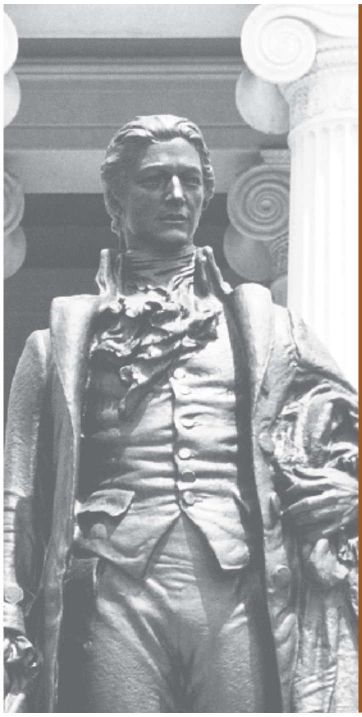

Appendices

Appendix A: Full Report of Treasury's FY 2006 Performance Measures by Focus and Strategic Goal

FY 2006 PERFORMANCE SUMMARY

This section reports the results of Treasury's official performance measures by focus and strategic goal (and further by bureau/organization) for which targets were set in the FY 2006 Performance Plan (as presented in the FY 2007 Congressional Justification for Appropriations and Performance Plans). For each performance measure, there is a definition for the measure, performance levels and targets for three previous fiscal years (where available), the performance target and actual for the report year, and proposed performance targets for next fiscal year (where available). The report examines unrealized performance targets and presents actions for improvement.

The purpose of Treasury's strategic management effort is to develop effective performance measures to achieve the goals, objectives and activities that will improve *results* delivered to the American public. In its final performance plan for FY 2006 that the Department transmitted to Congress, as part of the FY 2007 budget, Treasury detailed its performance targets.

Overall, the Department established 134 performance targets in FY 2006. Of these, 9 are baseline, 8 were discontinued and 1 had no data available at the time of this report. Of the remaining 116 measures, Treasury met or exceeded 81 targets and did not meet 35 of its targets.

FY 2006 Treasury-wide Performance Summary

Total Measures	Targets Met	Targets Unmet	Baseline	Disc	NA
134	81 (60%)	35 (26%)	9 (7%)	8 (6%)	1 (1%)

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 FY 2006 actual data is final. Some of the actual data for FY 2006 are estimates at the time of publication, which are indicated by an asterisk (*). Actual data for these estimated measures will be presented in the FY 2008 Congressional Justification for Appropriations and the FY 2007 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 FY 2007 are proposed targets and are subject to change. The final targets will be presented in the FY 2008 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 FY 2006 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 FY 2006 Performance and Accountability Report was published. Some data will be available after publication and will be reported in the FY 2007 Performance and Accountability Report and the FY 2008 Congressional Justification for Appropriations.

Discontinued Some measures will be discontinued in the FY 2008 Congressional Justification for Appropriations and the FY 2006 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 9 new FY 2006 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/Workload Measure

Goal: Promote Prosperous U.S. and World Economies

Objective: Stimulate Economic Growth and Job Creation

Community Development Financial Institutions Fund

Measure: Administrative costs per number of Bank Enterprise Award (BEA) Applications processed ($) (E)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	1280	1455
Actual			1280	1630	
Target met?	N/A	N/A	Y	Y	

Definition: The fixed and variable cost per application for Bank Enterprise Award (BEA) applications.

Source: The Fund will analyze the cost of materials as well as staff time and contractor's time to determine the total cost per application.

Future Plans/Explanation for Shortfall: The Fund did not achieve the goal of $1,280 for FY 2006. The formula for this measure is the total costs of processing all BEA applications divided by the number of applications processed. The Fund received 23% fewer BEA applications in FY 2006 than it did in FY 2005. Most of the costs associated with processing applications are fixed (such as information technology costs) and so are not directly related to the number of applications received. Accordingly, while the Fund expects the total cost of processing all applications to change based on the change in the number of applications received, it would not expect the costs to change proportionally. In FY 2006, the total cost of processing all BEA applications decreased by 2%. Since this percentage is much smaller than the decrease in the number of applications received, the Fund will now determine the extent that variable costs contributed to this decrease. If variable costs did not decrease in proportion to the number of BEA applications received, the Fund will determine the reason and make changes to decrease these variable costs in the future.

Measure: Increase in community development activities over prior year for all BEA program applicants ($ in millions) (Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	307	134	81	100
Actual	138	307	103	318	
Target met?	Y	Y	N	Y	

Definition: This measures the Bank Enterprise Award (BEA) applicants' increase in qualified community development activites over prior year.

Source: 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.

Future Plans/Explanation for Shortfall: Annual performance targets for the increase in investments in community development are based on annual BEA funding levels as well as actual past performance. At the time the Fund set its FY 2006 performance target, the FY 2006 BEA funding level was not established. The Fund underestimated the BEA funding level thus leading to an underestimate of the increase in community development investment. However, the magnitude of the performance underestimate far outweighed the underestimate in the funding level. In the future, the Fund will re-examine its formula for establishing performance targets which may lead to weighing past performance more heavily than funding level.

Measure: Administrative costs per Financial Assistance (FA) application processed (E)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	5130	0
Actual			5130	8710	
Target met?	N/A	N/A	Y	N	

Definition: The cost per application for Financial Assistance (FA) applications.

Source: 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.

Future Plans/Explanation for Shortfall: The Fund did not achieve the goal of $5,130 for FY 2006. The formula for this measure is the total costs of processing all FA applications divided by the number of applications processed. The Fund received 49% fewer FA applications in FY 2006 than it did in FY 2005. Most of the costs associated with processing applications are fixed (such as information technology costs) and so are not directly related to the number of applications received. Accordingly, while the Fund expects the total cost of processing all applications to change based on the change in the number of applications received, it would not expect the costs to change proportionally. In FY 2006, the total cost of processing all FA applications decreased by 10%. Since this percentage is much smaller than the decrease in the number of applications received, the Fund will now determine the extent that variable costs contributed to this decrease. If variable costs did not decrease in proportion to the number of FA applications received, the Fund will determine the reason and make changes to decrease these variable costs in the future.

Measure: 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 (Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	33830	5852	26995	29158	34009
Actual	9141	9212	23656	22329	
Target met?	N	Y	N	N	

Definition: 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.

Source: 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. Performance covers those CDFI awardees and NMTC allocates required to submit annual performance data to the Fund for the relevant reporting period, and submitted their reports on time.

Future Plans/Explanation for Shortfall: The Fund did not achieve the goal of 29,158 full-time equivalent (FTE) jobs expected for FY 2006. The shortfall is driven by an overestimate of the number of jobs that the NMTC program would create or maintain per year. The Fund developed the FY 2006 NMTC FTE jobs target based on data from the allocatees' FY 2003 performance. The Fund encountered two difficulties when working with the FY 2003 data set. First, the data set is small representing only eight organizations and 28 transactions. Second, the data set represents the initial year of the NMTC activity, so the transactions may not be "typical" moving forward. The Fund is currently reviewing allocatees' FY 2005 actual performance data. Once these data are final, the Fund plans to use them and the FY 2004 actual performance data to revise future year performance targets.

Measure: Administrative costs per number of Native American CDFI Assistance (NACA) applications processed ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	10050	9090
Actual			10050	8130	
Target met?	N/A	N/A	Y	Y	

Definition: The Fund will determine the total cost associated with Native American CDFI Assistance (NACA) applications based on fixed and variable costs.

Source: The Fund will capture this information through budget documentation.

Future Plans/Explanation for Shortfall: The Fund exceeded its goal of $10,050 for FY 2006. The formula for this measure is the total costs of processing all Native Initiatives (NI) Program applications divided by the number of applications processed. The Fund received 24% more NI applications in FY 2006 than it did in FY 2005. Most of the costs associated with processing applications are fixed (such as information technology costs) and so are not directly related to the number of applications received. Accordingly, when the number of applications increases, the Fund expects the cost per application to decrease almost proportionately, which in fact happened: there was a 19% decrease in the cost per application. The Fund will continue to monitor its fixed costs to ensure they remain constant, or decrease if new efficiencies can be achieved.

Measure: Administrative costs per number of New Markets Tax Credit (NMTC) applications processed ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	5390	4875
Actual			5390	4360	
Target met?	N/A	N/A	Y	Y	

Definition: The cost per application for New Markets Tax Credit (NMTC) applications.

Source: 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.

Future Plans/Explanation for Shortfall: The Fund exceeded its goal of $5,390 for FY 2006. The formula for this measure is the total costs of processing all NMTC Program applications divided by the number of applications processed. The Fund received 21% more NMTC applications in FY 2006 than it did in FY 2005. Most of the costs associated with processing applications are fixed (such as information technology costs) and so are not directly related to the number of applications received. Accordingly, when the number of applications increases, the Fund expects the cost per application to decrease almost proportionately, which in fact happened: there was a 19% decrease in the cost per application. The Fund will continue to monitor its fixed costs to ensure they remain constant, or decrease if new efficiencies can be achieved. .

Measure: Amount of investments in low-income communities that Community Development Entitites (CDEs) have made with capital raised through their New Markets Tax Credit (NMTC) tax credit allocations ($ in billions) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	1.4	1.6	2.1
Actual		.1	1.1	2	
Target met?	N/A	Y	N	Y	

Definition: Amount of investments in Low Income Communities that Community Development Entitites have made with capital raised through their New Markets Tax Credits (NMTC) allocations. The Fund will report NMTC Qualified Low-Income Community Investments (QLICIs) that are supported by NMTC Qualified Equity Investments (QEIs).

Source: The Fund will capture the data in the CDEs' annual Institution Level and Transaction Level Reports. Performance covers those NMTC allocates required to submit annual performance data to the Fund for the relevant reporting period, and submitted their reports on time.

Future Plans/Explanation for Shortfall: CDEs exceeded the anticipated $1.6 billion in QLICIs, by closing $2.0 billion in QLICIs. Given the newness of the NMTC Program, the Fund is just beginning to get a realistic picture of how quickly the NMTC dollars will flow. The Fund will continue to analyze the increasing rate that allocatees raise equity and make qualified investments, and use this analysis to set appropriate targets going forward.

Measure: Annual percentage increase in the total assets of Native CDFIs (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	35	33	33
Actual		39	103	182	
Target met?	N/A	Y	Y	Y	

Definition: Measure the percent change in total assets that Native CDFIs report from one year to the next. The Fund will calculate: [Total Assets in Current Year - Total Assets in Previous Year] / [Total Assets in Previous Year]

Source: The Native CDFIs financial data is captured through the annual Institution Level Report. Performance covers those Native CDFI awardees required to submit annual performance data to the Fund for the relevant reporting period, and submitted their reports on time.

Future Plans/Explanation for Shortfall: Between FY 2005 and FY 2006, Native awardees showed growth of 182% in assets, far exceeding the projected 33% growth. The tremendous growth was driven by nearly every organization showing some growth and a single start-up CDFI that increased its assets more than ten-fold. While the Fund has limited control over the change in total assets of its awardees, the Fund can promote growth by continuing to provide financial and technical assistance to Native Awardees. The provision of such assistance will help ensure that the Fund meets its targets for this measure in the future.

Measure: Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance. (in millions) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target	1150	669	500	1100	861
Actual	1623	1300	1800	1400	
Target met?	Y	Y	Y	Y	

Definition: 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).

Source: 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.

Future Plans/Explanation for Shortfall: The Fund exceeded the target of leveraging $1.1 billion in private dollars by nearly 20 percent. In FY 2006, CDFI Program awardees leveraged each dollar of the Fund's FA awards: 27:1, consisting of required matching funds, new debt they were able to secure because of Fund grant and equity awards, and additional financing from other sources for the projects financed by CDFIs. The Fund's leverage projection is based on program funding levels as well as past leverage performance. Leverage performance has grown each of the past few years and the Fund set its FY 2006 target consistent with this trend. Nonetheless, this is the second year in a row that the CDFI Fund has exceeded this target by a significant amount. The Fund will review its projection formula to determine if it should be adjusted to produce more aggressive targets.

Departmental Offices

Measure: Level of MDB grant financing and satisfactory results measurements (World Bank/IDA Grants) [in millions] (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target	Baseline	1602	1728	3555	2025
Actual	1233	1681	1925	2025	
Target met?	Y	Y	Y	N	

Definition: 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. MDB provide financial support and professional advice for economic and social development activities in developing countries.

Source: 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.

Future Plans/Explanation for Shortfall: After review the determination has been made that this metric does not adequately capture the progress made in this area. Subsequently, this metric will be discontinued in FY 2007. IA will be conducting a review of all performance metrics in FY 2007 and hopes to replace this metric with one that better conveys the key issues of the organization.

Measure: Level of MDB grant financing and satisfactory results measurements (African Development Bank/AFDF Grants) (in millions) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target	Baseline	294	216	870	870
Actual	240	65	46	700	
Target met?	**Y**	**N**	**N**	**N**	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: After review the determination has been made that this metric does not adequately capture the progress made in this area. Subsequently, this metric will be discontinued in FY 2007. IA will be conducting a review of all performance metrics in FY 2007 and hopes to replace this metric with one that better conveys the key issues of the organization.

Measure: U.S. unemployment rate (%) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target	Baseline	5.6	5.3	5.2	5.1
Actual	5.9	5.4	5.1	4.8*	
Target met?	**Y**	**Y**	**Y**	**Y**	

Definition: The percentage of the U.S. labor force reported as unemployed in the last quarter of the reference fiscal year.

Source: Data are collected from the U.S. Department of Labor, Bureau of Labor Statistics

Future Plans/Explanation for Shortfall: : The Treasury Department has an important operational and policy role in creating opportunities for U.S. citizens as well raising the standards of living through the formulation and execution of United States economic and financial policies that promote growth. The Treasury Department will continue to support U.S. economic growth by developing and implementing policies for domestic economic development, tax programs, banking and financial institutions, and other fiscal matters.

Measure: US Real Gross Domestic Product (GDP) growth rate (%) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target	0	3.5	3.6	3.4	3.3
Actual	3.3	4.5	3.6	3.4*	
Target met?	**Y**	**Y**	**Y**	**Y**	

Definition: Real GDP is the most comprehensive measure of economic activity and is compiled throughout the year to reflect developments in each calendar quarter.

Source: Data are provided by the Department of Commerce, Bureau of Economic Analysis (BEA).

Future Plans/Explanation for Shortfall: The Treasury Department plays both a policy and an operational role in promoting prosperous U.S. and world economies. The Treasury Department will continue to support U.S. economic growth by developing and implementing policies for domestic economic development, tax programs, banking and financial institutions, and other fiscal matters. **Actual Performance was an estimate.

Measure: Number of new Free Trade Agreement (FTA) negotiations and Bilateral Investment Treaty (BIT) negotiations underway or completed (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			5	9	7
Actual			7	12	
Target met?	N/A	N/A	Y	Y	

Definition: 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.

Source: International Affairs staff and U.S. Trade Representative's office reporting.

Future Plans/Explanation for Shortfall: Agreements with 12 countries were under negotiation, completed, or implemented in FY 2006, compared to the planned performance of 9 countries. Treasury expects the workload to intensify this year with the imminent expiration of Trade Promotion Authority (TPA) by the middle of CY 2007. There are seven FTAs/BITs from FY 2006 or earlier years that are still being implemented or negotiated, as well as other stalled negotiations that may re-emerge. FTA/BIT negotiations normally stretch over many months and often into years, depending upon the complexity of the negotiations and the willingness of the participants to compromise. An extension of TPA beyond June 2007 could have a significant affect on the timing for completing FTA negotiations. In addition to negotiating new agreements, a relatively new and increasingly important component of the workload deals with monitoring and enforcing agreements already in place.

Measure: Level of MDB grant financing and satisfactory results measurements (Grants as a % of AFDF FY Commitment) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	21	19.5	35	28.5
Actual	17	39.2	21.8	30.5	
Target met?	Y	Y	Y	N	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: Treasury successfully met its target to increase the number of grants in FY 2005 and FY 2006. Staff will continue its efforts to encourage measurable performance. The level of grants and the percentage of total AfDF commitments are decreasing because of the successful implementation of the Multilateral Debt Relief Initiative (MDRI). The debt relief provided to AfDF countries through MDRI has reduced the debt vulnerability of these countries and increased their capacity to take on a greater share of highly congressional loans from the AfDF. This metric will be reviewed in FY 2007 to determine its appropriateness in light of the impact of MDRI on debt vulnerability.

Measure: Improve International Monetary Fund (IMF) effectiveness and quality through periodic review of IMF programs (%) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			90	90	90
Actual			78	100	
Target met?	N/A	N/A	**N**	**Y**	

Definition: 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.

Source: International Affairs staff tracks and accounts for actions undertaken during the reporting period.

Future Plans/Explanation for Shortfall: IA staff successfully reviewed IMF country programs in 100% of cases. In 22% of cases, alternative urgent priorities resulted in circulation of the program review after the one-week target but still before the program vote. Treasury will continue to emphasize IMF effectiveness by reviewing 90% of its programs in FY 2007.

Measure: Encourage movement towards flexible exchange rate regimes (Oe) [DISCONTINUED FY 2007]					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			Baseline	4	Discontinued
Actual			3	2	
Target met?	N/A	N/A	**Y**	**N**	

Definition: 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.

Future Plans/Explanation for Shortfall: : After review the determination has been made that this metric does not adequately capture the progress made in this area. Subsequently, this metric will be discontinued in FY 2007. IA will be conducting a review of all performance metrics in FY 2007 and hopes to replace this metric with one that better conveys the key issues of the organization.

Measure: Level of MDB grant financing and satisfactory results measurements (Grants as a % of IDA FY Commitment) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	22	19.6	30.4	30
Actual	17	18.8	21.4	25	
Target met?	Y	N	Y	N	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: : Treasury successfully met its target to increase the number of grants in FY 2005 and FY 2006. Staff will continue its efforts to encourage measurable performance. The level of grants and the percentage of total IDA commitments are decreasing because of the successful implementation of the Multilateral Debt Relief Initiative (MDRI). The debt relief provided to IDA countries through MDRI has reduced the debt vulnerability of these countries and increased their capacity to take on a greater share of highly concessional loans from the IDA. This metric will be reviewed in FY 2007 to determine its appropriateness in light of the impact of MDRI on debt vulnerability.

Objective: Provide a Flexible Legal and Regulatory Framework

Comptroller of the Currency

Measure: Percentage of licensing applications and notices completed within established timeframes. (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	95	95	95	95	95
Actual	97	96	96	94	
Target met?	Y	Y	Y	N	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: This year, several applications that initially appeared to be routine in nature required additional processing time due to unique circumstances that became apparent in the course of application review, for example, branch applications with historical preservation issues. This caused the OCC performance in this measure to be marginally below target. To process licensing applications within establish timeframes the OCC will effectively evaluate applications as they are filed ensuring those applications with unique, complex or novel features are properly directed to appropriate OCC divisions in a timely manner. Those applications that are identified as routine will be processed at the district level with the necessary delegations to act on these applications within established timeframes.

Office of Thrift Supervision

Measure: Difference between the inflation rate and the OTS assessment rate increase (%) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	0	0	0	0	0
Actual	0	0	0	0	
Target met?	Y	Y	Y	Y	

Definition: Without compromising responsibilities and the risk-based examination approach, OTS strives to efficiently manage its operations and budget to ensure that assessment rate increases do not exceed the inflation rate. However, if OTS believes that events require more personnel or other expenditures, OTS may increase assessments to raise the required resources. Annually, OTS analyzes its operating costs and compares them to the assessments it charges savings associations and holding companies in order to achieve a structure that keeps assessment rates as low as possible while providing OTS with the resources necessary for effective supervision.

Source: OTS's current assessment rates are specified in OTS's Thrift Bulletins (the TB 48 series). OTS calculates this measure annually for its January assessment cycle or whenever a new assessment bulletin is issued. The percent increase in assessment rates is calculated and compared with the inflation rate as specified in OTS's Thrift Bulletins. The difference between the inflation rate and the assessment rate increase is targeted to be greater than or equal to zero.

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The FY 2007 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS' 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.

Goal: Promote Stable U.S. and World Economies

Objective: Increase Citizens Economic Security

Departmental Offices

Measure: On-time payment of federal loan guarantee fees and repayment of underlying loans by borrowers (ATSB loans) (%) (E) [DISCONTINUED FY 2007]					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			100	100	Discontinued
Actual			100	100*	
Target met?	N/A	N/A	Y	Y	

Definition: Federal credit instruments (loan guarantees) were made to air carriers who suffered loss and are in financial difficulty due to the September 11, 2001 terrorist attacks. Air Transportation Stabilization Board (ATSB) closely monitors a loan guarantee portfolio to determine the financial health of the borrowers and compliance with the terms of the loan agreements. This measure tracks the timely payment of fees and principal back to the U.S. Treasury. Borrowers must submit monthly and quarterly financial reports which are reviewed by the ATSB.

Source: Transaction data regarding guarantee fee payments come from the Financial Reporting Branch of Treasury's Departmental Offices.

Future Plans/Explanation for Shortfall: During FY 2006 three of the remaining four airlines paid their loans in full either on schedule or ahead of schedule. The debt for the remaining airline will be resolved in the coming months. As a result, this metric will be discontinued in FY 2007.

Alcohol and Tobacco Tax and Trade Bureau

Measure: Percent of electronically filed Certificate of Label Approval applications (%) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	10	7	16	27	47
Actual	3	10	25	38	
Target met?	N	Y	Y	Y	
Definition: Calculated by dividing the number of e-filed applications by the total Certificate of Label Approval applications (COLA) submissions (paper and electronic)					
Source: Data is captured through the COLAs Online database system. There are periodic statistical reports, searches, and queries that are generated.					
Future Plans/Explanation for Shortfall: TTB works diligently to educate industry members through access to Label Specialists and seminars to discuss electronic filing. This access and education will continue in the future in order to increase the number of electronic filings.					

