfully reduced the cost of administering the credit by 50 percent.</li> </ul>	
<b>In Response, IRS is:</b>	
<ul style="list-style-type: none"> <li>• Working with other participating federal agencies to developing long term goals by 2011 that capture the program's success in providing access to the tax credit to potential beneficiaries.</li> <li>• Working with partner federal agencies to find ways to improve access to the tax credit for eligible workers.</li> <li>• Continuing to focus on administrative changes to lower program cost and improve taxpayer service.</li> </ul>	

<b>Internal Revenue Service</b>	<b>FY PARTed: FY 2006</b>
<b>Program: Retirement Savings Regulatory Program</b>	
<b>Rating: Adequate</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>The Internal Revenue Service (IRS) cooperates with the Department of Labor and the Pension Benefit Guarantee Corporation to protect retirement investors and to ensure that retirement related tax breaks are used for the intended purposes. Tax breaks to retirement plans encourage savings total more than \$100 billion per year.</li> <li>Preliminary data from the program's compliance study show that retirement plans are in compliance with legal standards 80 percent of the time. The IRS is working to improve this level by increasing enforcement efforts and improving targeting. This compliance study is a critical element in this effort because it gives the IRS better information on the sources of non-compliance.</li> <li>IRS has had trouble processing requests for regulatory approval from retirement plans in a timely manner (less than 120 days). It is working to improve its performance in this area by implementing a new staggered schedule for retirement plan renewal requests and improving productivity.</li> </ul>	
<b>In Response, IRS is:</b>	
<ul style="list-style-type: none"> <li>Working to nearly double enforcement efforts by 2011 in order to improve retirement plan compliance to 80 percent.</li> <li>Improving efficiency, processing timeliness and case targeting through a new information management system and other inventory selection tools implemented in 2007.</li> <li>Introducing cost based efficiency measures by 2008.</li> </ul>	

<b>Departmental Offices</b>	<b>FY PARTed: FY 2007</b>
<b>Program: Debt Restructuring for Highly Indebted Poor Countries</b>	
<b>Rating: Moderately Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"> <li>The Enhanced Heavily Indebted Poorest Country Initiative has made significant changes to provide deeper debt reduction for more countries, to allow for faster debt relief depending on country performance, and to encourage increased expenditures related to poverty reduction.</li> <li>Since this initiative was launched, there has been substantial progress in the number of countries that have qualified for debt relief, the reduction of debt burdens, and increases in poverty-reducing expenditures.</li> <li>However, improvements are needed to assure that disbursements between Treasury and creditor agency accounts are timely.</li> </ul>	
<b>In Response, DO is:</b>	
<ul style="list-style-type: none"> <li>Devising a program efficiency measure to improve record keeping of debt obligations and outlays between Treasury and creditor agencies.</li> <li>Developing proposals for increasing the number of creditors that make use of World Bank/IMF Debt Sustainability Framework in their decisions about lending to low-income countries.</li> <li>Developing an improved system of subsidy outlay from the debt reduction program account to the debt reduction financing accounts.</li> </ul>	

<b>Departmental Office</b>	<b>FY PARTed: FY 2007</b>
<b>Program: Tropical Forest Conservation Act</b>	
<b>Rating: Moderately Effective</b>	
<b>OMB Found:</b>	
<ul style="list-style-type: none"><li>• The Administration has developed a tool to help manage and measure the success of existing and pending agreements. This evaluation sheet measures the success of country boards and oversight committees in developing a strategic plan that specifies key objectives, conservation and funding priorities, target dates in meeting those objectives, and key efficiency measures.</li><li>• While the program measures the loss of forest cover in TFCA program countries, the program has been unable to measure its impact on increasing tropical forest conservation.</li></ul>	
<b>In Response, DO is:</b>	
<ul style="list-style-type: none"><li>• Using information presented in evaluation sheets for existing programs to develop recommendations for improved program management, and to justify future funding requests.</li><li>• Tracking findings and implement recommendation of independent evaluations of existing programs with additional emphasis on effects of the programs on the beneficiary country's forests.</li><li>• Refining the timing of fund obligation and outlays for the cost of debt reduction.</li></ul>	

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## APPENDIX H: COST BY OUTCOME DETERMINATION

The cost for an outcome was determined using the following method:

### Process

Performance cost is determined for each bureau. These costs represent Treasury responsibility segments that directly or indirectly contribute to the production of outputs through costing methodologies or cost finding techniques that are most appropriate to the segment's operating environment. The costs are accumulated, by segment, in Treasury's Department-wide data warehouse from balances recorded by the segments using the United States Standard General Ledger (USSGL). Performance cost includes imputed costs, depreciation, losses, and other expenses not requiring budgetary resources. These costs exclude any Department accounts that do not contribute to the cost of the agency, such as the Exchange Stabilization Fund and the Federal Financing Bank. Performance cost will be less than the total gross cost reported on the Statement of Net Cost in this report.