Measure: Percentage of COLA approval applications processed within 9 calender days of receipt (%) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	60	30	55	45
Actual	57	23	50	44	
Target met?	Y	N	Y	N	
Definition: The percentage of Certificate of Label Applications (COLA) processed electronically and by paper within 9 days of receipt.					
Source: Data is captured thru the COLAs Online data base system. There are periodic statistical reports, searches, and queries that are generated.					
Future Plans/Explanation for Shortfall: This aggressive measure shows a shortfall as a result of a large rise in applications which are processed by a constant FTE level. Also, the complexity of the review process has increased significantly since the 9-day goal was put in place in the early 90s. The workload increased dramatically during the year while the FTE levels remained constant. TTB has just undergone a Protect the Public Business Process Reengineering Study. TTB anticipates that implementing the recommendations will help provide an impetus for meeting FY07 measures.					

Measure: Percentage of permit application (original and amended) processed by the National Revenue Center within 60 days (%) (E)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			67	80	80
Actual			81	86	
Target met?	N/A	N/A	**Y**	**Y**	
Definition: The portion of permit applications (original and amended) that are processed with sixty days of receipt at the NRC.					
Source: NRC generates statistical reports, searches and queries. In-place data integrity controls exist within the application to validate the data.					
Future Plans/Explanation for Shortfall: TTB continues to process applications above its target. Currently, TTB has stretched its resources considerably to achieve this goal. The organization will attempt to maintain this performance level. This increase occurred as a result of business process reengineering (BPR) nearly a year and a half ago. The BPR implementation will help maintain this measure for FY 2007.					

Objective: Improve the Stability of the International Financial System

Departmental Offices

Measure: Percentage of grant and loan proposals containing satisfactory frameworks for results measurement (%) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			Baseline	90	90
Actual			78	88	
Target met?	N/A	N/A	**Y**	**N**	
Definition: 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.					
Source: MDB monthly operational report, special requests to MDBs for loan and grant approvals, MDB annual reports and U.S. voting positions					
Future Plans/Explanation for Shortfall: Treasury saw the number of grants with results-oriented measures increase from 78% in FY05 to 88% in FY06. This performance leaves us just short of our long term goal of 90% success. Staff will continue its efforts to encourage measurable performance.					

Goal: Preserve the Integrity of Financial Systems

Objective: Disrupt and Dismantle Financial Infrastructure of Terrorists, Drug Traffickers, and Other Criminals and Isolate Their Support Networks

Departmental Offices

Measure: Maintain the annual increase in the number of and significance to the foreign narcotics traffickers of new designated targets (Oe) [DISCONTINUED FY 2006]

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		136	136	Discontinued	Discontinued
Actual		136	504		
Target met?	N/A	Y	Y		

Definition: Office of Foreign Assets Control (OFAC) systematically attacks the foreign drug cartels' networks of business investments and money laundering, especially their penetrations of the legitimate economy, by exposing, isolating, and impeding or incapacitating them, principally through denying them access to the U.S. financial and economic system. Narcotics designations (Specifically Designated Narcotics and Trafficers and KPA (Kingpin Act) Tier Is (top designations made under the Act) and Tier IIs (designations of those entities associated with the Tier I)) are a combination of major foreign drug traffickers (individuals and groups) and the persons (individuals and entities) that serve as their agents, straw men, operatives, front companies, money laundering connections, and penetrations into legitimate business. This is accomplished by investigation and research to determine who they are and to place them on the designation list.

Source: The evidence used to develop the designation cases is examined for sufficiency on a case-by-case basis internally and involving OFAC's legal counsel and the Justice Department.

Future Plans/Explanation for Shortfall: This measure will be discontinued in FY 2006.

Measure: Customer satisfaction with Office of Intelligence Analysis (OIA) analysis in terms of its accuracy, timeliness, and relevance (Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target					
Actual					
Target met?	N/A	N/A	N/A	N/A	

Definition: Customer satisfaction with OIA analysis in terms of its accuracy, timeliness, and relevance.

Source: As a first step in this process, in FY 2006, we will be developing an appropriate methodology which we can use to measure customer satisfaction. This may take the form of a "customer satisfaction survey." We will be using the results from FY 2006 as a baseline by which we can measure performance in future years.) The survey will measure OIA's ability to meet needs and expectations of senior Treasury officials for intelligence support. Among the relevant factors to be measured are the following: whether intelligence provided to key decision-makers was factually correct and/or analytically precise, whether it filled gaps in knowledge on relevant/critical topics, and whether it was provided in time to influence key events or policy decision.

Future Plans/Explanation for Shortfall: : Baseline in FY 2006. OIA is currently refining its customer service measure to capture the usefulness of its products for its varied customers. These include both policymakers -- within the Treasury, at the White House and elsewhere – as well as its Intelligence Community counterparts. OIA is also putting together a working group, comprising its senior leadership, budget officer, as well as several analysts to lead this effort. OIA is in the process of reaching out to other IC agencies, including the FBI and State Department, which have similar metrics in place. Over the next several months, OIA will continue to work to refine this measure and the method of capturing customer service information. An additional year of data collection is expected necessary in order to have sufficient data to establish baseline values. This measure may be discontinued if a new measure is developed.

Financial Crimes Enforcement Network

Measure: Average time to process enforcement matters (in Years) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	1.5	1.2	1.1	1	1
Actual	1.3	1	1.3	1	
Target met?	Y	Y	N	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: FinCEN met its target. The year-end result reflects effective use of resources. FinCEN will strive to maintain an average 1 year processing time by directing resources towards the timely and appropriate resolution of significant cases.

Measure: Number of users accessing BSA data electronically (Oe) [DISCONTINUED FY 2006]					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	900	1700	3000	Discontinued	Discontinued
Actual	1105	2181	3941		
Target met?	Y	Y	Y		

Definition: The number of individuals with current passwords who have accessed the Bank Secrecy Act data through the Secure Outreach network in the past 90 days.

Source: The list can be checked through the Profile function at the Detroit Computing Center

Future Plans/Explanation for Shortfall: Discontinued in FY 06. This is not an outcome measure, and it will be replaced with a more accurate measure of performance.

Measure: Percentage of customers finding FinCEN's analytic support valuable (%) (Oe) [DISCONTINUED FY 2007]					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	75	Discontinued
Actual			73	69	
Target met?	N/A	N/A	Y	N	

Definition: This performance measure, starting in FY 2005, combines data from surveys on strategic analytical products, investigative case reports, and investigative targets.

Source: Bi-annual surveys

Future Plans/Explanation for Shortfall: FinCEN did not meet its target. When the original targets were set, FinCEN had only one years worth of data to base them on. The measure has been refined through the PART process and future targets will be set accordingly based on a different measure.

Measure: Percentage of customers satisfied with the BSA Direct E-Filing component (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target				Baseline	90
Actual				92	
Target met?	N/A	N/A	N/A	Y	

Definition: The measure will assess the components of BSA Direct. This will begin with the E-Filing component of BSA Direct in FY 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.

Source: Active status user survey (encompasses law enforcement and regulatory)

Future Plans/Explanation for Shortfall: FinCEN met its target by establishing a baseline for customer satisfaction with the e-filing component of BSA Direct. An impressive baseline was established of 92%. We have set our future targets at maintaining a 90% level of satisfaction. Once FinCEN has more data points, FinCEN will assess whether more ambitious targets are achievable.

Measure: Number of federal and state regulatory agencies with which FinCEN has concluded memoranda of understanding/information sharing agreements (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	45	50
Actual			41	48	
Target met?	N/A	N/A	Y	Y	

Definition: This measure tracks the number of Memorandum 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.

Source: Office of Compliance-maintained list of Memorandum of Understanding agreements with targeted regulators.

Future Plans/Explanation for Shortfall:FinCEN surpassed its target. FinCEN was able to exceed the FY06 target of 45 by aggressively pursuing agreements with state agencies. FinCEN will continue to pursue agreements with the remaining state agencies.

Treasury Forfeiture Fund

Measure: Percent of forfeited cash proceeds resulting from high-impact cases (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	75	75	75	75	75
Actual	80.55	83.95	81	72.93	
Target met?	Y	Y	Y	N	
Definition: 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.)					
Source: 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).					
Future Plans/Explanation for Shortfall: Although the total number of cash forfeitures cases in FY 2006 was up by over 10 percent compared to FY 2005, the number of high-impact cases did not rise at the same rate, resulting in the Fund missing the target by just 2 percent. While this is a small shortfall, we will work to ensure that the financial plan in FY 2007 and future years emphasizes those spending areas that will rectify this imbalance.					

Objective: Execute the Nation's Financial Sanctions Policies

Departmental Offices

Measure: Increase the number of international measures and bodies established internationally to protect the financial system from money laundering and terrorist financing (Ot) [DISCONTINUED FY 2006]					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	Discontinued	Discontinued
Actual			5		
Target met?	N/A	N/A	Y		
Definition: Financial Action Task Force on Money Laundering (FATF) and the FATF style regional bodies (FSRBs) are the international bodies that hold members to FATF standards. At the end of FY04, such bodies existed in South America, the Caribbean, Africa, Europe and Asia Pacific. At the beginning of FY05, no such bodies existed for Central Asia, and in the Middle East/North Africa--two key regions in the fight against terrorism. This is a major achievement that will bring a range of critical jurisdictions under the financial standards of the international community.					
Source: FATF data					
Future Plans/Explanation for Shortfall: Measure discontinued in FY 2006.					

Measure: Maintain turnaround time for license submissions with significantly increased workload. a. Requiring internal OFAC review with significantly increased workload (Days) (E) [DISCONTINUED FY 2006]					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			20	Discontinued	Discontinued
Actual			27.5		
Target met?	N/A	N/A	**N**		
Definition: The number of business days to process a license application from the time it is received in the Licensing Division to the time the final determination is issued.					
Source: Database maintained by Office of Foreign Assets Control (OFAC).					
Future Plans/Explanation for Shortfall: Measure discontinued in FY 2006.					

Measure: Maintain turnaround time for license submissions with significantly increased workload. b. Requiring Chief Counsel's and interagency review with significantly increased workload (Days) (E) [DISCONTINUED FY 2006]					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			75	Discontinued	Discontinued
Actual			63		
Target met?	N/A	N/A	**N**		
Definition: The number of business days to process a license application from the time it is received in the Licensing Division to the time the final determination is issued					
Source: Database maintained by Office of Foreign Assets Control (OFAC).					
Future Plans/Explanation for Shortfall: Measure discontinued in FY 2006.					

Measure: Turn-around time for license and interpretive submissions (Days) (E) [DISCONTINUED FY 2006]					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			75	Discontinued	Discontinued
Actual			63		
Target met?	N/A	N/A	**N**		
Definition: Timeliness in responding to inquiries from the public regarding sensitive and complex economic sanctions and minimizes disruptions to U.S. and international trade, financial and investment transactions. Timliness in licensing determinations means that Treasury is able to tailor sanctions programs to meet U.S. foreign policy goals, licensing humanitarian and other activities consistent with those goals.					
Source: Database maintained by OFAC.					
Future Plans/Explanation for Shortfall: Measure discontinued in FY 2006.					

Measure: Number of open civil penalty cases that are resolved within the Statute of Limitations period (Ot)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	85	85
Actual			85	85	
Target met?	N/A	N/A	Y	Y	

Definition: 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.

Source: OFAC database.

Future Plans/Explanation for Shortfall: In FY 2006, 85 civil penalty cases were resolved within the statue of limitations. The target for FY 2007 has been established at 85 cases and will be achieved through continued focus and effort by Treasury staff.

Measure: Increase the number of outreach engagements with the charitable and international financial communities (Ot)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	105	70
Actual			95	45	
Target met?	N/A	N/A	Y	N	

Definition: 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.

Source: Data collected by the Department of Treasury's Office of Terrorism and Financial Intelligence (TFI); Terrorist Financing and Financial Crimes (TFFC).

Future Plans/Explanation for Shortfall: 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. TFFC's metric targets for both FY06 and for FY07 are and will be adjusted to reflect only non-sensitive reporting. Looking ahead to FY07, 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.

Measure: Number of countries that are assessed for compliance with the Financial Action Task Force (FATF) 40+9 recommendations (Ot)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	45	12
Actual			49	5	
Target met?	N/A	N/A	Y	N	

Definition: 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.

Source: Data collected by the Department of Treasury's Office of Terrorism and Financial Intelligence (TFI); Terrorist Financing and Financial Crimes (TFFC).

Future Plans/Explanation for Shortfall: 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. Though gradual, 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. These issues and challenges should be targeted for technical assistance, which should promote greater Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) capabilities and greater vigilance in safeguarding the international financial system against illicit activity. The FY 06 results reflect only the non-sensitive information and thus appear that the target was not met. TFFC's metric targets for both FY06 and for FY07 are and will be adjusted to reflect only non-sensitive reporting.

Objective: Increase the Reliability of the U.S. Financial System

Bureau of Engraving & Printing

Measure: Manufacturing costs for currency (dollar costs per thousand notes produced) ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	31	35	31	28.5	32.5
Actual	29.14	28.06	28.83	27.49	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: Cost data is collected through BEP's accrual-based cost accounting system.

Future Plans/Explanation for Shortfall: During FY 2007, BEP will continue to pursue process improvements that will enable the Bureau to continue to meet or favorably exceed this measure.

Measure: Currency shipment discrepancies per million notes ($) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	.01	.01	.01	.01	.01
Actual	0	.01	0	.01	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: The customer captures this data and report to BEP on a monthly basis.

Future Plans/Explanation for Shortfall: During FY 2007, BEP will continue to pursue process improvements that will enable the Bureau to continue to meet or favorably exceed this measure.

Measure: Security costs per 1000 notes delivered ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	5.95	6.25	6
Actual		5.95	5.75	6	
Target met?	N/A	Y	Y	Y	

Definition: 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 for security divided by the number of notes produced divided by 1000.

Source: 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.

Future Plans/Explanation for Shortfall: During FY 2007, BEP will continue to pursue process improvements that will enable the Bureau to continue to meet or favorably exceed this measure.

Measure: Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	99.9	99.9	99.9	99.9	99.9
Actual	99.9	100	99.9	99.9	
Target met?	Y	Y	Y	Y	

Definition: 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

Source: Quality inspections are performed at each Federal Reserve Bank. Any discrepancies found are reported to BEP on a per shipment basis.

Future Plans/Explanation for Shortfall: During FY 2007, BEP will continue to pursue process improvements that will enable the Bureau to continue to meet or favorably exceed this measure.

Departmental Offices

Measure: Timely audit report received on government-wide financial statements (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Met	Met	Met	Met	Met
Actual	Met	Met	Met	Met	
Target met?	Y	Y	Y	Y	

Definition: This is the independent audit report rendered on government-wide financial statements by GAO. Treasury expects to receive a disclaimer of opinion at least until FY 2011.

Source: GAO is the statutorily prescribed auditor.

Future Plans/Explanation for Shortfall: Audit report will be available on December 15, 2006. Treasury expects to receive a disclaimer of opinion. Improvement of the audit result is dependent upon the Defense Department's (DoD) audit. It is estimated that DoD will not obtain a clean audit opinion until FY 2011, at the earliest. Treasury will work to ensure that the government-wide audit, with the exception of DoD, is favorable.

United States Mint

Measure: Cycle Time (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	150	53	53	67	75
Actual	73	85	69	72	
Target met?	Y	N	N	N	

Definition: Cycle time is the length of time from when material enters a production facility until it is delivered to the customer.

Source: Data for each element is pulled from the United States Mint's Enterprise Resource Planning system.

Future Plans/Explanation for Shortfall: As of September 2006, the United States Mint's cycle-time was 72 days, an increase of 3 days from 69 days as of September 2005. The targeted cycle-time was 67 days. This performance goal was set at an approximate target level, and the deviation from that level is slight. There was no significant effect on the overall program or activity performance. The United States Mint plans to continue improving the cycle-time of the circulating coinage through further implementation of lean manufacturing techniques. In FY 2006, the United States Mint completed training for many manufacturing managers on lean manufacturing processes. This training will serve to eliminate unnecessary or redundant practices and should lead to improvements in plant productivity. The Presidential $1 Coin program will begin in FY 2007. This program will present challenges to reducing the cycle-time from current levels, as four new presidential designs (one per quarter) will be introduced into circulation. To address this challenge, Mint and Federal Reserve officials are working together to ensure that sufficient quantities of the new Presidential dollar coins will be ready to be distributed into circulation on each launch date. The Federal Reserve has assigned one of its staff members with expertise in coin distribution and inventory control from its Washington headquarters to help coordinate the circulation plans.

Measure: Order Fulfillment (%)(Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	0	95	96
Actual		0	94	95	
Target met?	N/A	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: Order fulfillment tracks the overall order fulfillment for circulating coins shipped to the Federal Reserve Banks and the numismatic coins sold to the public. Order fulfillment in FY 2006 was 95 percent, a slight increase from the result of 94 percent in FY 2005. Essentially, this result means that 95 percent of the United States Mint's revenue and other financing sources during FY 2006 were earned from products that were shipped to the customer in a timely fashion. In FY 2006, the Mint increased its target for the third consecutive year.

Measure: Cost per 1000 Coin Equivalents ($)(E)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	9.78	7.03	6.62	6.96
Actual	9.96	7.93	7.42	7.55	
Target met?	Y	Y	N	N	

Definition: 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 equivalized to a quarter.

Source: 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.

Future Plans/Explanation for Shortfall: The conversion cost per 1,000 coin equivalents during FY2006 is $7.55, an increase of two percent from the FY 2005 result of $7.42. The performance measure did not meet the FY 2006 target of $6.62. This target (stretch goal) was an 11 percent decrease from the FY 2005 actual results and was set based on forecasted volume and cost estimates. Coin equivalent production increased to 21.1 billion in FY 2006 compared with 19.9 billion in FY 2005, an increase of six percent. The associated conversion cost increased to $159 million from $147 million in FY 2005, an increase of eight percent. The increase in conversion cost between FY 2006 and FY 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 FY 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.

Measure: Protection Cost Per Square Foot ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	31.86	32	31
Actual		32.51	32.43	32.49	
Target met?	N/A	Y	N	N	

Definition: 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% of total square footage. The year-to-date result is then annualized on a straight-line basis.

Source: 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.

Future Plans/Explanation for Shortfall: Protection cost per square foot for FY 2006 was $32.49, a slight increase from $32.43 in FY 2005. This performance did not meet the target of $32.00. The United States Mint is identifying the use of automation to replace the functions currently performed by police officers. While these strategies may help reduce certain personnel and overtime costs, the ability to apply downward pressure on costs is taken with a long-term view and must be tempered by the level of readiness necessary to fulfill the Protection mission.

Measure: Total Losses ($) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	250000	15000	15000
Actual		3109	1135	0	
Target met?	N/A	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: The target value for FY 2005 was established based on losses from the previous two years, which were high; subsequent losses have been significantly lower and targets have been set to reflect this. Total losses as of the end of FY 2006 were $0 (zero) compared with $1,135 in FY 2005. This performance exceeds the target of $15,000. Results are from cases that have been investigated and closed during the fiscal year. While the FY 2006 result represents the ideal performance, there are open cases that are still under investigation that may be reported as losses at a future date. The protection of United States Mint assets remains a high priority. Efforts to prevent losses include automating exit scanning procedures to scan employees for valuable assets and error coins, and installing electronic systems to verify identity and scan for weapons and explosives upon entry to each facility.

Comptroller of the Currency

Measure: Rehabilitated problem national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	40	40	40	40	40
Actual	32	40	44	46	
Target met?	N	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: 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 for entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

Measure: Percentage of national banks with composite CAMELS rating 1 or 2 (%) (Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	90	90	90	90	90
Actual	94	94	94	95	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: 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 for entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

Measure: Total OCC costs relative to every $100,000 in bank assets regulated ($) (E)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target				Baseline	9.55
Actual				8.84	
Target met?	N/A	N/A	N/A	Y	

Definition: This measure reflects the efficiency of OCC operations while meeting the increasing supervisory demands of a growing and more complex national banking system.

Source: 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.

Future Plans/Explanation for Shortfall: Baseline in FY 06. Ensure a vigorous budget formulation process so that programs are continually reviewed for effectiveness and productivity. Continue to analyze business processes to improve quality and efficiency, eliminate waste, reduce the burden of compliance with statutory and regulatory requirements and deliver more value to national banks.

Measure: Percentage of national banks that are well capitalized (%) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target	95	95	95	95	95
Actual	99	99	99	99	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: 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 for entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

Measure: Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	94	94	94	94	94
Actual	96	96	94	94	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: 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 for entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

Office of Thrift Supervision

Measure: Percent of thrifts that are well capitalized (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	95	95	95	95
Actual	99.6	99.4	99.5	99.9	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The FY 2007 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS' 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.

Measure: Percent of thrifts with compliance examination ratings of 1 or 2 (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	90	90	90	90
Actual	94	94	94	93	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The FY 2007 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS' 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.

Measure: Percent of thrifts with composite CAMELS ratings of 1 or 2 (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	90	90	90	90
Actual	93	93	94	93	
Target met?	Y	Y	Y	Y	

Definition: 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 CAMEL 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.

Source: 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 CAMEL rating of 1 or 2 by the total number of OTS-regulated savings associations that have been assigned a composite CAMELS rating.

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The FY 2007 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS' 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.

Measure: Percent of safety and soundness exams started as scheduled (%) (Ot)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	90	90	90	90
Actual	92	94	93	94	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The FY 2007 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS' 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.

Measure: Total OTS costs relative to every $100,000 in savings association assets regulated ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target				Baseline	14.33
Actual			0	13.46	
Target met?	N/A	N/A	N/A	Y	

Definition: Beginning in FY 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' 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% 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.

Source: The OTS expenses published in OTS' 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' 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.

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The FY 2007 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS' 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.