The Working Capital Fund (WCF), a resource that is funded through bureau contributions for corporate use, is removed from the Departmental Office's performance cost because it is already accounted for in each bureau's performance cost.

The percent of a bureau's budget by each budget activity is calculated.

The bureau's performance cost is allocated to a budget activity based on the percentage of that activity in the total bureau budget.

The performance cost of each budget activity is then allocated across strategic plan outcomes. The allocation is based on the percentage of the budget activity (primarily labor) that is attributed to a particular outcome.

Information is maintained in a flat file in Excel and pivot tables are used to calculate costs by area, outcome and budget activity.

### Accuracy of the Data

The performance cost information is considered reasonably accurate.

The allocation percentages for budget activities are considered accurate; these are direct calculations from enacted budget numbers, and include both direct and reimbursable dollars.

The allocation percentages for budget activities to outcomes are reasonably accurate. These are estimates based on examination of work in each of the budget activities by the office manager or budget examiner.

### Example Calculation 1 – Cost is allocated to only one outcome

**Bureau:** IRS

Total Bureau Fiscal year 2007 budget (direct and reimbursable): \$10,964,788,000.

Budget activity: Filing and Account Services

Budget activity portion of the total bureau budget: \$1,679,805,522

Percentage of the bureau budget for this budget activity: 15.32%

Total performance cost of the IRS for fiscal year 2007: \$12,015,098,523.

Performance cost of Filing and Account Services budget activity:  $15.32\% \times \$12,015,098,523 = \$1,840,713,094$ .

The Filing and Account Services budget activity is 100% allocated to the outcome of “Revenue collected when due through a fair and uniform application of the law”. Therefore, the entire amount of the performance cost for this budget activity, or \$1,840,713,094, is allocated to this outcome.

### Example Calculation 2 – Cost is allocated to multiple outcomes

**Bureau:** Departmental Offices

Total Bureau Fiscal year 2007 budget (direct and reimbursable): \$288,966,000

Budget activity: Economic Policies and Programs

Budget activity portion of the total bureau budget: \$39,993,000

Percentage of the bureau budget for this budget activity: 13.84%

Total performance cost of Departmental Offices (less working capital fund) for fiscal year 2007: \$346,959,000

Performance cost of Economic Policies and Programs budget activity:  $13.84\% \times \$346,959,000 = \$48,019,478$ .

The Economic Policies and Programs budget activity gross cost of \$48,019,478 is allocated to outcomes based on the following table:

Budget Activity	Percent	Gross Cost Allocation
Effective cash management	10%	\$ 4,801,947.80
Strong U.S. economic competitiveness	30%	\$ 14,405,843.41
Competitive capital markets	10%	\$ 4,801,947.80
Free trade and investment	10%	\$ 4,801,947.80
Prevented or mitigated financial and economic crises	35%	\$ 16,806,817.31
Decreased gap in global standard of living	5%	\$ 2,400,973.90