Goal: Manage the Government's Finances Effectively

Objective: Collect Federal Tax Revenue When Due Through a Fair and Uniform Application of the Law

Financial Management Service

Measure: Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral (%) (Ot)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	85	90	92	93	94
Actual	92	99	97	95	
Target met?	Y	Y	Y	Y	

Definition: The measure tracks the percentage of the dollar volume of debt referred to the total dollar volume that is eligible for referral.

Source: 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 (FPAs).

Future Plans/Explanation for Shortfall: FMS will continue to educate and encourage agencies to refer all eligible delinquent debt in a timely manner.

Measure: Amount of delinquent debt collected through all available tools (Billions $) (Ot)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	2.9	2.9	3	3.1	3.2
Actual	3.1	3	3.25	3.34	
Target met?	Y	Y	Y	Y	

Definition: This measure provides information on the total amount collected, in billions, through debt collection tools operated by Debt Management Services.

Source: 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.

Future Plans/Explanation for Shortfall: FMS had record collections in FY 2006 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 and seek legislative proposals to increase the amount of delinquent debt collected.

Measure: Amount of delinquent debt collected per $1 spent ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			41.09	36.4	36.5
Actual			36.23	39.97*	
Target met?	N/A	N/A	**N**	**Y**	
Definition: This measure shows the efficiency of the Debt Collection program. The costs include all debt collection activities and all funding sources.					
Source: Collection of data and reporting on the cost of the debt collection program are performed on an annual basis.					
Future Plans/Explanation for Shortfall: FMS will continue to look for efficiencies to lower program costs by streamlining debt management systems while increasing delinquent debt collected. *Unit measure is estimated until costs are finalized.					

Internal Revenue Service - Business System Modernization (BSM)

Measure: BSM Project Cost Variance by Release/Subrelease							
FY 2006 BSM Project Cost Variance by Release/Subrelease							
Project	Release	Milestone	PlannedCost (000)	CurrentCost (000)	Variance ($)(000)	Variance (%)	Within Acceptable Tolerance
F&PC	R1.2	3	16,550	9,014	(7,536)	-46%	NO
F&PC	R1.2	4a	10,536	10,536	-	0%	YES
MeF (Fed/ State Project)	R3.2	4	23,773	31,323	7,550	32%	NO
MeF	R4	3	8,000	3,800	(4,200)	-53%	NO
CADE	R1.3.2	FS06	20,767	20,833	66	0%	YES
CADE	R2.1	4	27,049	31,239	4,190	15%	NO
Definition: Percent variance by release/sub-release of a BSM funded project's initial, approved cost estimate versus current, approved cost estimate. Cost variances < or = to +/- 10% are categorized as being within acceptable thresholds. Cost variances greater than +/- 10% are considered outside acceptable thresholds.							
Source: 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.							
Future Plans/Explanation for Shortfall: In FY 2006, the baseline year, the IRS used an improved methodology for determining project cost variance by release/subrelease. Cost variance is reported separately for each major release/subrelease. Overall, the BSM program delivered nearly half of project segment cost within target, and is meeting target expectations for nearly all project segments currently in-progress. In some cases, BSM cost targets exceeding a -10 percent threshold are attributed to reducing project scope. (Note: For a detailed variance explanation by project segment, refer to the FY 2006/FY 2007 BSM Expenditure Plan.) The IRS will continue reporting on this measure in accordance with the agreed upon performance methodology. 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/Sub release							
FY 2006 BSM Project Schedule Variance by Release/Subrelease							
Project	Release	Milestone	Planned Finish Date	Current Finish Date	Variance (days)	Variance (%)	Within Acceptable Tolerance
F&PC	R1.2	3	02/28/06	02/28/06	0	0%	YES
F&PC	R1.2	4a	06/30/06	07/10/06	5	6%	YES
MeF (Fed/ State Project)	R3.2	4	03/31/06	03/22/06	-7	-2%	YES
MeF	R4	3	06/30/05	12/09/05	111	59%	NO
CADE	R1.3.2	FS06	12/31/05	12/31/05	0	0%	YES
CADE	R2.1	4	08/10/06	08/25/06	11	7%	YES

Definition: Percent variance by release/sub-release of a BSM funded project's initial, approved schedule estimate versus current, approved schedule estimate. Schedule variances < or = to +/- 10% are categorized as being within acceptable thresholds. Schedule variances greater than +/- 10% are considered outside acceptable thresholds.

Source: 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

Future Plans/Explanation for Shortfall: In FY 2006, the baseline year, the IRS used an improved methodology for determining project schedule variance by release/subrelease. Schedule variance is reported separately for each major release/subrelease. The BSM program delivered most (5 out of 6) project segments within schedule variance. (Note: For a detailed variance explanation by project segment, refer to the FY 2006/FY 2007 BSM Expenditure Plan.) The IRS will continue reporting on this measure in accordance with the agreed upon performance methodology. At each review juncture, management ensures that proposed project changes as reported in the BSM expenditure plan are valid and mitigation plans are in place when applicable.

Internal Revenue Service

Measure: Customer Accuracy - Tax Law Phones (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	87	85	82	90	90.5
Actual	82	80	89	90.9	
Target met?	**N**	**N**	**Y**	**Y**	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: Incremental improvement in the performance is expected in FY 2007 and beyond from the completion of the Contact Recording project, a program to record customer contacts for quality review to help employees improve their skills, ease manager burden, and raise quality for customers.

Measure: Customer Accuracy - Accounts (Phones) (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	88	89	89.8	92	92.6
Actual	88	89	91.5	93.2	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: Incremental improvement in performance is expected in FY 2007 and beyond from continued improvement efforts such as the development of new online tools for assistors to research taxpayer questions.

Measure: Automated Collection System (ACS) Accuracy (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	88	88	89
Actual		87.8	88.5	91	
Target met?	N/A	Y	Y	Y	

Definition: Percent of taxpayers who receive the correct answer to their ACS question.

Source: 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.

Future Plans/Explanation for Shortfall: The IRS will leverage the process improvements made to its Electronic Automated Collection Service Guide, a tool designed to further increase response accuracy. Also, the IRS will trend accuracy statistics to better focus managerial reviews.

Measure: Collection Efficiency					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target				1650	1717
Actual			1514	1677	
Target met?	N/A	N/A	N/A	Y	

Definition: 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 FY 2006 includes balance due and delinquent return cases still in notice status whereas, the FY 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 FY 2006 plan number.

Source: The data comes from the Collection Activity Report (CAR) and the Integrated Financial System (IFS).

Future Plans/Explanation for Shortfall: The IRS plans to continue its practice of allocating resources and planning for program delivery through the Collection Governance Council to ensure enterprise-wide coordination of case selection and program delivery decisions.

Measure: Taxpayer Self Assistance Rate

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			42.5	45.7	47.5
Actual	51.0	46.4	42.5	46.8	
Target met?	N/A	N/A	Y	Y	

Definition: The percent of contacts that are resolved by automated self-assistance applications.

Source: 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)

Future Plans/Explanation for Shortfall: 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.

Measure: Timeliness of Critical Filing Season Tax Products to the Public (%) (E)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		75	80	92	93
Actual		76	91.4	83	
Target met?	N/A	Y	Y	N	

Definition: The percentage of Critical Filing Season tax products made available to the public in a timely fashion. Critical Filing Season tax products are forms, schedules, instructions, publications, tax packages, and certain notices normally filed between January 1 through April 15 that are mailed to taxpayers. This measure contains two components: (1) percentage of paper tax products shipped no later than December 20 (December 27 for tax packages), and (2) the percentage of scheduled electronic tax products available on the Internet no later than the first five business days of January 2006.

Source: Publishing Services Data (PSD) System

Future Plans/Explanation for Shortfall: The IRS did not meet the FY 2006 target. In FY 2006, the IRS shipped 166 of 200 (83 percent) Critical Filing Season tax products timely. Shipment of the remaining products was delayed intentionally to incorporate changes mandated in legislation enacted late in 2005, P.L. 109-73, Katrina Emergency Tax Relief Act of 2005 (KETRA) and P.L. 109-135, Gulf Opportunity Zone Act of 2005 (GOZONE). The IRS expects to resume timely delivery of all tax products in FY 2007.

Measure: Examination Coverage - Individual (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			.9	.9	1
Actual			.9	1	
Target met?	N/A	N/A	Y	Y	

Definition: The sum of all individual returns closed by SB/SE, W&I, and LMSB (Field Examination and Correspondence Examination) divided by the total individual return filings for the prior calendar year. In FY 2005, Automated Underreported (AUR) cases were included as part of this measure. In FY 2006, AUR is covered as a separate measure. The new methodology was applied to prior year actual and FY 2006 plan number.

Source: The data comes from the Audit Information Management System (AIMS) closed case data base, the automated under-reporter Management Information System for Top Level Executives (MISTLE) reports and Research projections for individual return filings.

Future Plans/Explanation for Shortfall: The IRS will continue to balance its audit coverage to emphasize reduction of the tax gap. Specific areas targeted for improvement include the workload identification processes, the audit selection criteria, and restructured examination training classes.

Measure: Office Exam Embedded Quality (Oe) (Replaces Examination Quality Office)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target				Baseline	TBD
Actual				TBD	
Target met?	N/A	N/A	N/A	TBD	

Definition: The score awarded to a reviewed Office Examination case by a Quality Reviewer using the Examination Quality Measurement System (EQMS) quality standards.

Source: Examination Quality Measurement System

Future Plans/Explanation for Shortfall: FY 2006 was the baseline year for this measure. Baseline data will be available on December 1, 2006. The IRS will complete the full implementation of EQ with the addition of the front line manager phase. This phase directly links Critical Job Elements to the quality measurement system, improving the relationship between individual performance and organizational objectives. Full implementation of EQ is expected to help identify potential problem areas in need of process improvements or focused training and, ultimately, lead to reductions in examination cycle time.

Measure: AUR Efficiency (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target				1759	1834
Actual		1514	1701	1832	
Target met?	N/A	N/A	N/A	Y	

Definition: The total number of W&I and SB/SE contact closures (a closure resulting from a case where the IRS made contact with the taxpayer) divided by the total FTE.

Source: AUR Management Information System for Top Level Executives (MISTLE)

Future Plans/Explanation for Shortfall: The IRS plans to leverage the process improvements implemented in FY 2006 to improve workload selection and productivity, reducing the number of cases closed without taxpayer contact.

Measure: Percent of Individual Returns Filed Electronically (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	41	45	51	55	58.8*
Actual	40	47	51	54.1	
Target met?	N	Y	Y	N	

Definition: Number of electronically filed individual tax returns divided by the total individual returns filed.

Source: Electronic Tax Administration reports

Future Plans/Explanation for Shortfall: The IRS did not meet the target. Although the January through June performance was at 55 percent, historically, a higher percentage of paper returns are received during July through September causing the fiscal year percentage of electronically filed returns to drop. The plan number is derived from semi-annual filing projections prepared by the IRS Research organization, incorporating changes in filing patterns, economic and demographic trends, legislative requirements, and IRS administrative processes. E-file participation rates are projected to increase to 58.2 percent in 2007 based on current experience, historical growth, increased advertising, marketing, and expanded e-file programs and do not reflect gains from any mandates. (* The FY 2007 target was changed based on revised projections.)

Measure: Timeliness of Critical Other Tax Products to the Public (%) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	80	85	86
Actual		76	80	61.2	
Target met?	N/A	Y	Y	N	

Definition: 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.

Source: Publishing Services Data System (PSD)

Future Plans/Explanation for Shortfall: The IRS did not meet the target. Production schedules required modification to accommodate the delay in completion of the critical filing season tax products, necessitating changes to the scheduled modification and ship dates for these other tax products (non-critical). Monthly timeliness results during early FY 2006 reflected this shift to the work plans. The IRS could not recover the lost production days and as a result, could not meet the target. The IRS expects to resume timely delivery of all tax products in FY 2007.

Measure: Customer Service Representative (CSR) Level of Service (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	72	83	82	82	82
Actual	80	87	82.6	82	
Target met?	Y	Y	Y	Y	

Definition: The relative success rate of taxpayers that call for toll-free services seeking assistance from a Customer Service Representative.

Source: Enterprise Telephone Database (ETD)

Future Plans/Explanation for Shortfall: The IRS will continue to maintain CSR Level of Service at 82 percent in FY 2007. The IRS expects an increase in telephone demand in FY 2007 from the Telecommunications Excise Tax Refund (TETR) initiative, and plans to increase staffing to meet the expected demand.

Measure: Customer Contacts Resolved per Staff Year (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			7261	7477	7555
Actual	8316	8015	7585	7414	
Target met?	N/A	N/A	Y	N	

Definition: 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.*

Source: 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.

Future Plans/Explanation for Shortfall: Despite answering 2.7 million more contacts than planned, the IRS did not meet this target. Efficiencies expected from the reduction of Toll-free telephone service operating hours (from 15 to 12 hours per day) did not occur because the service operating hours were not reduced due to reduction in service concerns expressed by Congress. Staffing for the 15 hours required an additional 482 FTE over plan. Overall, the IRS came within 99 percent of the goal, answering almost 2 million additional automated calls, 564,000 assistor calls, and completing over 750,000 additional Web Services. 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. The IRS is expecting efficiency to increase as more taxpayers choose to use automated means to contact the IRS instead of traditional, labor intensive methods.

Measure: Percent of Eligible Taxpayers who File for EITC (Participation Rate) (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	80	80	TBD
Actual		80	80	TBD	
Target met?	N/A	Y	Y	TBD	

**The participation rate is an estimate, based on a methodology which includes underlying assumptions about the potential EITC eligible population.*

Definition: The number of taxpayers who actually claim the Earned Income Tax Credit (EITC) compared to the number of taxpayers who appear to be eligible for the EITC.

Source: Individual Returns Transaction File data; Census Bureau Survey; and EITC Compliance Studies.

Future Plans/Explanation for Shortfall: Data to estimate the participation rate will be available after the close of Calendar Year 2006. The methodology for estimating the EITC participation rate is being validated using Census data in an effort to improve the accuracy of estimates.

Measure: Percent of Business Returns Processed Electronically (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	17	18.6	20.6
Actual		17.4	17.8	16.6	
Target met?	N/A	Y	Y	N	

Definition: The number of electronically filed business returns divided by the total business returns filed.

Source: Data is extracted from the Business Master file and fed into the Business Measures Datamart database.

Future Plans/Explanation for Shortfall: The IRS did not meet the target primarily due to the elimination of Telefile, resulting in an increase of 3 million paper employment returns while there were 325,000 fewer electronic employment returns. The plan number is derived from semi-annual filing projections prepared by the IRS Research organization semi-annually, incorporating changes in filing patterns, economic and demographic trends, legislative requirements, and IRS administrative processes. The projections provide a basis for IRS workload estimates. The IRS expects the percentage of business filers to increase in the future from increased marketing and expanded business e-file programs, including the acceptance of new forms and schedules attached to employer, estates and trusts, and partnership filings, acceptance of amended returns, and acceptance of the new annualized employment tax return. The IRS will continue to pursue additional mandates for businesses to file electronically similar to the one recently imposed for corporations.

Measure: Collection Coverage - Units (Oe) (Revised)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			57	52	52
Actual			33	54	
Target met?	N/A	N/A	**N**	**Y**	

Definition: The volume of collection work disposed (closed) compared to the volume of collection work available. The new methodology for FY 2006 includes balance due and delinquent return cases still in notice status whereas, the FY 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 FY 2006 plan number.

Source: The data comes from the Collection Activity Report (CAR.)

Future Plans/Explanation for Shortfall: The IRS plans to continue to facilitate the process for allocating resources and planning for program delivery through the Collection Governance Council. This will ensure enterprise-wide coordination of case selection and delivery decisions.

Measure: Examination Coverage - Business Corporations > $10 million (%) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			7	7.5	8.4
Actual		7.5	7.8*	7.4	
Target met?	N/A	N/A	**Y**	**N**	

**Revised FY 2005 actual reflects updated case closure information from the Automated Inventory Management System (AIMS)*

Definition: 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.

Source: 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.

Future Plans/Explanation for Shortfall: The IRS did not meet the FY 2006 target. The target was missed by 1 percent due to the IRS being prevented from taking enforcement action on a significant number of partnership return examinations involving a tax shelter promoter. Also, partnership audits were not as productive as expected so the IRS stopped opening these audits until improvement of the examination selection methodology. The IRS will continue to focus on the issues that pose the greatest compliance risk, and to identify enterprises that appear to be non-compliant. The IRS' emphasis on streamlining and improving the examination process, coupled with better risk analysis, will continue to provide for early resolution of post-filing examination issues and enhance large business examination coverage.

Measure: Field Exam Embedded Quality (Replaces Examination Quality Field)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target				Baseline	TBD
Actual				TBD	
Target met?	N/A	N/A	N/A	TBD	

Definition: The score awarded to a reviewed Field Examination case by a Quality Reviewer using the Examination Quality Measurement System (EQMS) quality standards.

Source: Monthly reports supplied from the EQMS database.

Future Plans/Explanation for Shortfall: FY 2006 was the baseline year for this measure. Baseline data will be available on December 1, 2006. The IRS will complete the full implementation of EQ with the addition of the front line manager phase. This phase directly links Critical Job Elements to the quality measurement system, improving the relationship between individual performance and organizational objectives. Full implementation of EQ is expected to help identify potential problem areas in need of process improvements or focused training and ultimately, lead to reductions in examination cycle time.

Measure: TEGE Determination Case Closures (Ot)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	189000	141000	131700	112400	112400
Actual	171812	143877	126481	107761	
Target met?	N	Y	N	N	

Definition: Cases established and closed on the Employee Plans-Exempt Organizations Determination System (EDS) includes all types of tax exempt and employee plan application cases.

Source: Tax Exempt and Government Entities (TE/GE) Determination System (EDS) Table 2A

Future Plans/Explanation for Shortfall: The FY 2006 target was not met. The implementation of the new staggered amendment filing process for employee plans changed the FY 2006 inventory mix. Over 40 percent of the 25,000 receipts were prototype plans that required more extensive review. These cases will not close until FY 2007, resulting in the closure of 3,600 fewer cases than originally planned. Additionally, recent increases in user fees for employee plan determinations resulted in a slight decrease in determination applications and ultimately 1500 fewer projected closures. To stabilize the flow of determination receipts and mitigate the significant swings in workload experienced prior to FY 2006, the IRS will continue its roll-out of the staggered amendment process. The IRS also plans to test and pilot (with external partners) a new interactive software application for preparing determination applications designed to improve the quality of determination requests and establish the foundation for future electronic filing of these applications. (* The FY 2007 target was revised based on the implementation of the new staggered amendment filing system.)

Measure: Examination Quality - Coordinated Industry (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	85	70	90	92	93
Actual	89	87	89	96	
Target met?	Y	Y	N	Y	
Definition: The average of the percentage of critical elements passed on Coordinated Industry cases reviewed.					
Source: The Large & Mid-Size Business (LMSB) Quality Measurement System (LQMS) database.					
Future Plans/Explanation for Shortfall: The IRS plans to identify areas that warrant further attention and improvement through its quality reviews. All examination training courses will expand modules on the identified improvement targets and incorporate pertinent information about the auditing standards used to measure case quality. The IRS will also continue its work with the Case Quality Improvement Council (CQIC) and its Industry contacts to drive quality improvement efforts.					

Measure: Examination Quality - Industry (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	75	80	78	80	84
Actual	74	74	77	85	
Target met?	N	N	N	Y	
Definition: 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.					
Source: The Large & Mid-Size Business (LMSB) Quality Measurement System (LQMS) database.					
Future Plans/Explanation for Shortfall: The IRS plans to identify areas that warrant further attention and improvement through its quality reviews. All examination training courses will expand modules on the identified improvement targets and incorporate pertinent information about the auditing standards used to measure case quality. The IRS will also continue its work with the Case Quality Improvement Council (CQIC) and its Industry contacts to drive quality improvement efforts.					

Measure: Field Collection Embedded Quality (EQ) (%) (Oe) (Replaces Field Collection Quality of Cases Handled in Person)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target				Baseline	TBD
Actual				84.2	
Target met?	N/A	N/A	N/A	Y	
Definition: The number of EQ quality attributes that are scored as "met" by an independent centralized review staff divided by the total attributes measured (met + not met) in a sample of closed cases. All measured attributes have the same weight when calculating the score.					
Source: Monthly reports supplied from the EQMS database.					
Future Plans/Explanation for Shortfall: This measure was baseline in FY 2006. The IRS will complete the full implementation of EQ with the addition of the front line manager phase. This phase directly links Critical Job Elements to the quality measurement system, improving the relationship between individual performance and organizational objectives. Full implementation of EQ is expected to help identify potential problem areas in need of process improvements or focused training and ultimately, lead to reductions in collection cycle time.					

Measure: AUR Coverage (%) (E)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			2.5	2.3	2.3
Actual		1.9	2.2	2.4	
Target met?	N/A	N/A	Y	Y	

Definition: Total number of W&I and SB/SE contact closures (a closure resulting from a case where IRS made contact) divided by the total return filings from the prior year.

Source: AUR Management Information System for Top Level Executives (MISTLE)

Future Plans/Explanation for Shortfall: The IRS plans to leverage the process improvements implemented in FY 2006 to improve workload selection and productivity, reducing the number of cases closed without taxpayer contact.

Measure: Examination Efficiency – Individual (E) (Revised)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			121	121	128
Actual			121	128	
Target met?	N/A	N/A	Y	Y	

Definition: The sum of all individual returns closed by SB/SE, W&I, and LMSB (Field Examination and Correspondence Examination) divided by the Total Full Time Equivalents (FTE) expended in examining those individual returns. In FY 2005, Automated Underreporter (AUR) cases were included as part of this measure. In FY 2006, AUR Efficiency is covered as a separate measure. The new methodology was applied to prior year actual and FY 2006 plan number.

Source: The data comes from the Audit Information Management System (AIMS) closed case data base, the automated under-reporter Management Information System for Top Level Executives (MISTLE) reports and Exams time reporting system and the Integrated Financial System.

Future Plans/Explanation for Shortfall: The IRS will continue to provide balanced exam coverage for those individual return categories with the highest risk of non-compliance, focusing on both understatement of income and overstatement of offsets to income. Newly designed training supports this emphasis, with its focus on auditing techniques.

Measure: Refund Timeliness - Individual (paper) (%) (E)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target		98.3	98.4	99.2	99.2
Actual	98.8	98.4	98.3	99.3	
Target met?	N/A	N/A	N	Y	

Definition: The percentage of refunds resulting from processing Individual Master File paper returns issued within 40 days or less.

Source: 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.

Future Plans/Explanation for Shortfall: The IRS expects its performance for refund timeliness to remain stable within the current processing system and resource constraints.

Alcohol and Tobacco Tax and Trade Bureau

Measure: Percentage of total tax receipts collected electronically (%) (E)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	98	98	98	98	98
Actual	98	97.3	98	98	
Target met?	Y	N	Y	Y	

Definition: The portion of total tax collected from taxpayers via electronic funds transfer (EFT).

Source: 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.

Future Plans/Explanation for Shortfall: This target is nearing the maximum amount that can conceivably be achieved considering the significance of the number. TTB will continue to implement the recommendations of its business process reengineering study for Collect the Revenue from 18 months ago which will help maintain this measure.

Measure: Resources as a percentage of revenue (%) (E)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			.4	.34	.34
Actual			.37	.31	
Target met?	N/A	N/A	Y	Y	

Definition: Represents the amount of resources expended to collect taxes, divided by the amount of taxes collected.

Source: Taxes collected is captured by the Federal Excise Tax database; expense data is maintained in Oracle Financials.

Future Plans/Explanation for Shortfall: This figure is among the best in the world. The goal will be to find ways to maintain it based on increasing labor costs, an already small percentage of administrative costs for the amount of activities that TTB is able to perform.

Measure: Percentage of Voluntary Compliance in filing tax payments timely and accurately (in terms of number of compliant industry members) (%) (Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			70	74	74
Actual			70	75.95	
Target met?	N/A	N/A	Y	Y	

Definition: The portion of total taxpayers that file payments on or before the scheduled due date, without notification of any delinquency.

Source: TTB maintains late-filed tax payments in FETS.

Future Plans/Explanation for Shortfall: : TTB has increased the number of audits of small taxpayers and audits in general. With CPAs accounting for a highly trained workforce, TTB plans to continue to perform audits using a recently developed risk-based model for Fiscal Year 2007. Along with educating industry members, this approach should serve to increase voluntary compliance.

Measure: Cumulative percentage of excise tax revenue audited over 3 years (%) (Ot)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			65	90	12
Actual			82	93	
Target met?	N/A	N/A	Y	Y	

Definition: The portion of total excise tax revenue that is audited in the fiscal years covered in the 5-year period.

Source: TTB tracks completion of all scheduled audits.

Future Plans/Explanation for Shortfall: TTB continued its three year effort to audit the largest taxpayers who are responsible for 98 percent of the annual federal excise tax collections. This effort is the driving force in measuring the tax gap and ensuring that the bureau is collecting the amount of revenue that is rightfully due the federal government. FY 2006 is the last year in TTB's initial 3-year audit cycle and the second audit cycle begins in FY 2007. TTB will have completed audits on 90-100 of the largest federal excise taxpayers. Audit findings have included underpayment of tax, recordkeeping violations, and internal control irregularities. While the audit effort focuses on the major taxpayers, the remaining taxpayers are selected for audit based on risk and random sampling. TTB will no longer track this measure electronically. TTB's risk- based model will drive some of its audit activity in the future.

Measure: Unit cost to process an excise tax return based on new legislation ($) (E)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target				Baseline	76
Actual				76	
Target met?	N/A	N/A	N/A	Y	

Definition: The cost of resources that it takes to process one excise tax return.

Source: Capturing excise tax returns: Tax returns are submitted via mail and the Pay.gov system. Mail submissions are assigned a unique control number and date of receipt is 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).

Future Plans/Explanation for Shortfall: This is a baseline cost and reflects TTB's work with industry to reduce the burden for small taxpayers. TTB has restructured its National Revenue Center by mission. This will help better prepare for a more efficient operation in the future.

Measure: Percentage of Voluntary Compliance in filing tax payments timely and accurately (in terms of revenue) (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Baseline	82	84	86	86
Actual	80	81.2	86.3	87.2	
Target met?	Y	N	Y	Y	
Definition: The portion of total taxpayers that file payments on or before the scheduled due date, without notification of any delinquency.					
Source: Late filed tax payments are maintained in the Federal Excise Tax system (FET).					
Future Plans/Explanation for Shortfall: TTB has audited 93% of the revenue produced by industry members over the past three years. In addition to providing education through seminars, etc. for industry members, TTB has also hired mostly CPAs for audit activities. For FY 2007, TTB will continue to educate and hire high quality auditors if and when current members of the workforce retire.					

Objective: Manage Federal Debt Effectively and Efficiently

Bureau of Public Debt

Measure: Cost per federal funds investment transaction ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	90.15	64.5
Actual			88.74	55.06*	
Target met?	N/A	N/A	Y	Y	
**Actuals are estimated results*					
Definition: 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.					
Source: The automated investment accounting system captures and reports transaction counts. Costs are captured in our administrative accounting system.					
Future Plans/Explanation for Shortfall: The cost per federal funds investment transaction is forecasted not to exceed the FY 2006 target of $90.15. Expected continuing volume increases in FY 2007 related to additional Government entity investment transactions allow us to establish a target for FY 2007 of $64.50. Expenditure projections reflect increases for inflation.					

Measure: Percent of auction results released in 2 minutes +/- 30 seconds (%) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target		95	95	95	95
Actual		99.53	95	100	
Target met?	N/A	Y	Y	Y	
Definition: 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.					
Source: BPD's automated auction processing systems					
Future Plans/Explanation for Shortfall: To improve performance and continue to meet its target, Public Debt will continue training all auction staff members by conducting mock auctions to enhance its ability to handle various contingencies.					

Measure: Percentage of retail customer service transactions completed within 13 business days (%) (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target		90	90	90	90
Actual		92.5	88.7	98	
Target met?	N/A	Y	N	Y	
Definition: 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.					
Source: For customer service transactions received by mail and for some requests received by phone or Internet, BPD 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.					
Future Plans/Explanation for Shortfall: For FY 2007, the goal is to complete 90 percent of retail customer service transactions within 12 business days and strive toward a long-term goal to complete 90 percent of retail customer service transactions within 10 business days by FY 2010. Efficiencies gained from improved work processes and an increase in electronic transactions will allow the Bureau to meet these goals.					

Measure: Cost per TreasuryDirect assisted transaction ($) (E)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			Baseline	7.75	4.73
Actual			8.51	4.75*	
Target met?	N/A	N/A	Y	Y	
** Actuals are estimated results.*					
Definition: 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.					
Source: For customer service transactions received by mail and for some requests received by phone or Internet, 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.					
Future Plans/Explanation for Shortfall: The cost per TreasuryDirect assisted transaction is forecasted not to exceed the FY 2006 target of $7.75 and target levels for FY 2007 are projected at $4.73. Public Debt will reallocate resources to handle a continuing increase in customer transactions that result from the growing number of TreasuryDirect accounts.					

Measure: Percentage of Government Agency customer initiated transactions conducted online (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	65	75
Actual			72.7	97.03	
Target met?	N/A	N/A	Y	Y	

Definition: Public Debt 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 our 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% of customer-initiated transactions completed online by the end of FY 2008.

Source: Total transaction counts are captured from the investment accounting systems in automated reports that differentiate online transactions from other transactions entered into the systems.

Future Plans/Explanation for Shortfall: Public Debt, in an effort to expand on-line investment services to its federal, state and local customers, has exceeded fiscal year 2006 projections. This achievement has taken place primarily due to the implementation of the new SLGS regulations effective in August 2005. These regulations require state and local government securities customers to submit investment transactions online via the SLGSafe internet application. The Bureau expects investment online percentages to remain at the current level in the upcoming years.

Measure: Cost per TreasuryDirect online transaction ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	2.99	2.21
Actual			3.43	2.43*	
Target met?	N/A	N/A	Y	Y	

**Actuals are estimated results.*

Definition: This performance measure divides TreasuryDirect online transaction costs, determined by an established cost allocation methodology, by the number of TreasuryDirect online transactions.

Source: Workload figures are captured from information stored in TreasuryDirect. Costs are captured in BPD's administrative accounting system.

Future Plans/Explanation for Shortfall: The cost per TreasuryDirect online transaction is forecasted not to exceed the FY 2006 target of $2.99. As more customers purchase book-entry securities through TreasuryDirect, Public Debt forecasts the cost of an online transaction at $2.21 for FY 2007.

Measure: Cost per debt financing operation ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	133683	219114
Actual			126828	127066.54*	
Target met?	N/A	N/A	Y	Y	
**Actuals are estimated results.*					
Definition: This performance measure divides debt financing operations costs, determined by an established cost allocation methodology, by the number of auctions and buybacks.					
Source: The number of debt financing operations is captured in the Auction Information Calendar (AIC) and the Auction Analysis System. Costs are captured in BPD's administrative accounting system.					
Future Plans/Explanation for Shortfall: The cost per debt financing operations is forecasted not to exceed the FY 2006 target of $133,683. The projection for FY 2007 of $219,114 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.					

Departmental Offices

Measure: Release Federal Government-wide financial statements on time (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	Met	Met	Met	Met	Met
Actual	Met	Met	Met	Met	
Target met?	Y	Y	Y	Y	
Definition: This report is the audited consolidated financial report of the Federal Government required by the Government Management Reform Act.					
Source: Data are collected from the audited financial results of all federal agencies and is audited by GAO.					
Future Plans/Explanation for Shortfall: Treasury plans to continue to establish policies and procedures to release the Federal government-wide financial statements on time.					

Objective: Make Collections and Payments on Time and Accurately, Optimizing Use of Electronic Mechanisms

Departmental Offices

Measure: Variance between estimated and actual receipts (annual forecast) (%) (Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		5	5	5	5
Actual		3.8	5	3.9	
Target met?	N/A	Y	Y	Y	

Definition: Percentage error measures the accuracy of the Mark receipts forecasts produced monthly by the Office of Fiscal Projections (OFP). It measures the relative amount of error or bias in OCDM's receipts forecasts.

Source: OFP 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). OFP 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.

Future Plans/Explanation for Shortfall: In FY 2007, the tolerance will continue to be 5%. To meet the performance measure in FY 2006, Domestic Finance increased the frequency of its meetings with the Office of Macroeconomic Analysis (Office of the Assistant Secretary for Economic Policy) to monthly and expanded them to include staff from the Revenue Estimating Staff (Office of the Assistant Secretary for Tax Policy) . These meetings focused on identifying revisions to key macro-economic variables and indicators and the impact that these revisions, both retrospective and prospective, had on current receipt projections The success of this process is evident by the annual performance, which exceeded the tolerance for FY 2006 and resulted in a reduction in the forecast variance from FY 2005. The process will be continued in FY 2007 and revised, as necessary, to ensure positive results.

Financial Management Service

Measure: Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	80	81	82	83	84
Actual	80	81	79	79	
Target met?	Y	Y	N	N	

Definition: Electronic collections data are retrieved from the CA$H-LINK system, which encompasses eight collection systems.

Source: This measure considers the percentage of government collections that are collected by electronic mechanisms (Electronic Federal Tax Payment System, Plastic Card, FEDWIRE Deposit System, 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.

Future Plans/Explanation for Shortfall: : A large component of this performance measure is IRS lockbox collections, which represents paper checks mailed from individuals and small businesses. FMS did not meet this measure due to the number of paper 1040 tax remitters during the third quarter of the fiscal year. Excluding those months when IRS lockbox processing is at its peak, electronic collections totaled 85 percent. FMS continues to try to move paper deposits to electronics.

Measure: Unit cost to process a Federal revenue collection transaction ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	1.4	1.37	1.33
Actual		1.4	1.2	1.1*	
Target met?	N/A	Y	Y	Y	

Definition: The unit cost to process a revenue collection transaction.

Source: 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.

Future Plans/Explanation for Shortfall: FMS will continue to expand electronic collection tools to other agencies in an effort to improve efficiency and keep costs low. In late FY 2006 FMS concluded the re-bid of the Plastic Card Network and will see significant cost savings in future years. FMS will continue reviewing other collection tools to determine new efficiencies and potential cost savings. **Unit measure is estimated until costs are finalized.*

Measure: Percentage of Treasury Payments and associated information made electronically (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	74	75	76	78	79
Actual	74	75	76	77	
Target met?	Y	Y	Y	N	

Definition: 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.

Source: The volume of payments is tracked through FMS' Production Reporting System. The amount and number of payments are also maintained under accounting control.

Future Plans/Explanation for Shortfall: In FY 2006, FMS set an aggressive goal to increase the amount of payments made electronically by 2 percent instead of our initial 1 percent. We set this goal because FMS implemented the Go-Direct Campaign. While the Go-Direct campaign was successful (converting over 600,000 individuals from checks to direct deposit in the first full year), the aggressive target, coupled with continued large number of social security check and emergency check payments for FEMA, has prevented FMS from achieving its goal of making 78 percent of all federal payments electronically. Although the performance measure was missed, FMS issued over 7.5 million fewer checks than last year. FMS continues 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 working to implement a pilot program, which is directed at the un-banked, to disburse benefit payments through debit cards.

Measure: Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately and on time (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	99.9999	100	100	100	100
Actual	99.9999	100	100	100	
Target met?	Y	Y	Y	Y	

Definition: Accurately refers to the percentage of check and EFT payments that FMS makes which are not duplicative 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.

Source: 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.

Future Plans/Explanation for Shortfall: FMS has met our FY 2006 performance goal. In FY 2007 FMS plans to continue to issue 100% of our payments accurately and on-time. The Secure Payment System (SPS) used by program agencies to certify checks, clearinghouses, 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 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	.35	.35	.35
Actual		.35	.355	.37*	
Target met?	N/A	Y	N	N	

Definition: Unit cost combines both paper and electronic payment mechanisms and includes the aftermath processes (reconciliation and claims) for both types of payment mechanisms.

Source: The cost data is captured through an activity based costing process. The unit cost is the calculated ratio of cost per payment.

Future Plans/Explanation for Shortfall: As a result of increased infrastructure costs, as well as postage increases, FMS did not meet its FY 2006 unit cost measure. FMS will continue to improve efficiencies in payment delivery by concentrating on expanding electronic payments, which cost substantially less than check payments. To assist in this endeavor, FMS will continue its "Go Direct" campaign which converted over 600,000 individuals from check to direct deposit in the first full year of the campaign, as well as look to other means (such as debit cards) to increase electronic payments. **Unit measure is estimated until costs are finalized.*

Objective: Optimize Cash Management and Effectively Administer the Government's Financial Systems

Bureau of Public Debt

Measure: Cost per summary debt accounting transaction ($) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	11.59	10.34
Actual			12.62	9.08*	
Target met?	N/A	N/A	Y	Y	
**Actuals are estimated results*					
Definition: This performance measure divides summary debt accounting transaction costs, determined by an established cost allocation methodology, by the number of summary debt accounting transactions.					
Source: Public debt accounting systems capture and report transaction counts. Costs are captured in BPD's administrative accounting system.					
Future Plans/Explanation for Shortfall: The cost per summary debt accounting transaction is forecasted not to exceed the FY 2006 target of $11.59 and target levels for FY 2007 are projected at $10.34. FY 2007 target levels assume static transaction volumes that support accounting for the public debt, a key component of Public Debt's mission. Public Debt will continue to maintain and support strong accounting controls to ensure the integrity of operations and the accuracy of the public debt accounting information provided to the public.					

Financial Management Service

Measure: Unit Cost to Manage $1 Million Dollars of Cash Flow					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	8.72	6.4
Actual			0	8.5*	
Target met?	N/A	N/A	Y	Y	
Definition: 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.					
Source: 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.					
Future Plans/Explanation for Shortfall: BASELINE. **Unit measure is estimated until costs are finalized.*					

Measure: Percentage of Government-wide accounting reports issued timely (%) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	100	100	100	100	100
Actual	100	100	100	100	
Target met?	Y	Y	Y	Y	

Definition: 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% of the time.

Source: A monthly reporting system is used to track the release dates to the public of all of the various governmentwide statements.

Future Plans/Explanation for Shortfall: FMS has met its FY 2006 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: Percentage of Government-wide accounting reports issued accurately (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	98	100	100	100	100
Actual	98	100	100	100	
Target met?	Y	Y	Y	Y	

Definition: 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% accurate.

Source: A monthly tracking system reports on the various published statements and monitors errata as it pertains to this data.

Future Plans/Explanation for Shortfall: FMS has met its FY 2006 performance goal. 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 (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, provide FPAs and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies.

Goal: Ensure Professionalism, Excellence, Integrity, and Accountability in the Management and Conduct of the Department of the Treasury

Objective: Protect the Integrity of the Department of the Treasury

Office of Inspector General

Measure: Number of completed audits and evaluations (Ot)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	146	48	53	56	56
Actual	116	49	54	57	
Target met?	N	Y	Y	Y	
Definition: 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.					
Source: OIG audits, attestation engagements, and evaluations result in sequentially numbered written products.					
Future Plans/Explanation for Shortfall: OIG exceeded the target number of audits for FY 2006, and expects to meet the FY 2007 target at the expected resource levels.					

Measure: Percent of statutory audits completed by the required date (%) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	100	100	100	100	100
Actual	92	100	100	100	
Target met?	N	Y	Y	Y	
Definition: 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 timeframe to issue a report (6 months for an MLR, as an example) from the date of an event that triggers the audit.					
Source: The date OIG issues an audit, attestation engagement, or evaluation report is printed on the cover. The required dates vary each year and are specified in different legislation, most often in the Annual Treasury Appropriation language.					
Future Plans/Explanation for Shortfall: OIG completed 100% of mandatory audits on time, and expects to do so in FY 2007.					

Measure: Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action. (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	24	15	72	85	105
Actual	26	23	85	144	
Target met?	Y	Y	Y	Y	

Definition: 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.

Source: This data will be retrieved from the Investigations Data Management System (IDMS) system.

Future Plans/Explanation for Shortfall: OIG significantly exceeded the target for this measure. A nearly two-fold increase in investigative personnel that was appropriated in FY 05 is requiring the target to be adjusted in the future. In FY 07, we will continue to work with the Department to refine and fairly set this measure.

Treasury Inspector General for Tax Administration

Measure: Average calendar days to issue final audit report (Ot)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	250	300	300	325	325
Actual	317	338	358	334	
Target met?	N	N	N	N	

Definition: The total number of calendar days elapsed from the start of an audit to the date the final report is issued. This figure is divided by the total number of final reports issued to determine the average.

Source: TIGTA's management information system.

Future Plans/Explanation for Shortfall: Historically, TIGTA OA has not been able to meet this goal due to the increased complexity of its audits and the need to provide IRS sufficient time to respond to its reports. TIGTA OA initiated efforts to re-examine its processes by empanelling two task forces and a pilot test for implementing the concept of an Inspection and Evaluation (I&E) Group. TIGTA OA will implement the recommendations of its Human Capital Task Force staff and I&E staff to provide positive long term impacts on its oversight of tax administration, as well as its program delivery. TIGTA OA will continue to stress the importance of meeting Calendar Day standards with our staff.

Measure: Number of total taxpayer accounts potentially impacted as a result of audit activities (in Millions) (Ot)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	14	13.4	13	14.5	7.25
Actual	47	49.7	2.8	1.8	
Target met?	Y	Y	N	N	

Definition: 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.

Source: Data is entered into a centralized database and verified against draft and final report documents.

Future Plans/Explanation for Shortfall: The ability to establish specific outcomes in advance of the overall audit program and individual audit scope being determined is challenging at best. This measure is somewhat dependent on changes in legislation that would lead to misunderstandings by taxpayers or IRS processing shortcomings that need to be identified and resolved. There have not been many significant tax law changes that impacted areas of our FY 2006 audit program. In addition, this measure has its nexus in goals that were developed when TIGTA came into existence in 1999. While taxpayer rights are still a priority for TIGTA OA, additional priorities such as identification of monetary benefits, erroneous payments, increased revenue/revenue protected and security over IRS facilities and information have increased in priority. As such, our resources have been directed to audits in many high-risk tax administration areas. TIGTA OA has experienced a decline in resources dropping from 388 FTEs in FY 2000 to a staffing level of 293 at the end of FY 2006. TIGTA OA has made efforts to modify its goals over time to be commensurate with the decline in staffing levels. As such, some of our audits have not produced the taxpayer account-related outcomes at the rate we have in the past. TIGTA OA will revisit its goal for FY 2007 to establish a target that is more in line with available resources and the focus of its audit program.

Measure: Percentage of positive results from investigative activities (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	67	70	73
Actual		64	82	79	
Target met?	N/A	Y	Y	Y	

Definition: Investigative reports resulting in Criminal, Civil or Administrative adjudication or the identification of matters of security or investigative interest.

Source: 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).

Future Plans/Explanation for Shortfall: TIGTA OI will continue to measure performance consistent with FY 2006 criteria. TIGTA OI increased its measure by 5 percent over FY 2006. TIGTA OI will monitor and evaluate FY 2007 performance and may make adjustments if deemed appropriate. The FY 2008 targets will be determined based on evaluation of the FY 2007 performance results.

Objective: Manage Treasury Resources Effectively to Accomplish the Mission and Provide Quality Customer Service

Treasury Franchise Fund

Measure: Customer satisfaction approval rating-Financial Management Administrative Support Services (%) (Ot) [DISCONTINUED FY 2006]

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	80	80	80	Discontinued	Discontinued
Actual	94	85	96		
Target met?	Y	Y	Y	N/A	

Definition: Indicates an objective level of customer satisfaction

Source: The result of the survey is derived from the following: (a) ongoing management service reviews with customers through on-site visits; (b) ongoing management contract review with contractors; and (c) customer surveys using scale method with quantitative statistical analysis and results.