## APPENDIX I:

### GLOSSARY OF ACRONYMS

<b>AML</b>	Anti-money Laundering
<b>ASAP</b>	Automated Standard Application for Payments
<b>BEP</b>	Bureau of Engraving and Printing
<b>BIT</b>	Bilateral Investment Treaties
<b>BPD</b>	Bureau of the Public Debt
<b>BSA</b>	Bank Secrecy Act
<b>CAFTA - DR</b>	Central American Free Trade Agreement–Dominican Republic
<b>CAMELS</b>	Capital adequacy, Asset quality, Management Earnings, Liquidity, and Sensitivity
<b>CDE</b>	Community Development Entities
<b>CDFI</b>	Community Development Financial Institutions
<b>COLA</b>	Certificates of Label Approval
<b>CTF</b>	Counter-Terrorism Financing
<b>CIP</b>	Customer Identification Program
<b>EA</b>	Enterprise Architecture
<b>e-File</b>	Electronic Filing
<b>EFT</b>	Electronic Funds Transfer
<b>EFTPS</b>	Electronic Federal Tax Payment System
<b>EGRPRA</b>	Economic Growth and Regulatory Paperwork Reduction Act
<b>EITC</b>	Earned Income Tax Credit
<b>EVM</b>	Earned Value Management
<b>FATF</b>	Financial Action Task Force
<b>FDIC</b>	Federal Deposit Insurance Corporation
<b>FFMIA</b>	Federal Financial Management Improvement Act
<b>FHCS</b>	Federal Human Capital Survey
<b>FinCEN</b>	Financial Crimes Enforcement Network
<b>FISMA</b>	Federal Information Security Management Act
<b>FIU</b>	Financial Intelligence Unit
<b>FMFIA</b>	Federal Managers' Financial Integrity Act
<b>FMS</b>	Financial Management Service
<b>FPA</b>	Federal Program Agencies
<b>FRB</b>	Board of Governors of the Federal Reserve System
<b>FTA</b>	Free Trade Agreement
<b>GDP</b>	Gross Domestic Product
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>HUD</b>	Department of Housing and Urban Development
<b>IC</b>	Intelligence Community
<b>IDB</b>	Inter-American Development Bank

<b>IDD</b>	Office of International Debt Policy
<b>IFC</b>	International Financial Corporation
<b>IG</b>	Inspector General
<b>IMF</b>	International Monetary Fund
<b>IRS</b>	Internal Revenue Service
<b>IRS-CI</b>	Internal Revenue Service Criminal Investigation
<b>IT</b>	Information Technology
<b>ITFC</b>	Iraq Threat Financial Cell
<b>MDB</b>	Multilateral Development Banks
<b>MDRI</b>	Multilateral Debt Relief Initiative
<b>MOU</b>	Memoranda of Understanding
<b>NMTC</b>	New Market Tax Credit
<b>OA</b>	Office of Audit
<b>OCC</b>	Office of the Comptroller of the Currency
<b>OCIO</b>	Office of the Chief Information Officer
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>OFAC</b>	Office of Foreign Asset Control
<b>OFPP</b>	Office of Fiscal Projections
<b>OI</b>	Office of Investigations
<b>OIA</b>	Office of Intelligence Analysis and Security Programs
<b>OIG</b>	Office of the Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OTS</b>	Office of Thrift Supervision
<b>PAI</b>	Public Affairs International Inc.
<b>PAR</b>	Performance and Accountability Report
<b>PART</b>	Program Assessment Rating Tool
<b>PMA</b>	President's Management Agenda
<b>SES</b>	Senior Executive Service
<b>SVC</b>	Stored Value Card
<b>TAB</b>	Taxpayer Assistance Blueprint
<b>TEOAF</b>	Treasury Executive Office for Asset Forfeiture
<b>TETR</b>	Taxpayer Excise Tax Refund
<b>TFFC</b>	Terrorist Financing and Financial Crimes
<b>TFI</b>	Terrorism and Financial Intelligence
<b>TIGTA</b>	Treasury Inspector General for Tax Administration
<b>TTB</b>	Alcohol & Tobacco Tax and Trade Bureau
<b>WMD</b>	Weapons of Mass Destruction
<b>WTO</b>	World Trade Organization

Treasury On-line

**[www.treas.gov](http://www.treas.gov)**

Alcohol and Tobacco Tax And Trade Bureau

**[www.ttb.gov](http://www.ttb.gov)**

Community Development Financial Institutions Fund

**[www.treas.gov/cdfi](http://www.treas.gov/cdfi)**

Comptroller of the Currency

**[www.occ.treas.gov](http://www.occ.treas.gov)**

Bureau of Engraving & Printing

**[www.bep.treas.gov](http://www.bep.treas.gov)**

Financial Crimes Enforcement Network

**[www.treas.gov/fincen](http://www.treas.gov/fincen)**

Financial Management Service

**[www.fms.treas.gov](http://www.fms.treas.gov)**

Internal Revenue Service

**[www.irs.gov](http://www.irs.gov)**

U.S. Mint

**[www.usmint.gov](http://www.usmint.gov)**

Bureau of the Public Debt

**[www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)**

Office of Thrift Supervision

**[www.ots.treas.gov](http://www.ots.treas.gov)**