Future Plans/Explanation for Shortfall: Measure discontinued in FY 2006.

Measure: Customer satisfaction approval rating–Financial System, Consulting & Training (%) (Ot) [DISCONTINUED FY 2006]

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	80	80	80	Discontinued	Discontinued
Actual	87	87	88		
Target met?	Y	Y	Y	N/A	

Definition: Indicates an objective level of customer satisfaction

Source: The result of the survey is derived from the following: (a) ongoing management service reviews with customers through on-site visits; (b) ongoing management contract review with contractors; and (c) customer surveys using scale method with quantitative statistical analysis and results.

Future Plans/Explanation for Shortfall: Measure discontinued in FY 2006.

Measure: Customer satisfaction approval ratings–Consolidated/Integrated Administrative Management (Ot) (%) [DISCONTINUED FY 2006]

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target	80	80	80	Discontinued	Discontinued
Actual	81	87	81		
Target met?	Y	Y	Y	N/A	

Definition: Indicates an objective level of customer satisfaction

Source: The result of the survey is derived from the following: (a) ongoing management service reviews with customers through on-site visits; (b) ongoing management contract review with contractors; and (c) customer surveys using scale method with quantitative statistical analysis and results.

Future Plans/Explanation for Shortfall: Measure discontinued in FY 2006.

Measure: Customer Satisfaction Index – Financial Management Administrative Support Services (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	71	80
Actual			71	75	
Target met?	N/A	N/A	Y	Y	

Definition: : Established in 1994, the American Customer Satisfaction Index (ACSI) is a uniform and independent measure of household consumption experience. A powerful economic indicator, the ACSI tracks trends in customer satisfaction and provides valuable benchmarking insights of the consumer economy for companies, industry trade associations, and government agencies. The ACSI is produced by the Stephen M. Ross Business School at the University of Michigan.

Source: University of Michigan's American Customer Satisfaction Index (ACSI)

Future Plans/Explanation for Shortfall: This was Arc's first year using the ACSI. ARC will learn from the results and further improve customer satisfaction. Based on this FY 2007 target was established at 80.

Measure: Operating expenses as a percentage of revenue – Consolidated/Integrated Administrative Management (%)(E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	4	12	12
Actual		4	4	4	
Target met?	N/A	Y	Y	Y	

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Source: 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.

Future Plans/Explanation for Shortfall: FedSource plans to continue to consolidate their operations.

Measure: Operating expenses as a percentage of revenue – Financial Management Administrative Support (%) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	11	12	12
Actual		9	9	17	
Target met?	N/A	Y	Y	N	

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Source: 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.

Future Plans/Explanation for Shortfall: ARC did not meet the performance target due to the excessive expenses that they incurred from their provider for IT and administrative support. The expenses associated with these two services account for approximately 70% of their total Administrative Operating Expense. In FY 2006, ARC incurred $1.6 million in expenses for furniture. ARC plans to get percentage under 12% through negotiations.

Measure: Customer Satisfaction Index - Financial System, Consulting & Training					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	71	80
Actual			71	81	
Target met?	N/A	N/A	Y	Y	

Definition: Established in 1994, the American Customer Satisfaction Index (ACSI) is a uniform and independent measure of household consumption experience. A powerful economic indicator, the ACSI tracks trends in customer satisfaction and provides valuable benchmarking insights of the consumer economy for companies, industry trade associations, and government agencies. The ACSI is produced by the Stephen M. Ross Business School at the University of Michigan.

Source: American Customer Satisfaction Index (ACSI)

Future Plans/Explanation for Shortfall: Federal Consulting Group has put an action plan together using the results of this year's ACSI to further improve customer satisfaction.

Measure: Customer Satisfaction Index–Consolidated/Integrated Administrative Management (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			Baseline	71	80
Actual			71	51	
Target met?	N/A	N/A	Y	N	

Definition: Established in 1994, the American Customer Satisfaction Index (ACSI) is a uniform and independent measure of household consumption experience. A powerful economic indicator, the ACSI tracks trends in customer satisfaction and provides valuable benchmarking insights of the consumer economy for companies, industry trade associations, and government agencies. The ACSI is produced by the Stephen M. Ross Business School at the University of Michigan.

Source: University of Michigan's American Customer Satisfaction Index (ACSI)

Future Plans/Explanation for Shortfall: FedSource has been working through significant restructuring issues. With the elimination of three FedSource field offices, work had to be transitioned to other offices, which disrupted customer service and affected their score. Other work had to be re-competed due to contract ceiling issues that also hurt their score. FedSource has a moratorium new business while they focus on these issues.

Measure: Operating expenses as a percentage of revenue–Financial Systems, Consulting and Training (%) (E)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		Baseline	12	12	12
Actual		14	11	10	
Target met?	N/A	Y	Y	Y	

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Source: 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.

Future Plans/Explanation for Shortfall: Treasury Agency Services was able to drastically reduce their rent expense which helped them meet this performance measure. Federal Consulting Group is currently looking to reduce their rent expense.

Departmental Offices

Measure: Percent of complainants informally contacting EEO (for the purposes of seeking counseling or filing a complaint) who participate in the ADR process (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target			25	25	30
Actual			25	25	
Target met?	N/A	N/A	Y	Y	

Definition: 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.

Source: Treasury's automated Complaint Tracking System.

Future Plans/Explanation for Shortfall: An emphasis was placed on ensuring that Alternative Dispute Resolution (ADR) was offered to each complainant at both the pre-investigative stage and the post-investigative stage. Although these offers did not frequently result in the complainant's acceptance of ADR, there were more opportunities to resolve the case without investigation. The total number of ADR offers increased from 169 in FY05 to 407 in FY06, an increase of 238 or 42%.

Measure: Complete investigations of EEO complaints within 180 days (%) (Oe)					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Target		40	50	50	50
Actual		31	36	27*	
Target met?	N/A	N	N	N	

Definition: The average time it takes to complete investigations of Equal Employment Opportunity (EEO) complaints.

Source: The Annual Federal EEO Statistical Report of Discrimination Complaints and the Department's Complaint Tracking System are the primary sources of data.

Future Plans/Explanation for Shortfall: While Treasury did not meet the standard for processing complaints within the 180 day timeframe, the Department was successful in eliminating the 200+ backlog of cases by working aged cases first. To do this, the Center took a proactive approach and developed a system where: managers are assigned to review cases at the acceptance stage, identifying issues and then making a determination to accept or dismiss the claim; technical advisors write dismissal letters; and with the use of collateral duty and task force assignments; this system allows for more timely processing and efficient determination of a case.

Measure: Management cost per Treasury employee ($) (E)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target			Baseline	40.27	38.21
Actual			39.33	40.59	
Target met?	N/A	N/A	**Y**	**N**	

Definition: Total amount obligated for Treasury's strategic objective, M5B, divided by total amount of Treasury FTEs (excluding IRS employees).

Source: 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.

Future Plans/Explanation for Shortfall: While Treasury overall funding and FTE's decreased in FY 2006, funding for strategic objective M5B increased as well as non-IRS FTE's, causing the measure to be slightly over target. Targets for FY 2007 have been established based on the congressional justification, but this measure may be discontinued and replaced with a measure that indicates the degree of alignment of budget resources to outcomes from the new Treasury strategic plan.

Measure: Number of open material weaknesses (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target	8	6	4	2	1
Actual	9	8	7	1	
Target met?	**N**	**N**	**N**	**Y**	

Definition: 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.

Source: Identified by the General Accounting Office, Treasury's Inspectors General, and/or Treasury bureaus.

Future Plans/Explanation for Shortfall: Treasury began FY 2006 with 7 material weaknesses and downgraded 1 to a reportable condition during the year, leaving a reportable balance of 6 beginning FY 2007. Although significant success has been achieved, those material weaknesses that remain have long-term solutions of which are many are dependent upon the implementation of major systems. Success has been achieved through ongoing management attention in the form of quarterly progress reports to executive management on the status of material weaknesses, the inclusion of material weaknesses as an agenda topic for bureau heads meetings, and similar vehicles which help focus attention on major challenges. Although certain long-standing challenges will remain problematic for the foreseeable future, responsible progress toward closure on these challenges continues to be achieved and no new material weaknesses have been identified.

Measure: Bureau performance plans for supervisors, managers, and SES members contain elements that link to the bureau mission (%) (Oe) [DISCONTINUED FY 2007]					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target		75	100	100	100
Actual		77	100	100	
Target met?	N/A	**Y**	**Y**	**Y**	
Definition: The overall percentage of bureaus whose performance plans for supervisors, managers, and SES members contain elements that specifically link to the bureau mission.					
Source: 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.					
Future Plans/Explanation for Shortfall: The target was met and will continue to be met in FY 2007 and FY 2008. The goal has been clearly communicated to supervisors, managers, and SES members and continued compliance is expected. As a result of continued success, Treasury will be discontinuing the tracking of this metric in FY 2007. It will be replaced by a metric aimed at evaluating retention of new hires.					

Measure: Injury and illness rate Treasurywide-including DO (Oe)					
	FY 2003	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Target	3.21	3.12	3	2.8	2.6
Actual	3.9	3.94	2.8	1	
Target met?	**N**	**N**	**Y**	**Y**	
Definition: The number of reported work-related injuries and illnesses Treasury-wide.					
Source: Safety and Health Information Management System					
Future Plans/Explanation for Shortfall: In FY 2004, Treasury was recognized by the Department of Labor for reducing the Departments total injury and lost time injury rates by more than 10 % each, well below the recommended 3 % for all Federal Agencies. Over the past two years, the injury rate has remained low due to an increased focus on employee safety and health. In FY 2006, Treasury started to pursue an aggressive occupational safety and health program and this program will be continued in FY 2007 and beyond.					

* Current year end data is projected actual.

Key

Oe	Outcome Measure
E	Efficiency Measure
Ot	Output/Workload Measure

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Appendix B: Completeness and Reliability of Performance Data

Treasury's Commitment to Quality Performance Measurement

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 FY 2001 - FY 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).

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 FY 2007 Congressional Justification for Appropriations:

Bureau	Performance Measure
DO	Customer satisfaction with OIA in terms of its accuracy, timeliness, and relevance.

Discontinued The following performance measures were discontinued in FY2006 and will not have data available for this Report:

Bureau	Performance Measure
FinCEN	Number of users accessing BSA data electronically
DO	Maintain the annual increase in the number of and significance to the foreign narcotics traffickers of newly designated targets
DO	Increase the number of international measures and bodies established internationally to protect the financial system from money-laundering and terrorist financing
DO	Maintain turnaround time for license submissions with significantly increased workload requiring internal OFAC review
DO	Maintain turnaround time for license submissions with significantly increased workload requiring internal Chief Counsel and interagency review
Franchise Fund	Customer satisfaction approval rating – Financial Management Administrative Support Services
Franchise Fund	Customer satisfaction approval rating – Financial System, Consulting and Training
Franchise Fund	Customer satisfaction approval rating – Consolidated/Integrated Administrative Management

Baseline The following measures established baseline values and targets in FY 2006.

Bureau	Performance Measure
FinCEN	Percentage of customers satisfied with the BSA Direct E-filing component
OCC	Total OCC costs relative to every $100,000 in bank assets regulated
OTS	Total OTS costs relative to every $100,000 in savings association assets regulated
TTB	Unit cost to process in excise tax return based on new legislation
IRS	BSM Project Cost Variance by Release/sub-release - % project meeting +/- 1-% cost variance

(table continued next page)

(Baseline table continued from previous page)

Bureau	Performance Measure
IRS	BSM Project Schedule Variance by Release/sub-release - % project meeting +/- 1-% schedule variance
IRS	Field Collection Embedded Quality
IRS	Field Exam Embedded Quality
IRS	Office Exam Embedded Quality

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 that are susceptible to significant erroneous payments. "Significant" means that an estimated error rate and a dollar amount exceed the threshold of 2.5% and $10 million of total program funding. IPIA 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% 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 Department in FY 2006 resulted in all programs and activities as low and medium risk susceptibility for improper payments. The Earned Income Tax Credit (EITC) 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 Improper Payments Information Act.

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 2001 reporting compliance study that estimated the level of improper over claims for FY 2006 to range between $9.8 - $11.6 billion and 23% (lower bound) to 28% (upper bound) of approximately $42.1 billion in total program payments.

National Research Program (NRP) Analysis

The complexity of EITC's program, the nature of tax processing, and the expense of compliance studies preclude statistical sampling on an annual basis in order 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.[1] 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

1 The NRP used a stratified, random sample design. Returns are grouped into predefined categories or "strata" and selected randomly within each stratum.

returns went through a somewhat different examination process and they were not used for 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 EITC erroneous claims, and Treasury Department FY 2006 EITC budget estimates.

The general approach for developing the FY 2006 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 FY 2002- FY 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.

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 2006, the IRS will spend approximately $167 million to prevent more than $2 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* IRS audit program where exams are conducted *before* a refund is released. The audit 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 FY 2002 through FY 2005. In FY2005 alone, the IRS issued 659,333 math error notices, conducted 521,872 audits and closed 324,419 document matching reviews.

Compliance Activities (thousands)								
	FY02	FY03	FY04	FY05	FY06**	FY07*	FY08*	FY02-FY08* Total
Audit Closures	373,508	422,033	449,435	521,872	516,181	489,940	502,768	3,275,737
Math Error Notices**	993,387	922,465	817,440	659,333	617,430	586,559	557,231	5,153,845
Document Matching			300,000	324,419	364,020	300,000	300,000	1,588,439

**Original estimates based on FY 04.*
***TY data. FY 2006 is estimate*

These activities had a significant effect. We project that continued enforcement efforts will protect a total of $13.22 billion in revenue through FY 2008.

Enforcement Revenue Protected ($ billions)								
	FY02	FY03	FY04	FY05	FY06**	FY07*	FY08	FY02-FY08 Total
Examination	0.95	1.00	1.10	1.34	1.48	1.48	1.55	8.90
Math Error Notices**	0.42	0.34	0.42	0.29	0.27	0.25	0.24	2.23
Document Matching			0.31	0.53	0.60	0.32	0.33	2.09
TOTAL	1.37	1.34	1.83	2.16	2.35	2.05	2.12	13.22

**Original estimates based on FY 04.*
***TY data. FY 2006 is estimate*

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 of, 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	0.01	0.08	0.08	0.08	0.25

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 by FY 2007. 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 is also developing possible new candidates for math error authority and has developed new strategies to prevent duplicate claims of qualifying children. The IRS has developed an 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 1P%	CY+1 1P$	CY+2 Est Outlays	CY+2 IP%	CY+2 IP$	CY+3 Est Outlays	CY+3 IP%	CY+3 IP$
EITC Upper Bound Estimate	$41.3	28%	$11.4	$42.1	28%	$11.6	$42.7	28%	$11.8	$42.7	28%	$11.8	$42.7	28%	$11.8
EITC Lower Bound Estimate	$41.3	23%	$9.6	$42.1	23%	$9.8	$42.7	23%	$10.0	$42.7	23%	$10.0	$42.7	23%	$10.0

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.

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) 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 Controls, Appendix C, reporting on recovery auditing is required annually.

In FY 2006, the Department issued contracts totaling $4.6 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. The Department has extensive contract payment controls that are applied at the time each payment is processed making recovery activity minimal. Our ongoing reviews of contract payment controls do not exclude any type of contract actions. Further, the low level of improper payments in 2006 did not require any Treasury bureau to develop a management improvement program under Recovery Act guidance. However, if during the course of the recovery auditing activity errors are identified, reviews are conducted for further action. If the errors are significant, Corrective Action Plans are developed.

Agency	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported	Amounts Identified for Recovery	Amounts Recovered CY	Amounts Recovered PY
Treasury	$4,622,300,599	$4,216,057,584	$2,305,424	$1,442,708	$515

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' 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 over claims 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 2006 Budget Submission to Congress

Several new initiatives were requested in the IRS FY 2006 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 credit
- Confusion among eligible claimants
- High program turnover
- Unscrupulous 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, EITC has focused on reducing erroneous over claims 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 FY 2005, the IRS completed the following tests designed to evaluate new ways of reducing erroneous EITC payments while maintaining participation by eligible taxpayers:

- Qualifying Child Test: Required EITC claimants to certify that they met qualifying child residency requirement before paying out the refund;
- 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 focusing on improved selection methodology. Preliminary data from this test indicates both a compliance and deterrence impact.

Carefully analyzing the final results of these tests will be imperative to assessing their effectiveness in reducing erroneous EITC over claims 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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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

October 16, 2006

MEMORANDUM FOR SECRETARY PAULSON

FROM: Harold Damelin
Inspector General

SUBJECT: Management and Performance Challenges Facing the Department of the Treasury (OIG-CA-07-002)

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.

Last year we identified five challenges that we believe seriously impeded the Department's ability to conduct its program responsibilities and ensure the integrity of its operations. These challenges are: (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. While some progress on each of these five challenges has been made, they continue to represent significant risks to the Department. Listed below is a detailed discussion of each challenge.

Challenge 1 – Corporate Management

This is an overarching management challenge. Treasury needs to provide effective corporate leadership in order to resolve serious bureau and program office deficiencies that adversely impact the performance of Treasury as a whole. In particular, Treasury needs to assert strong leadership and supervision over the Internal Revenue Service (IRS) to resolve the longstanding material weaknesses and system deficiencies that hamper the timely and reliable information necessary to effectively manage IRS operations. In addition, while progress has been made, the Department has not fully implemented a corporate-level control structure 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 its operational results. These matters are discussed in more detail in the following challenges.

The increasing emphasis on agency-wide accountability envisioned in the management reform legislation of the past decade and the President's Management Agenda, has underscored the need for effective corporate management at Treasury. With nine bureaus and many program offices, Treasury is a highly decentralized organization. As such, Treasury management should ensure consistency, cohesiveness, and economy among all bureaus and program offices in achieving Treasury's goals and objectives. 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.

This past year, the Department's senior leadership has asserted more direct and substantive involvement in developing and implementing Treasury-wide polices and initiatives across a number of fronts. For example, Treasury established, for the first time, a substantially complete systems inventory. This is a critical step to ensuring security over its information technology assets. Also, the Deputy Secretary recently issued a memorandum requiring that internal control programs (programs to ensure accountability and promote effective management and stewardship) be included in all fiscal year 2007 senior leadership performance plans. In the future, this type of direct involvement by senior leadership needs to be maintained so that progress continues.

Challenge 2 – Management of Capital Investments

Treasury needs to better manage large acquisitions of mission-critical systems and other capital investments. In the past, we discussed serious problems related to the Treasury Communications Enterprise (TCE) procurement, Treasury's HR Connect system, and the Treasury and Annex Repair and Restoration (TBARR) project.

This year, we note continuing issues with TCE and new problems have been brought to light with BSA Direct, and the web-based Electronic Fraud Detection System (Web EFDS). Specifically, we found that the TCE procurement, estimated to cost $1 billion over its useful life, was poorly planned, executed, and documented. For example, Treasury's consideration of General Services Administration contract vehicles, both at the outset and following a successful TCE bid protest, was incomplete, and the TCE business case documentation was deficient. Treasury amended and reopened the TCE solicitation in October 2005, but has yet to award the TCE contract. In July 2006, after nearly 2 years in development and $15 million spent, the Financial Crimes Enforcement Network (FinCEN) terminated its contract for the storage and retrieval component of BSA Direct after significant concerns were raised about schedule delays and project management. IRS had similar problems with Web EFDS, a system costing more than $20 million intended to prevent fraudulent refunds. In April 2006, after a significant delay, IRS stopped all development activities for Web EFDS. IRS also was unable to use EFDS to prevent fraudulent refunds during processing year 2006. The Treasury Inspector General for Tax Administration reported that without Web EFDS, more than $300 million in fraudulent refunds may have been allowed.

The Deputy Secretary recently emphasized the need to better manage information technology capital investments to the heads of Treasury bureaus, noting that this is a responsibility of all senior management and not just that of the Chief Information Officer. Involvement and accountability at the top is a critical factor to ensure the successful implementation of systems.

Challenge 3 – Information Security

Despite some 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 Office of Management and Budget (OMB) requirements. In the past, we reported that Treasury's systems inventory was not accurate, complete, or consistently reported. During the past year, the Department overcame this weakness in its security program by providing direction to the bureaus in developing a Department-wide inventory of information systems. Although the Department still needs to implement additional actions to further improve the system inventory, we believe the inventory is substantially complete and generally conforms to applicable requirements.

Nevertheless, our 2006 FISMA evaluation disclosed deficiencies that, in the aggregate, constitute substantial noncompliance with FISMA. Specifically, we noted that improvements are needed in the areas of: certification and accreditation, security awareness, training employees with significant security responsibilities, tracking corrective actions, identifying and documenting system interfaces, security self-assessments, configuration management, and incident response. As a result of the improved inventory, Treasury identified that it has national security systems that are not part of its intelligence program. For the first time, we evaluated the information security program and practices as it relates to these non-intelligence national security systems. We noted that significant improvements are also needed in this area.

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. Our evaluation of Treasury's compliance with M-06-16 disclosed that Treasury still faces significant challenges to meet these requirements. Specifically, we noted that the Department needs to ensure that security controls pertaining to personally identifiable information are addressed Treasury-wide in the following areas: assessing risk, reviewing and revising policies, transporting, offsite storage, and remote access. In a July 2006 memorandum to Treasury bureaus, the Department provided implementation guidance and required bureaus to identify their specific actions taken and planned, including dates, to address weaknesses in security controls pertaining to personally identifiable information.

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. MCA involves the accumulation and analysis of financial and non-financial data, resulting in the allocation of costs to organizational pursuits such as performance goals, programs, activities, and outputs, and should be a fundamental part of a financial/performance management system.

The Government Accountability Office (GAO) reported in December 2005 that Treasury delegated to its bureaus responsibility to implement MCA systems and processes to meet federal standards. Although Treasury retained oversight responsibility to ensure consistent implementation of MCA department-wide, Treasury officials had no specific procedures in place to ensure that consistent, periodic department-level oversight was conducted, and they promoted MCA and monitored MCA implementation on an informal and sporadic basis. This contributed to widely disparate implementation and use of MCA among Treasury's program offices and bureaus. GAO also found that controls to ensure the reliability of MCA data needed improvement in two of the three Treasury bureaus it reviewed.

Since GAO's review, the Department has developed a high-level MCA implementation plan. This plan focuses on (1) clarifying and reaffirming the Department's MCA policy for all bureaus; (2) identifying MCA needs across the Department; (3) ensuring MCA needs are linked to the Department's strategic plan, budget, and performance measures; (4) identifying gaps between Department and bureau needs and existing MCA capabilities; and (5) developing plans to eliminate these gaps. However, none of the specific action items in the plan have been completed and target dates for certain actions have been missed.

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. To effectively prevent and detect financial crimes and terrorist financing it is necessary to have: (1) strong control environments at financial institutions that ensure that business is conducted with reputable parties, and large currency transactions and suspicious activities are properly and timely reported to Treasury, (2) strong federal and state regulatory agencies that examine and enforce BSA and USA Patriot Act requirements at financial institutions, and (3) strong analytical capacity to identify and refer to law enforcement leads provided through reports filed by financial institutions.

While FinCEN is the Treasury bureau responsible for administering BSA, it relies on other Treasury and non-Treasury agencies to enforce compliance with the Act's requirements. The Office of Foreign Assets Control (OFAC), the Treasury office responsible for administering U.S. foreign sanction programs, also relies on other Treasury and non-Treasury agencies to ensure compliance with OFAC requirements. Past audits and Congressional hearings, however, have surfaced serious regulatory gaps in the detection of and/or timely enforcement action against financial institutions for BSA and related violations. For example, a recent audit found that the Office of the Comptroller of the Currency (OCC) took a questionable (non-public) enforcement action when it found serious recurring BSA program deficiencies at the nation's fifth largest bank. Another recent audit found that FinCEN was slow in developing possible new leads for law enforcement through analysis of BSA data, devoting most of its analytical work to processing routine data requests. Another recent audit found that OCC and Office of Thrift Supervision (OTS) examinations of financial institutions for OFAC compliance were not documented well enough to determine whether the examined institutions were in compliance.

In an attempt to improve compliance and address some of these gaps, Treasury created the Office of Terrorism and Financial Intelligence (TFI) through which FinCEN and OFAC now report. In addition, FinCEN, beginning in 2004, (1) created a compliance office to improve BSA oversight and coordination with financial institution regulators; and (2) entered into memoranda of understanding (MOUs) with the federal banking regulators, IRS, and most states to enhance communication and coordination. Furthermore, OCC and OTS took immediate steps to improve their respective documentation of OFAC examinations. Additionally, OFAC also executed MOUs with the federal banking regulators that provides for increased information sharing. While similar to the MOUs between FinCEN and the regulators, legislative impairments may ultimately limit the information shared with OFAC. For this reason and others, the effectiveness of these actions to address regulatory gaps and ultimately improve compliance is yet to be determined.

Given the criticality of this management challenge to the Department's mission, we will continue to devote a significant portion of our audit resources on TFI, FinCEN, OFAC, OCC, and OTS programs and operations. For example, we are planning comprehensive reviews of the effectiveness of (1) FinCEN's Office of Compliance, and (2) the MOUs that have been established.

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

cc: Robert M. Kimmitt
Deputy Secretary

Sandra L. Pack
Assistant Secretary for Management and Chief Financial Officer

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

November 13, 2006

MEMORANDUM FOR HAROLD DAMELIN
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 16, 2006 memorandum describing the Treasury Department's management and performance challenges.

This memorandum provides information on the actions that we completed in FY 2006 and those actions we plan to take during FY 2007 to address these five challenges.

Challenge 1 - Corporate Management

The Treasury Department is committed to strong corporate leadership through sound oversight and policy direction for all its components, and we have taken actions to strengthen Department-wide collaboration and unity. For example, the Department established Treasury-wide councils of Chief Financial Officers, Human Capital Directors, Chief Information Officers, and Senior Procurement Officials. These councils are chaired by senior Department officials, who meet monthly to address issues of mutual concern and to clarify Department guidance on key policies. In addition, in FY 2006, the Treasury Department reinstituted the monthly bureau heads meetings to provide a forum for policy discussions and guidance at the Department level.

In FY 2006, the Department established an Executive Planning Board (EPB) to provide a corporate review and assessment of on-going bureau core business activities and multi-year funding requests. Through this board, Department-wide issues and challenges, and solutions for leveraging resources are identified. In addition, the Treasury Department embarked on a revision of its strategic plan. When finalized, this new plan will use an integrated management system, based on the principles of continuous improvement, to achieve strategic goals, objectives and outcomes for a highly decentralized organization.

In FY 2007 we will implement corporate strategies to review major information technology (IT) investments on a quarterly basis and to leverage Treasury's buying power by promoting corporate strategic sourcing.

Challenge 2 - Management of Capital Investments

In FY 2006, the Treasury Department continued to strengthen its information technology (IT) management and governance. The EPB, the Treasury CIO Council, and the Treasury Technical Investment Review Board (TIRB) provided executive oversight for the Department's planning and management of information and IT resources. The Department enhanced IT capital planning policy and improved Department oversight during FY 2006. Working in consultation with the Inspector General's (IG) office, we addressed IG findings related to the Treasury Communications Enterprise (TCE) audit. The Department worked with IG staff to strengthen TCE planning and business case documentation, completing all required corrective actions to close the audit in August 2006. The Department now applies this standardized business case model to other large investments. The reporting of IT investment management improved through the mapping of major IT systems to IT portfolio investments. Additional improvements occurred by implementing a more rigorous baseline change process and requiring bureau validation of project manager qualifications for major IT investments.

In addition, the Treasury Department now requires that IT investments be placed on an internal Treasury watchlist if they do not meet defined performance and compliance criteria. Investments on the watchlist are subject to greater oversight, including review by the Assistant Secretary for Management/Chief Financial Officer and bureau heads.

In FY 2007, the Treasury Department will continue its certification program of bureau Chief Information Officers and program managers to ensure that earned value management data they provide on IT investments are accurate and timely. Furthermore, the Department established a program to review bureau IT governance structures, capital planning processes, and select investments. This program was piloted at one bureau during this reporting period and reviews will be conducted for all bureaus throughout FY 2007.

Challenge 3 - Information Security

In FY 2006, the Treasury Department made progress in bringing its systems into compliance with federal IT security policies, standards, and guidelines. A significant milestone was achieved when the IG agreed with the Department's FY 2006 Federal Information Security Management Act (FISMA) evaluation of its systems inventory. In addition, the IG generally agreed with the Department's first national security (non-intelligence) system inventory.

The Treasury Department continued to improve FISMA compliance by addressing certification and accreditation, contingency planning, and training for individuals with specialized security responsibilities. Furthermore, the Department enhanced its Treasury-wide systems inventory and improved the integrity of the process by addressing all cyber security weaknesses identified through the IG and Government Accountability Office audits and incident reports, resulting in improved performance in the 2006 FISMA evaluation.

For FY 2007, the Treasury Department will further refine its non-national security systems inventory for completeness and consistency, issue new Treasury policy to incorporate new Office of Management and Budget and National Institute of Standards and Technology requirements, and monitor implementation of existing cyber security policy and guidance. For non-intelligence national security systems, the Department will initiate updates to associated security policy and develop an oversight program for the non-intelligence national security systems program. The Treasury Department plans on strengthening its evaluation methodology for review of contingency plans, security testing, certification and accreditation.

Challenge 4 - Linking Resources to Results

As noted in your memorandum, the Treasury Department has developed a formal plan to address Department-wide implementation of cost accounting practices. This plan, developed at the end of June 2006, contained six steps to include “best practices” across the federal government, the integration of cost accounting with other ongoing financial reporting initiatives, the identification of gaps between cost accounting needs and practices, and the development of methods to bridge those gaps. We had planned to complete all actions by September 30, 2006 however, due to competing priorities we could only partially address these steps in FY 2006. We have re-scheduled these steps to begin after our FY 2006 year-end reporting requirements are met.

In addition, the Treasury Department took actions to link financial resources to operating results by exploring Extensible Business Reporting Language and several business intelligence products. We will continue our consideration of these tools during FY 2007. The Treasury Department also participated in the Association of Government Accountants’ process based accounting advisory group, which is focused on linking costs to outcomes in financial reporting. The goal is to link budget and cost to outcomes, enabling the Treasury Department to measure the value it produces for the American people.

In an effort to align resources to strategic priorities, as discussed earlier, the Department embarked on a revision of its strategic plan in FY 2006. The new strategic plan will establish shared objectives by identifying activities that cross organizational boundaries in the achievement of the Department’s strategic goals, effectively aligning operational and policy activities to desired corporate outcomes. In FY 2007, the Department will examine how to allocate effectively full costs of program activities to Treasury-level outcomes.

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

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. The Department has several ongoing efforts to address the IG management challenges.

To address the need for stronger controls and improve the quality of reported information, federal banking agencies released updated supervisory guidance for financial institutions to conduct compliance examinations in FY 2006. FinCEN continued to process and communicate enforcement actions in accordance with Departmental timelines and identify opportunities to reduce the time required to process these actions.

The Treasury Department acknowledges the need for strong federal and state regulatory agencies that enforce BSA and USPA requirements at financial institutions. In FY 2006, FinCEN surpassed its performance goal in establishing information sharing agreements or memoranda of understanding (MOUs) with federal and state regulatory agencies. These agreements help provide FinCEN access to the data necessary to monitor industry compliance. The Office of the Comptroller of the Currency (OCC), in its role as a regulator, created a national pool of BSA examiners and completed examinations for all large banks and for 100 percent of high-risk banks. In addition, the OCC brought enforcement actions against several banks for inadequate compliance programs, which ranged from issuing a cease-and desist order to imposition of civil money penalties. These actions also ordered financial institutions to develop and implement internal controls, conduct audits, designate BSA compliance officers, and conduct employee training programs.

In FY 2007, FinCEN will continue to improve regulatory compliance efforts, facilitate timely analysis of BSA records, enhance its analytical products, and improve threat assessment capabilities. Finally, FinCEN will improve the expertise and capabilities of personnel in anti-money laundering and anti-terrorist financing areas through training and expanded partnerships with customers.

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

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

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

October 2, 2006

MEMORANDUM FOR SECRETARY PAULSON

FROM: J. Russell George
Inspector General

SUBJECT: Management and Performance Challenges Facing the Internal Revenue Service for Fiscal Year 2007

The Reports Consolidation Act of 2000[1] requires that the Treasury Inspector General for Tax Administration (TIGTA) summarize, for inclusion in the *Department of the Treasury Accountability Report for Fiscal Year 2006*, its perspective of the most serious management and performance challenges currently confronting the Internal Revenue Service (IRS).

TIGTA's assessment of the major IRS management challenge areas for Fiscal Year (FY) 2007 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 area at this time. This year, TIGTA has divided the category of Tax Compliance Initiatives into two subcategories – Business and Individual and Tax-Exempt Entities. TIGTA believes that these subcategories better define the need to administer tax regulations and collect tax dollars for businesses and individuals and to oversee compliance issues for tax-exempt entities. Both play a crucial role in the IRS' compliance efforts.

The 10 current challenges, in order of priority, are:

Modernization of the Internal Revenue Service

The Business Systems Modernization (BSM) program is a complex effort to modernize the IRS' technology and related business processes. According to the IRS, this effort will involve integrating thousands of hardware and software components. All of this must be done while replacing outdated technology and maintaining the current tax system. The BSM program is in its eighth year and has received approximately $2.1 billion for contractor services. This past year, the IRS began taking actions to restructure and redesign significant areas within the BSM program. For example, the IRS took over the role of systems integrator from the PRIME contractor[2] and changed its approach from completely replacing current business systems to using current business systems to accomplish modernization.

While the IRS and its contractors have completed modernization projects that provide significant benefits to taxpayers, since FY 2002, TIGTA's annual assessments of the BSM program have cited 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 BSM program; 3) maintain the

1 31 U.S.C. § 3516(d) (2000).

2 The PRIME contractor is the Computer Sciences Corporation, which heads an alliance of leading technology companies brought together to assist with the IRS' efforts to modernize its computer systems and related information technology.

continuity and strategic direction with experienced leadership; and 4) ensure that contractor performance and accountability are effectively managed. TIGTA continues to believe the eventual success of the modernization effort will depend on how well the IRS addresses these four specific challenges.

Tax Compliance Initiatives

Tax compliance initiatives include the need to administer tax regulations and collect the correct amount of tax for businesses and individuals, as well as to oversee tax-exempt and government entities for compliance.

Business and Individual

Increasing compliance with the tax code is at the heart of IRS enforcement programs. The IRS is targeting its casework and enforcement activities to deliver better results and to better target those corporations and high-income individual taxpayers who fail to report or pay what they owe. Despite actions the IRS has taken to improve its enforcement efforts, TIGTA continues its designation of tax compliance initiatives as a major management challenge for the IRS. 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, and estimated the gross tax gap for Tax Year 2001 at $345 billion. TIGTA's evaluation of the reliability of the IRS-developed tax gap figures concluded that the IRS still does not have sufficient information to completely and accurately assess the overall tax gap and voluntary compliance. The IRS has significant challenges in both obtaining complete and timely data, and developing the methods for interpreting the data.

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. While the 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, it has only recently begun to re-emphasize this area since suffering a decline in staffing during the late 1990s. TIGTA has made recommendations for improving the IRS' oversight of filing compliance by political organizations and ensuring abusive tax avoidance transactions in the tax-exempt sector are being identified and addressed. Further, TIGTA recommended additional improvements to assure that timely, accurate, and complete information returns are received for employee benefit plans. TIGTA 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 the high-risk noncompliant areas. The IRS agreed with the TIGTA recommendations and initiated corrective actions to address these concerns.

Security of the Internal Revenue Service

Millions of taxpayers entrust the IRS with sensitive financial and personal data stored and processed by IRS computer systems. Recent reports of identity thefts from both the private and public sectors have heightened awareness of the need to protect this data. The risks that sensitive data or computer systems could be compromised and computer operations could be disrupted continue to increase. These risks are due to internal factors, such as the increased connectivity of the computer systems and the 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.[3] Section 301 of the Federal Information Security Management Act (FISMA)[4] 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 FY 2006, the IRS developed a corporate approach to FISMA by elevating its FISMA processes and procedures into an enterprise-wide program. Recognizing that it will take time to achieve long-term improvements, the process changes made by the IRS have not yet had a positive effect on some measurements provided in the President's Management Agenda, including certification and accreditation and tracking the resolution of security vulnerabilities. TIGTA's FISMA evaluations and other audits lead to the conclusion that sufficient attention is not yet being given 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. In fact, in its current strategic plan, the IRS' first goal is to improve taxpayer service. There are recent signs, however, that this trend may be reversing as the IRS proposes to allocate more resources to its collection, examination, and criminal investigation functions and fewer resources to taxpayer service functions. Moreover, the IRS' FY 2006 budget request proposed a 1 percent reduction in funding for taxpayer service activities at the same time it proposed an 8 percent increase in funding for enforcement activities.[5] The Senate Committee on Appropriations recently noted that the IRS lacks a concrete plan to provide adequate alternative services to replace the services proposed for reduction or elimination.[6] In response, the IRS developed a five-year Taxpayer Assistance Blueprint that will help it focus on providing the appropriate types and amounts of service. TIGTA continues to identify the need for improvements in taxpayer services provided through toll-free, face-to-face, and electronic methods.

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 system complexity and frequent revisions to the Internal Revenue Code make it more difficult and costly for taxpayers who want to comply to do so and for the IRS to explain and enforce the tax laws. Tax law complexity results in higher costs for both tax administration and tax compliance. Simplification and reform have the potential to reduce the tax gap by billions of dollars. Although the IRS has consistently sought to ease the tax compliance process for all taxpayers, tax law complexity remains a problem. The complexities of the tax laws affect the ability of the IRS to administer the nation's tax system. The IRS' efforts to provide assistance to taxpayers are hampered because of these complexities. Without meaningful simplification, it is likely that the complexities of the current tax code will continue to contribute to the tax gap.

3 31 U.S.C. §§ 1105, 1113, 3512 (2000).

4 Pub. L. No. 107-347, tit. III, Stat. 2899, 2946 (2002) (codified as amended at 44 U.S.C. §§ 3541-49).

5 The Budget in Brief: Internal Revenue Service (Feb. 2005).

6 U.S. Congress. Senate. Senate Report 109-109. Transportation, Treasury, the Judiciary, Housing And Urban Development, And Related Agencies Appropriations Bill, 2006 109th Cong.

tance to taxpayers are hampered because of these complexities. Without meaningful simplification, it is likely that the complexities of the current tax code will continue to contribute to the tax gap.

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 describing the performance measures, productivity, and associated costs of IRS programs. During FY 2005, the IRS collected about $2.3 trillion in Federal tax revenue, which constituted approximately 95 percent of all Federal revenue. However, the IRS' Federal tax revenue financial management systems have serious internal control and systems deficiencies, which require the IRS to rely extensively on resource-intensive compensating processes to prepare its financial statements. Due to these serious conditions, the IRS did not, in the Government Accountability Office's opinion, maintain effective internal controls over financial reporting (including safeguarding of assets) or compliance with laws and regulations. Thus, the IRS could not provide reasonable assurance that losses, misstatements, and noncompliance with laws material to the financial statements would be prevented or detected on a timely basis.[7] In addition, the IRS cannot produce timely, accurate, and useful information needed for day-to-day decisions, which inhibits the IRS' ability to address financial management and operational issues 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.

Erroneous and Improper Payments

An improper payment is any payment that should not have been made or that was made in an incorrect amount under a statutory, contractual, administrative or other legally applicable requirement. 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 (EITC) 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 EITC claimed on TY 1999 returns should not have been paid.[8] The IRS' Criminal Investigation function is responsible for detecting and combating tax refund fraud through its Questionable Refund Program (QRP), which was established to address the serious problem of refund fraud, now estimated to exceed $500 million annually. In past years, it has been repeatedly reported that additional controls and procedures were necessary not only to identify additional instances of potential fraud, but also to properly and timely release refunds that are determined not to be fraudulent.[9] Recently, the National Taxpayer Advocate criticized the IRS for unnecessarily stopping refunds properly owed to taxpayers.[10] In response to

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7 Government Accountability Office (GAO), Pub. No. GAO-06-137, Financial Audit: IRS's Fiscal Years 2005 and 2004 Financial Statement (Nov. 2005).

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

9 Audit reports previously issued by TIGTA: Ref. No. 2004-40-018, The Internal Revenue Service Can Improve the Effectiveness of Questionable Refund Detection Team Activities (Dec. 1999); Ref. No. 2001-40-025, Revised Questionable Refund Program Procedures Were Not Consistently Implemented (Jan. 2001); Ref. No. 2003-10-094, Improvements Are Needed in the Monitoring of Criminal Investigation Controls Placed on Taxpayers' Accounts When Refund Fraud Is Suspected (Mar. 2003); and Ref. No. 2005-10-164, The Internal Revenue Service Needs to Do More to Stop the Millions of Dollars in Fraudulent Refunds Paid to Prisoners (Sept. 2005).

10 National Taxpayer Advocate 2005 Annual Report to Congress (Dec. 2005).

extremely concerned about this and believes that a necessary balance must be struck between allowing sufficient time to detect fraudulent claims and issuing timely refunds.

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) [11]. 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*
- *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, based on TIGTA audit work, TIGTA believes the IRS' efforts to ensure that managers are not using enforcement statistics, production goals or quotas to evaluate employees are generally effective and are helping to 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 regarding extensions to the tax assessment period. 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 specific cases. Thus, neither TIGTA nor the IRS could evaluate the IRS' compliance with certain RRA 98 provisions.

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

Each filing season tests the ability of the IRS 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 if they have 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 can have a major effect on how the IRS conducts its activities, how many resources are required, and how much progress can be made on strategic goals. Congress frequently changes the tax laws, so 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 the quality and effectiveness of service and in how taxpayers perceive the IRS. For example, the 2006 Filing Season was an unusually difficult one for the IRS because there were many late tax law changes in response to the hurricanes that struck the United States. Disaster relief provisions were enacted into law for taxpayers affected

11 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.).

that struck the United States. Disaster relief provisions were enacted into law for taxpayers affected by Hurricanes Katrina, Rita, and Wilma. The Gulf Opportunity Zone (GO Zone) Act of 2005, [12] was signed into law on December 21, 2005. The late timing of this legislation gave the IRS very little time to revise the necessary tax forms and computer programs before the start of the 2006 Filing Season.

Human Capital

Human capital is a major challenge facing many agencies, and the President's Management Agenda identifies Strategic Management of Human Capital as the first of five Government-wide initiatives for improving Government performance. Like many other Federal agencies, over the past several years the IRS has experienced workforce challenges. Those challenges include recruiting, training and retaining employees, as well as an increasing number of employees who are eligible to retire. The Small Business/Self-Employed and the Large and Mid-Size Business Divisions reported in their FY 2006 strategic assessments that the human capital crisis continues to intensify as employees in key occupational series increasingly become eligible to retire, are lost through attrition, or migrate to other business divisions. While the IRS has made some progress, the strategic management of human capital remains one of the IRS' major management challenge areas. TIGTA has made a significant number of recommendations for improvement in the areas of recruiting, workforce planning, delivery of training, and employee turnover. The IRS agreed with TIGTA recommendations and is taking corrective actions. TIGTA will continue to provide coverage of this major management challenge.

Conclusion

These are the 10 major IRS management challenge issues for FY 2006. TIGTA's *FY 2007 Annual Audit Plan* categorizes its planned audits 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
Commissioner of Internal Revenue

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12 Pub. L. No. 109-135, 199 Stat. 2577.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

November 13, 2006

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

I am responding to your October 2, 2006, memorandum describing the Internal Revenue Service's (IRS) management and performance challenges.

This memorandum provides information on the actions that the IRS completed in FY 2006 and the actions that are planned for FY 2007 to address these ten challenges.

Challenge 1 - Modernization of the Internal Revenue Service

Through the Business Systems Modernization program, the IRS continued to develop tax administration systems that fulfill revenue collection requirements while making sustained progress toward realizing the modernization vision.

In FY 2006, the modernization program implemented best practices combined with expertise in business solutions. In addition, the program established a foundation of disciplined project delivery and accomplishment by meeting the target of plus or minus ten percent variance for both cost and schedule components for major release and sub-release milestones. This was a significant achievement that validates program management effectiveness while transitioning from a contractor-led program to an IRS-led program.

In FY 2007, the IRS will continue its focus on technological advances, continuity of programs, and strategic direction to optimize both taxpayer service and enforcement programs. The modernization will continue to implement its revised strategy, emphasizing the incremental release of complex projects to deliver business value sooner and at a lower risk.

Challenge 2 - Tax Compliance Initiatives

During FY 2006, the IRS's efforts focused on high-risk cases, enforcement of criminal statutes, investigations, and continued outreach activities using improved analytics and workload identification and selection systems.

By targeting high-risk cases, the IRS improved performance on individual, high income, and small business audits, resulting in a fifteen percent increase in collection case closures and a nine percent increase in revenue received from collection activities. Enforcement of criminal statutes was an integral component of the efforts to enhance voluntary compliance with the tax laws. In FY 2006, abusive tax schemes and shelters remained a high investigative priority, given the high profile and egregious nature of these activities.

In FY 2006, the IRS implemented the first phase of the private debt collection initiative, which allows private collection agencies to collect certain delinquent tax debts. Outreach activities were focused on return preparers and tax practitioner groups to prevent and deter fraud, while data exchanges with state taxing organizations continued to leverage limited government resources.

In addition, the IRS continued its enforcement efforts for entities with special tax status, including tax-exempt organizations, employee retirement plans, and government entities. The entities that comprise this customer base are subject to unique rules and have diverse needs, ranging from small community organizations and municipalities to major universities, pension funds, state and tribal governments, and tax-exempt bond issuers. Administering and enforcing the complex body of law governing these entities to ensure proper adherence to applicable statutes is a significant and ongoing challenge.

In FY 2007, the IRS plans to develop and implement corporate strategies to ensure optimum, balanced audit coverage, improved resource allocation, and the use of alternative resolution strategies to support efforts to reduce the tax gap. In addition, the IRS will continue to identify and investigate high-impact corporate fraud, improve criteria for identifying unscrupulous return preparers, and develop, test and evaluate new ways of reducing erroneous Earned Income Tax Credit (EITC) payments while maintaining participation by eligible taxpayers.

Challenge 3 - Security of the Internal Revenue Service

In FY 2006, the IRS began deployment of a three-pronged strategy focusing on encryption solutions, employee education and awareness, and critical analysis of IRS policies and procedures.

The IRS established a steering committee to coordinate efforts and leverage subject matter experts from the areas of information technology security, physical security, privacy, and identify theft. In addition, the IRS established requirements and increased protection of sensitive information housed in networks, laptops, and other mobile computing devices.

In a collaborative effort, the IRS partnered with TIGTA to develop and implement the IRS Phishing Web Site which provided guidance to employees as well as internal and external stakeholders. To comply with process guidance, the IRS updated its security certification and accreditation of business applications. In addition, an enterprise-wide strategy for systems disaster recovery, including strategic testing of disaster recovery plans, was implemented.

Moreover, during FY 2006, the IRS developed a comprehensive action plan to address all identified systems security shortcomings.

In FY 2007, the IRS will continue to improve compliance by implementing this action plan, solidifying gains from business owner participation in all areas, establishing disaster recovery processes for critical business processes, and continuing to implement a nationwide Disaster Recovery Plan, including conducting annual exercises in major computing environments.

Challenge 4 - Providing Quality Taxpayer Service Operations

In FY 2006, the IRS made significant improvements in taxpayer service, both internally and externally. These improvements include improved operations, increased use of web-based tools, and improved clarity of information and publications and quality of outreach activities. The IRS installed Contact Recording in 47 Taxpayer Assistance Centers which provides immediate performance feedback of employees to improve the quality and completeness of responses provided to taxpayers.

In FY 2006, the IRS continued expansion of the Internet Refund Fact of Filing (IRFOF) "Where's My Refund?" application to reduce toll-free telephone demand and offer taxpayers alternative methods of service. In addition, the IRS implemented a multi-year Quality Improvement Process Plan, using web-based tools, to improve information quality for the Volunteers in Taxpayer Assistance program.

In FY 2006, the IRS continued to improve the quality and clarity of tax forms, instructions and publications through feedback from taxpayers and practitioners. The "Life Cycle Products" line of publications was refined to educate taxpayers about the tax impact of significant life events. The IRS implemented a national rural strategy that provided outreach, free tax return preparation, and financial literacy education to rural America. In addition, the IRS revised its Spanish-language tax publications and products. In FY 2006, the EITC marketing and awareness campaigns were assessed to increase participation and improve compliance among eligible participants.

In FY 2007, the IRS will continue its progress in developing the Issue Management Resolution System, which will gather and track data on emerging issues, detect trends, and provide resolutions and communications with greater effectiveness. The IRS will continue to expand refund status and information programs to add more error explanations, accommodate split refunds inquiries, and provide new inquiry capability for those taxpayers filing for telephone excise tax refunds.

Challenge 5 - Complexity of the Tax Law

In FY 2006, the IRS continued to propose new legislation and develop more efficient means of administering the tax law. The IRS developed a prospectus for a Unified Family Credit that combines the provisions of the EITC, Child Tax Credit, and Dependency Exemption, to reduce taxpayer compliance burdens associated with claiming these provisions. In addition, the IRS continued to revise the regulations on the use and disclosure of tax return information by tax return preparers, and updated the *EITC Assistant* to include nontaxable combat pay in earned income.

The Administration's FY 2007 budget includes six proposals to simplify the tax treatment of savings and families by consolidating existing programs and clarifying eligibility requirements. Simplifying the tax law reduces unintentional errors caused by lack of understanding and opportunities for intentional evasion, making compliance easier for taxpayers and tax law administration easier for the IRS. In FY 2007, the IRS will continue progress with two significant efforts: 1) to implement an option for taxpayers to split refunds into as many as three separate accounts; and, 2) to develop a compliance strategy to identify and prevent erroneous Telecommunications Excise Tax Refunds (TETR).

Challenge 6 - Using Performance and Financial Information for Program and Budget Decisions

The IRS's accomplishments in FY 2006 reflect increased analysis of financial activity, restructuring of budget programs, and progress in implementing cost accounting to support decision making.

In FY 2006, the IRS implemented a monthly assessment of financial activity across all financial plans and appropriations, incorporating a line-by-line review of spending activity. Budget programs and appropriations are realigned for FY 2007, to reflect accurately the direct funding of programs for Taxpayer Service and Enforcement (TSE). This realignment will identify funding for reinvestments for higher priority programs, and enhance the ability to fully cost TSE activities.

In addition, the IRS continued to make incremental functional improvements to its financial systems and reporting by transferring the Statement of Net Cost to the Business Warehouse. This change will improve performance, and the cost allocation methodology, providing decision makers greater detail, and developing multiple "Status of Funds" reports to support business unit decision making. In addition, the IRS developed improved business processes, new interfaces and posting models to support the Private Collection Agency mandate.

In 2007, the IRS will continue to implement the managerial cost accounting action plan, conducting cost pilots which facilitate development of a cost policy, assessing and refining current cost allocations, and using cost accounting data for resource allocation decisions. In addition, the IRS will improve its detailed tax revenue accounting by enhancing financial systems and reporting through the development of the Custodial Detail Data Base (CDDB). The CDDB will create subsidiary ledgers by adding Revenues and Refund transactions, thereby addressing a long-standing material weakness.

Challenge 7 - Erroneous and Improper Payments

The IRS has a robust, balanced, and comprehensive plan to reduce improper payments which include base compliance activities and redesign efforts. In FY 2006, the IRS opened over 520,000 examinations of EITC returns based on enhanced scoring and selection methodology, completing more than 515,000 and uncovering 315,000 misreported income cases. Part of this plan involved matching taxpayer income information to third party information (e.g. W-2s, 1099s). As a result, the IRS issued over 650,000 math error notices. In FY 2006, in partnership with internal and external organizations, the IRS developed and implemented an enterprise research strategy, which focuses on compliance and outreach activities, and continued the third year of the EITC Qualifying Child test, to better understand the effect of certification on participation, claim accuracy, and burden. Collectively, these enforcement efforts prevented nearly $2 billion in erroneous payments.

In FY 2007, the IRS will continue its improvement efforts, including: 1) a new process to score and select amended returns for examination; 2) a risk-based scoring strategy to identify and select cases for examination, ensuring the IRS works the most egregious and productive examination cases; 3) a systemic assignment of examination cases to campuses using new data, such as capacity and risk-based scores; and, 4) the integration of a decision support tool which automates issue identification, increases consistency in case documentation and eliminates duplicative data entry when the case is closed.

The Electronic Fraud Detection System (EFDS) is one of several tools used by IRS to combat erroneous and improper payments. All refund returns are scrutinized by the EFDS, which identifies a substantial number of false returns. The EFDS efficiently automates the review process which includes screening for income verification, scheme development, and scheme inventory management, even as new schemes are identified.

The manner and means by which individuals deploy fraudulent refund schemes are constantly evolving and are becoming more complex and sophisticated. The Questionable Refund Program (QRP) and the Return Preparer Program (RPP) will continue to serve an important tax administration purpose by enabling the IRS to identify and stop the payment of fraudulent refund claims, as well as identify and investigate unscrupulous return preparers.

Challenge 8 - Taxpayer Protection and Rights

In FY 2006, the IRS completed several actions to address taxpayer protection and rights. These actions include: the development and implementation of the Taxpayer Rights Impact Statement which will incorporate awareness and consideration of taxpayer rights into all IRS programs; the refining of procedures to certify compliance with requirements of Title VI of the Civil Rights Act of 1964 and provide equal access and non-discriminatory services to all eligible taxpayers; and, the redesign of the education and awareness program which enables taxpayers to feel confident with their preparers competence and that the IRS will take appropriate enforcement actions on preparers who perform negligently or recklessly. In addition, the IRS continued their emphasis on the Return Preparer Program, by increasing Program Action Cases against preparers who filed incorrect or fraudulent returns.

In FY 2007, the IRS will continue efforts to enhance security programs to safeguard taxpayer data. In addition, the IRS will continue to study the Questionable Refund Program workflow processes to identify where improvements can be made, particularly in the area of refund freezes.

Challenge 9 - Processing Returns and Implementing Tax Law Changes During the Tax Filing Season

In FY 2006, despite natural disasters that affected a large number of taxpayers and required an unprecedented response, the IRS delivered a successful 2006 tax filing season. The IRS set a new record, in FY 2006, with over 72.8 million individuals filing returns electronically, a seven percent increase over FY 2005, with home computer filings showing the greatest increase, up eighteen percent. In addition, the IRS piloted an automated adjustment document to make changes or corrections to a taxpayer account, increasing quality and reducing the adjustment time. The IRS achieved enforcement processing economies by completing deployment of the e-services Transcript Delivery System, which significantly reduced the number of transcript requests from state agencies.

Based on recent court decisions, the IRS developed processes and procedures for administering telephone excise tax refunds to more than 150 million taxpayers. In FY 2007, the IRS will complete the continuing administration of the telephone excise tax refund program by providing additional services to taxpayers claiming the refund. In addition, the IRS will target a new compliance effort to minimize excise tax refund over-claims. The IRS will redesign Form 1040 and create a new Schedule O, for processing year 2008, which will simplify the reporting of certain adjustments to income, credits, taxes, and payments, and provide taxpayers with the option to split refunds into different bank accounts. The IRS will continue to expand its electronic filing program.

Challenge 10 - Human Capital

In FY 2006, the IRS began implementing a plan to ensure that it builds a highly productive and engaged workforce, by aligning the IRS's and the Treasury Department's strategic goals and establishing performance monitoring against objectives, processes, and projects.

In addition, the IRS identified and examined trends to address workforce planning challenges such as those present in its recent restructuring initiatives. In FY 2006, the IRS created a hiring plan to ensure replacement of critical enforcement positions lost to attrition, reach aggressive new hire targets, and implement several restructuring consolidation projects.

In FY 2006, the IRS began a multi-year recruitment and marketing plan which targets a diverse applicant pool. This plan identifies applicants with the appropriate knowledge, skills, and abilities for the IRS to meet its current and future business needs. In addition, the IRS increased the use of workforce planning tools to develop a more robust link between business plans and workforce replenishment.

In FY 2006, the IRS deployed the Learning Content Management System which permits efficient development of training materials and ensures consistency in training bureau-wide to improve the skills of current employees and prepare them for the workplace of tomorrow.

In FY 2007, the IRS will continue the redesign of management training using tailored case studies, training simulations, and break-out sessions to provide hands–on experience to develop and retain qualified managers. The IRS will continue working with OMB to develop a process for identifying high-performing organizations and the potential impact on recruiting, retention, and turnover issues.

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

The Department's Material Weaknesses

Management may declare audit findings or internal situations as a material weakness whenever a condition exists that may jeopardize the Department's 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).

Summary of FMFIA and FFMIA Material Weaknesses	Section 2	Section 4	Total
Balance at the beginning of FY 2006	6	1	7
Closures or downgrades during FY 2006	1	0	1
New Material Weaknesses declared during FY 2006	0	0	0
Balance at the end of FY 2006	5	1	6

Federal Managers Financial Integrity Act of 1982 (FMFIA)

The FMFIA requires agencies to establish and maintain a system of 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.

The Department has five material weaknesses under Section 2 and one under Section 4 of the FMFIA, summarized as follows:

<table>
<tr><th colspan="2">Material Weakness Description
INTERNAL REVENUE SERVICE - IMPROVE MODERNIZATION MANAGEMENT CONTROLS AND PROCESSES.</th></tr>
<tr><td colspan="2">The IRS needs to improve its Business Systems Modernization program. Key elements include:
• IRS needs to assess the recommendations from the Special Studies and Reviews of the Business Systems Modernization program and projects.
• Implement and institutionalize procedures for validating contractor-developed costs and schedules.
• Establish effective contract management practices.
• Complete a human capital strategy.
• Improve configuration management practices</td></tr>
<tr><th>Actions Completed</th><th>What Remains to be Done</th></tr>
<tr><td>✓ Study and review recommendations assessed and implemented where warranted
✓ Formal process for contractor-developed cost and schedule evaluation implemented
✓ Contract management policy and procedures developed and implemented
✓ Human Capital Plan completed
✓ Configuration management policies and practices improved and implemented</td><td>➤ Allow assessment time to observe long-term effect of actions completed
➤ Targeted Downgrade/Closure: FY 2007</td></tr>
</table>

Material Weakness Description	
INTERNAL REVENUE SERVICE – REDUCE EARNED INCOME TAX CREDIT (EITC) OVERCLAIMS.	
The IRS has high erroneous payment error rates within the EITC program. Key elements: ✓ Review and implement the EITC Task Force Recommendation to reduce overclaims ✓ Need to develop enhanced initiatives to reduce overclaims in existing EITC programs ✓ Need to develop focused initiatives to educate the EITC population ✓ Need to identify new ways to administer EITC by partnering with State, federal, and Private organizations and through the productive use of proactive research initiatives	
Actions Completed	**What Remains to be Done**
✓ Task Force recommendations assessed and implemented where warranted ✓ Special studies conducted to identify solutions for 3 key overclaim areas ✓ Education and outreach initiatives completed ✓ Productive partnerships established for data sharing and research initiatives	➤ Partner with OMB to develop more accurate error rate estimates ➤ Development of Corrective Action Plan required per the Improper Payments Information Act of 2002 ➤ Monitor plan for improper payment reduction ➤ Targeted Downgrade/Closure: FY 2008

Material Weakness Description	
INTERNAL REVENUE SERVICE – COMPUTER SECURITY.	
The IRS has various computer security controls that need improvement. Key elements: • Adequately restrict electronic access to and within computer network operational components • Adequately ensure that access to key computer applications and systems was limited to authorized persons for authorized purposes • Adequately configure system software to ensure the security and integrity of system programs, files, and data • Appropriately delineate security roles and responsibilities within functional business, operating, and program units, as required by FISMA • Appropriately segregate system administration and security administration responsibilities • Sufficiently plan or test the activities require to restore certain critical business systems when unexpected events occur • Effectively monitor key networks and systems to identify unauthorized activities and inappropriate system configurations • Provide sufficient technical security-related training to key personnel· • Certify and accredit 90% of all systems	
Actions Completed	**What Remains to be Done**
✓ 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. ✓ Ensured that one individual cannot independently control all key aspects of a process or computer-related operation for systems administration.	➤ Restrict electronic access to and at the operating system level of network operational components. ➤ Control access to systems software and applications. ➤ Implement configuration management and change control to safeguard the security and integrity of system programs, files, and data. ➤ Plan and test the activities for contingency and disaster recovery planning for critical information technology systems. ➤ Monitor user activity on network operating devices, operating systems, and applications. ➤ Provide training development, delivery, and evaluation for security responsibilities to key personnel ➤ Certify 90% of total systems ➤ Targeted Downgrade/Closure: FY 2009

<table>
<tr><td colspan="2">Material Weakness Description
FINANCIAL MANAGEMENT SERVICE – CONSOLIDATED GOVERNMENT-WIDE FINANCIAL STATEMENTS.</td></tr>
<tr><td colspan="2">The government did not have adequate systems, controls, and procedures to properly prepare the consolidated government-wide financial statements. Key elements include:
• The government lacks a process to obtain information to effectively reconcile the reported excess of revenue over net costs with the budget surplus
• Weaknesses in financial reporting procedures in internal control over the process for preparing the Consolidated Financial Statements</td></tr>
<tr><td>Actions Completed</td><td>What Remains to be Done</td></tr>
<tr><td rowspan="2">✓ Developed a model to provide analysis of unreconciled transactions that affect the change in net position
✓ Accounted for intra-governmental differences through formal consolidating and elimination accounting entries using all reciprocal fund categories including the General Fund
✓ Established a process to ensure that Federal agencies submit complete closing packages to GAO</td><td>➤ Create the reciprocal category for the Treasury General Fund.
➤ 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.
➤ Establish traceability from agency footnotes to the Consolidated Financial Statements (CFS) for completeness
➤ Include all disclosures as appropriate.
➤ Include all loss contingencies as appropriate
➤ Targeted Downgrade/Closure Date: FY 2007*</td></tr>
<tr><td>* Additional corrective actions may be added at the completion of each annual closing cycle</td></tr>
</table>

<table>
<tr><td colspan="2">Material Weakness Description
TREASURY DEPARTMENTAL OFFICES – LACK OF SUBSTANTIAL COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA).</td></tr>
<tr><td colspan="2">Key elements include:
• Need to establish a Departmental Offices Headquarters Information Technology Security Program
• 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
• 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.</td></tr>
<tr><td>Actions Completed</td><td>What Remains to be Done</td></tr>
<tr><td>✓ Departmental Offices Headquarters Information Technology Security Program developed and implemented
✓ The Treasury Communications System Disaster Recovery Plan (including connectivity and backup capability) developed, tested, and implemented.
✓ Policy and procedures issued and infrastructure in place to allow for tracking of systems and plans of action.</td><td>➤ Monitoring of plans of action and of system certification and accreditation progress.
➤ Targeted Downgrade/Closure: FY 2008</td></tr>
</table>

Material Weakness Description **INTERNAL REVENUE SERVICE – ACCOUNTING FOR REVENUE.**	
The IRS needs to have detail data to support custodial financial reporting for revenue. Key elements include: • Inability to provide detailed support for large types of revenue for employment and excise tax • Lack of effective custodial supporting systems/subsidiary detail • Subsidiary ledger does not track and report one Trust Fund Recovery Posting (TFRP) balance • Untimely posting of TFRP assessments and untimely review of TFRP accounts • Lack of a single, integrated general ledger to account for tax collection activities and the costs of conducting those activities • Inability to generate and report reliable cost-based performance data for collection activities to make informed resource allocation decisions • IRS's general ledger for its custodial activities does not use the standard federal accounting classification structure	
Actions Completed	**What Remains to be Done**
✓ Detailed disclosures for employment and excise taxes drafted to accompany FY 2006 financial statements ✓ Release 1 of the Custodial Detail Data Base (CDDB) implemented ✓ Plan for CDDB Release 2 completed. ✓ Tracking and reporting of one TFRP balance completed. ✓ Timely processing of TFRP transcripts certified.	➤ Completion of CDDB Releases to provide a single, integrated subsidiary ledger using standard federal accounting classification structure. ➤ Targeted Downgrade/Closure Date: FY 2009

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 FMFIA.

Audit Follow-Up Activities

During FY 2006, the Department 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, and external auditors. During the year, the Department 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.

In addition, Departmental oversight of bureau management control program activities, as well as communication and coordination with the bureaus in general, was strengthened through a combination of:

- Inclusion of Internal Control responsibilities in the performance plans of Senior Executives and their direct reports.
- Ongoing discussion of internal control issues at senior management councils and meetings
- The issuance of Internal Control Program Quarterly Reports which focus on significant control issues throughout the organization and which are distributed to the Secretary, Under Secretaries, Assistant Secretaries, bureau heads, bureau CFOs and CIO's, and other key personnel.

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 annualizes all relevant information for inclusion in this report. The information contained in this section represents a consolidation of information provided separately by the OIG, TIGTA, and Department management.

In the course of their audits, the Inspectors General periodically identify questionable 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 cost means:

- a costs 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 is not supported by adequate documentation (an unsupported cost); or
- a finding that expenditure of funds for the intended purpose is unnecessary or unreasonable.

The phrase "disallowed costs" means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

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 proceeding charts represents audit report activity for the period from October 1, 2005 through September 30, 2006. The data reflects information on reports that identified potential monetary benefits that were issued by the Office of Inspector General (OIG) and the Treasury Inspector General for Tax Administration (TIGTA).

Audit Report Activity With Potential Monetary BenefitsFor Which Management Has Identified Corrective Actions (OIG and TIGTA) October 1, 2005 through September 30, 2006 (Dollars in Millions)								
	Disallowed Costs		**Better Used Funds**		**Revenue Enhancements**		**Totals**	
	Reports	**Dollars**	**Reports**	**Dollars**	**Reports**	**Dollars**	**Report Total****	**Total Dollars**
Beginning Balance*	12	$8.7	10	$59.4	16	$16,445.7	**35**	**$16,513.8**
New Reports	7	38.5	5	112.4	6	1,113.5	**18**	**1,264.4**
Total	19	47.2	15	171.8	22	17,559.2	**53**	**17,778.2**
Reports Closed	11	8.0	10	56.5	6	3,362.0	**25**	**3,426.5**
a. Realized or Actual	8	13.3	5	9.2	2	468.0	**13**	**490.5**
b. Unrealized - Written off	9 [1]	3.0[1]	8[2]	47.3[2]	6[3]	2,893.9[3]	**23**	**2,944.2**
Ending Balance	**8**	**39.2**	**5**	**115.3**	**16**	**14,197.2**	**28**	**14,351.7**

* *The beginning balance row was revised to reflect certain retroactive corrections of the beginning balances.*
** *Report total column may not add across due to inclusion of reports in multiple categories.*

[1] *This category includes one report, with $2.4 million written off, for which IRS management did not concur with TIGTA's projected benefit.*

[2] *This category includes three reports, with $3.3 million written off, for which TIGTA does not agree with the IRS that the benefits have not been realized; one report, with $1.8 million written off, for which IRS management did not agree with TIGTA's recommended corrective action; and also includes three reports, with $42.1 million written off, for which IRS management did not concur with TIGTA's projected benefits.*

[3] *This category includes one report, with $1.4 billion written off, for which TIGTA does not agree with the IRS that the benefits have not been realized, and four reports, with $1.49 billion written off, for which IRS management did not concur with TIGTA's projected benefits.*

The following table provides a snap shot of OIG and TIGTA audit reports with significant recommendations reported in previous semiannual reports for which corrective actions had not been completed at September 30, 2005 and September 30, 2006, respectively. There were no "Undecided Audit Recommendations" during the same periods.

Significant Unimplemented Recommendations				
	9/30/2005		**9/30/2006**	
	OIG No. of Reports	*TIGTA No. of Reports*	*OIG No. of Reports*	*TIGTA No. of Reports*
Unimplemented	*12*	*45*	*9*	*37*

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 PAR Report Year.

Number of Reports Open for More than One Year				
	PAR Report Year	FY 2004	FY 2005	FY 2006
TIGTA	No. of Reports	14	17	15
	$ Projected Benefits	$7,262.1 million	$7,581.8 million	$ 13,097.6 million
OIG	No. of Reports	2	0	0
	$ Projected Benefits	$0.5 million	$0 million	$0 million

The following table presents a summary of TIGTA and OIG audit reports on which management decisions were made on or before September 30, 2005, but the final actions have not been taken as of September 30, 2006.

Details of the Audit Reports on Which Management Decisions Were Made On or Before September 30, 2005, But Final Actions Have Not Been Taken as of September 30, 2006 (Dollars In Thousands)

Bureau	Report Number	Report Issue Date	Brief Description	Disallowed Costs	Funds Put to Better Use	Revenue Enhancement	Total	Due Date/Reason for Delay
IRS	2000-30-165	9/20/2000	The IRS can better use collectibility information during the examination process			8,100.0	8,100.0	Delayed 12/15/06 pending clarifying update to the IRM publication
FY 2000	**1**					**8,100.00**	**8,100.0**	
IRS	2001-30-165	9/27/2001	Implement a process to identify taxpayers that are likely personal service corporations but did not file as such			78,158.6	78,158.6	Delayed to 11/15/06 so 2005 data can be extracted and analyzed to provide an accurate response
FY 2001	**1**					**78,158.6**	**78,158.6**	
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 1/15/07. IRS has decided to consider mandating e-filing at the time each form is to be converted in the Modernized e-file environment
IRS	2003-30-162	8/6/2003	The regulations for granting extensions of time to file are delaying the receipt of billions of tax dollars and creating substantial burden for compliant taxpayers			6,900,000.0	6,900,000.0	Delayed to 12/15/06. IRS seeking TIGTA concurrence
FY 2003	**2**				**3,000.0**	**6,900,000.0**	**6,903,000.0**	

Details of the Audit Reports on Which Management Decisions Were Made On or Before September 30, 2005, But Final Actions Have Not Been Taken as of September 30, 2006 (Dollars In Thousands)								
Bureau	**Report Number**	**Report Issue Date**	**Brief Description**	**Disallowed Costs**	**Funds Put to Better Use**	**Revenue Enhancement**	**Total**	**Due Date/Reason for Delay**
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	Due 10/15/07
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			25.0	Due 3/31/2007
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			180.5	180.5	Due 3/31/2007
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
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 12/15/2006
IRS	2004-10-185	9/27/2004	The IRS should develop and distribute a Collection Due Process (CDP) Tracking System to identify CDP cases			2,000.0	2,000.0	Due 2/15/2007

Details of the Audit Reports on Which Management Decisions Were Made On or Before September 30, 2005, But Final Actions Have Not Been Taken as of September 30, 2006 (Dollars In Thousands)

Bureau	Report Number	Report Issue Date	Brief Description	Disallowed Costs	Funds Put to Better Use	Revenue Enhancement	Total	Due Date/Reason for Delay
FY 2004	**5**			**709.0**	**200.0**	**31,850.5**	**32,759.5**	
IRS	2005-30-013	12/2/2005	Consider requiring the use of a standardized tool, such as Decision Point, or analysis tools in the offer evaluation process			135.0	135.0	Due 12/15/2006
IRS	2005-20-098	7/21/2005	To improve Storage Area Network (SAN) management, the CIO should ensure the implementation of the SAN Development Laboratory and the Enterprise Data Warehouse Strategy		9.858.1		9,858.1	Rejected 7/27/2005
IRS	2005-30-048	3/31/2005	To improve the filing compliance of pass-through businesses and to ensure fairness in the tax system for all similarly-situated pass-through businesses, IRS requires the assessment of late filing penalties regardless of the number of partners in a partnership			5,100,000.0	5,100,000.0	Due 2/15/2007
IRS	2005-30-048	3/31/2005	Same as above			316,200.00	316,200.00	Due 2/15/2007
IRS	2005-30-048	3/31/2005	Same as above			302,700.0	302,700.0	Due 2/15/2007
IRS	2005-30-048	3/31/2005	Same as above			299,000.0	299,000.0	Due 2/15/2007
IRS	2005-30-073	4/28/2005	To assist the IRS in its efforts to improve voluntary filing compliance, the IRS should conduct a study to determine the feasibility of expanding backup withholding treatment to all non-wage income sources that form the basis for the non-filing condition			45,000.0	45,000.0	Rejected 5/10/2005

Details of the Audit Reports on Which Management Decisions Were Made On or Before September 30, 2005, But Final Actions Have Not Been Taken as of September 30, 2006 (Dollars In Thousands)

Bureau	Report Number	Report Issue Date	Brief Description	Disallowed Costs	Funds Put to Better Use	Revenue Enhancement	Total	Due Date/Reason for Delay
IRS	2005-30-101	7/26/2005	To ensure compliance will all applicable laws, the IRS should implement a proactive strategy to enforce Foreign Bank and Financial Account Report (FBAR) filing requirements using foreign source income data and the Currency Banking and Retrieval System data			2,600.0	2,600.0	Due 7/15/2007
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
FY 2005	**6**			**81.8**	**9,858.1**	**6,065,635.0**	**6,075,574.9**	
TOTAL	**15**			**790.8**	**13,058.1**	**13,083,744.1**	**13,097,593.0**	

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 events 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 the Department 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 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; 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 quarterly and audited annual financial statements. During fiscal year 2006, CFO Vision was upgraded to a web-based environment. Direct access to the new version will be made available to Treasury bureaus via the Department's Intranet web-portal during fiscal year 2007.

Treasury continues with its plans to enhance the financial management systems structure. As of September 2006, Treasury's inventory of financial management systems lists 69 financial and mixed systems compared to 68 in September 2005. As part of the Department's enhancement effort, eleven Treasury bureaus and reporting entities are cross-serviced 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.

E-Government Activities

As part of the President's Management Agenda, Treasury participates in the government-wide initiatives to implement E-Gov solutions. Treasury awarded an E-Gov Travel contract to one of the three GSA approved travel vendors. The Bureau of Public Debt's Administrative Resource Center (ARC) has taken the lead in the management and implementation of the E-Gov Travel initiative. As of September 2006, eleven bureaus have implemented the new Treasury E-Gov Travel solution. Of the remaining bureaus, one completed its pilot review. During testing the team identified an issue of connectivity from remote locations. They will be working to address this issue prior to a full implementation. The two remaining bureaus are working with the Department to address issues and finalize plans for E-Gov Travel implementation.

Building upon the efforts of the Federal Enterprise Architecture Program to expand E-Government, OMB launched the Financial Management Lines of Business (FMLOB) initiative. The vision of the FMLOB is to establish a government-wide financial management solution that improves business performance while ensuring integrity in accountability, financial controls, and mission effectiveness. The Office of Management and Budget selected ARC as a financial management Shared Service Provider to service other Federal agencies. Currently ARC services seventeen non-Treasury agencies and eleven Treasury bureaus with core financial system and financial processing support.

Treasury is also participating in the government-wide Integrated Acquisition Environment (IAE). The goal of the IAE is to create a simpler, common integrated business process for buyers and sellers that promote competition and integrity. As a result of the IAE initiative, Treasury has benefited from more accurate procurement data, improved transaction processing by reducing paper-based transactions, improved communication and processing with Treasury's contractors. Treasury is a voting member on the Acquisition Committee for E-Gov (ACE) which serves as the governing body of the IAE and also actively participates on various system-related Change Control Boards.

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.

During fiscal year 2005, the IRS implemented the Integrated Financial System (IFS) as their new core financial system. IFS replaced multiple financial systems with a single, integrated and certified commercial off-the-shelf system (COTS). IFS provides core financial accounting, budget management, cost management, and reporting capabilities. IRS received a clean audit opinion in the first year of IFS operations as well as for this fiscal year. During the audits of FY 2005 and FY 2006, GAO had not identified any systemic reportable conditions or material weaknesses. Since implementation of IFS, the IRS made some incremental functional improvements to improve performance, provide more timely and reliable data to decision-makers, improve financial reporting, provide automated interfaces, and reduce manual processing.

The current version of IFS software will no longer be supported by the vendor, effective December 2009. The IRS developed an initial alternatives analysis that examines several options for a "go forward" strategy for the financial system. Further analysis is being developed to provide a framework for the decision on financial management system modernization options. This will include evaluating cost, benefit, and risks associated with both Federal and private Shared Service Provider (SSP) options. IRS's goal is to upgrade the financial system, including Asset Management and Procurement enhancements, in FY 2010.

As a result of budget considerations, the IRS canceled the planned implementation of the Custodial Accounting Project (CAP). The IRS developed an alternative solution to CAP, the Custodial Detail Data Base (CDDB). Release 1 of CDDB was implemented in fiscal year 2006 to serve as the sub-ledger for tax revenue accounting, providing transaction level details. Work continues on the Customer Account Data Engine (CADE) which is replacing the decades-old Master File legacy system. Over 7.3 million returns were processed and 7 million refunds were issued, totaling in excess of $3.4 billion. CADE is expected to process an estimated 33 million returns in 2007.

As previously indicated the Administrative Resource Center cross-services eleven Treasury bureaus and reporting entities. The Department anticipates a further reduction in the number of core financial systems as additional bureaus move to the ARC. Over the next two years, two additional Treasury bureaus will migrate to ARC for core financial systems support. 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.

Federal Financial Management Improvement Act Compliance

At the beginning of FY 2005, IRS implemented a new core financial system, the Integrated Financial System (IFS). Implementation of IFS is expected to position IRS administrative financial activities so that they are substantially compliant with the Federal Financial Management Improvement Act (FFMIA). GAO's FY 2005 and 2006 audits did not disclose any new area of systemic non-compliance with the Federal Financial Management Improvement Act (FFMIA). The IRS will continue to report on remediation activities related to future releases of IFS, although at present, all future releases are on hold.

The IRS began development of the Custodial Detailed Data Base (CDDB), a financial data warehouse that leverages existing legacy assets to address the critical GAO financial material weaknesses. Release 1 of CDDB uses the files from the subsidiary ledger of unpaid assessments for the FY 2006 financial statement audit. CDDB incrementally builds to FFMIA compliance, and each CDDB 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 CDDB. With full implementation of all CDDB releases, the IRS expects to be compliant with FFMIA.

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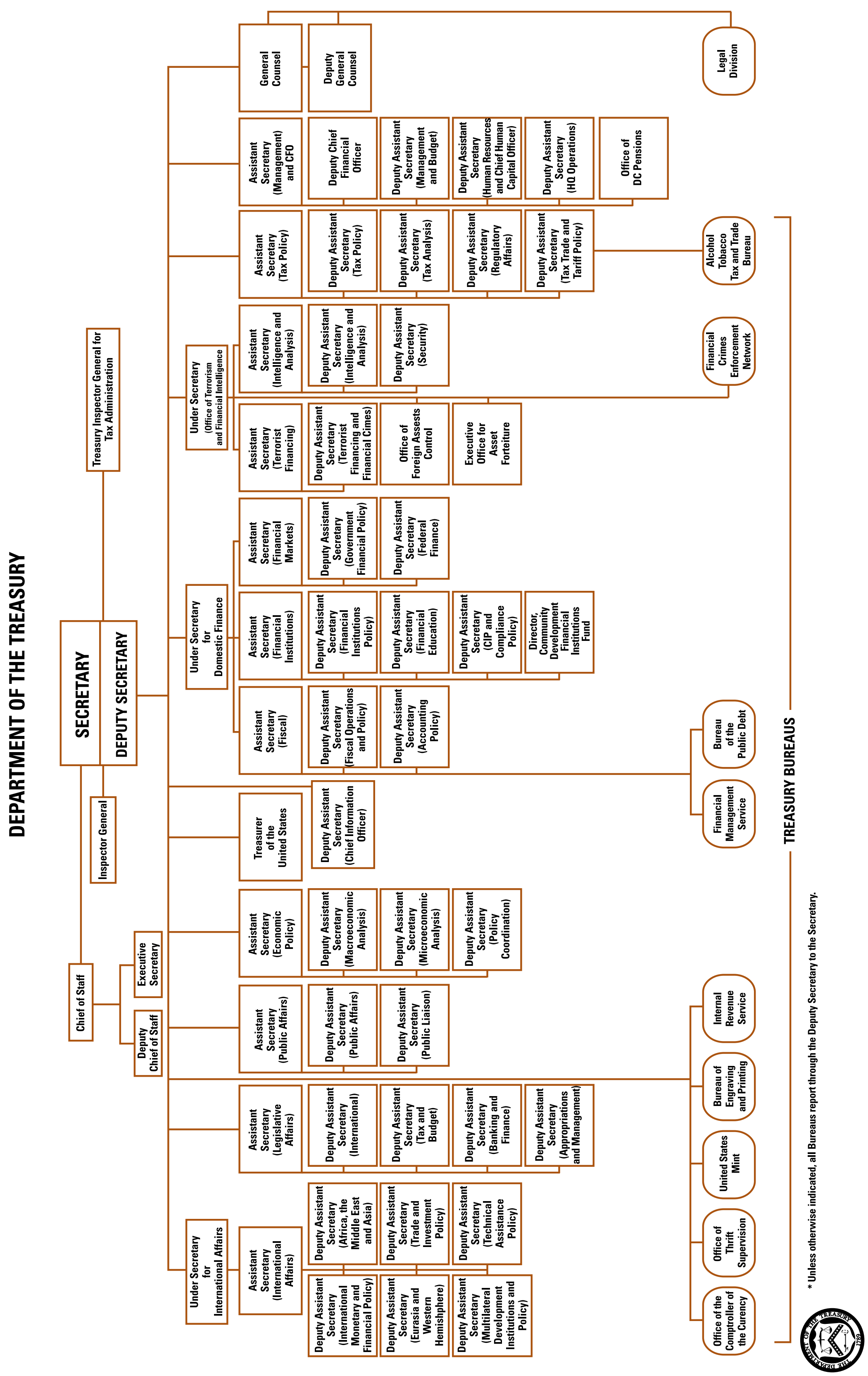
Appendix F: Organizational Structure



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Appendix G: Program Assessment Rating Tool (PART) Evaluations

Departmental Office	FY PARTed: FY 2002
Program: Economic and Trade Sanctions/Office of Foreign Asset Control	

Rating: **Results Not Demonstrated**

OMB Found:

- The program lacks long-term performance goals with specific targets.
- The program has not yet instituted annual performance goals to determine the effectiveness of its sanctions.
- The program is lacking unit cost measures.

In Response, DO is:

- Developing long-term performance goals with specific timeframes and measures.
- Adopting annual performance goals and aligning them with the long-term performance goals.

Internal Revenue Service	FY PARTed: FY 2002
Program: Earned Income Tax Credit	

Rating: **Ineffective**

OMB Found:

- 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."
- 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.
- 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.

In Response, IRS is:

- Conducting 500,000 examinations of EITC returns per year based on enhanced case selection systems.
- Preventing $270 million in incorrect refunds in 2006 by detecting and correcting errors during return processing.
- Identifying paid tax return preparers with high EITC error rates and using education and enforcement procedures to improve their performance.

Community Development Financial Institution	FY PARTed: FY 2002
Program: Bank Enterprise Award	

Rating: **Results Not Demonstrated**

OMB Found:

- This program is unable to measure results because it can not determine how awardees would behave in the absence of the program.

In Response, CDFI is:·

- Revising the BEA Program regulations and NOFA to more effectively achieve its strategic objectives. The revisions better target awards to CDFIs with a greater need for the incentive provided by the BEA Program award and to "personal wealth" and "community asset" building activities.

Departmental Office	**FY PARTed: FY 2002**
Program: International Development Association	
Rating: **Adequate**	

OMB Found:

- 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.
- 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.
- 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.

- **In Response, DO is:**
  Working with Congress to secure funding for the US contribution of $950 million per year from 2006 to 2008 to institute the reforms recently agreed to for the International Development Association.
- Monitoring the institution's effectiveness, including the implementation of measures to better track its progress in meeting development objectives across-the-board.
- Working with the World Bank and other donors to improve developing countries' ability to handle their debt, including increasing the amount of grants provided to the most debt-vulnerable countries.

Departmental Office	**FY PARTed: FY 2002**
Program: Office of Technical Assistance	
Rating: **Adequate**	

OMB Found:

- 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.
- 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.
- The program does not routinely measure and achieve efficiencies in program execution. The program lacks efficiency measures to compare relative costs.

In Response, DO is:

- Implementing the Project Management Tracking System
- Developing long-term and annual measures and targets.

Office of Thrift Supervision **Program: Thrift Supervision**	**FY PARTed: FY 2002**
Rating: **Effective**	
OMB Found: • The program contributes to the safety and soundness of the banking industry. • The program recently developed new goals that are outcome-oriented and program measurements which are clear and the program is efficiently and effectively managed. • The program is not unique because other Federal agencies perform similar types of regulatory functions in the banking industry.	
In Response, OTS is: • Working with Federal banking regulatory agencies to align outcome goals and related measures to allow for greater comparison of program performance in the industry. • Conducting comprehensive examination for both Safety and Soundness and Compliance instead of two separate examinations and providing one consolidated report of examination to institutions. • Examining long-term systemic risks in the industry.	

Internal Revenue Service **Program: Tax Collection**	**FY PARTed: FY 2002**
Rating: **Results Not Demonstrated**	
OMB Found: • 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. • 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. • IRS has a strong planning process closely linked to its budget process. IRS is currently developing improved collection outcome measures and goals.	
In Response, IRS is: • Implementing new tools in 2007 to segment collection workload according to risk to ensure IRS takes the right action to secure delinquent taxes. • 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). • 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.	

U.S. Mint	**FY PARTed: FY 2002**
Program: Coin Production	
Rating: **Effective**	
OMB Found: • 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. • The Mint needs to improve customer satisfaction survey scores. • 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.	
In Response, Mint is: • Reducing the maintenance down time of coin manufacturing machinery. • Competing customer service and order mailing staff to determine if contractors could handle these functions more efficiently. • Establishing a performance target to reduce the time required to process raw materials into produce coins.	

Alcohol & Tobacco Tax and Trade Bureau	**FY PARTed: FY 2002**
Program: Consumer Product Safety Commission	
Rating: **Adequate**	
OMB Found: • The program has a clear and unique Federal role. It is the only Federal agency that has the authority to identify and regulate a wide range of consumer products. As such, it provides a fair and consistent oversight for consumers and business (both domestic and foreign). • Prior to 2004, program performance targets were not ambitious, set below already achieved levels. It has since revised its targets for performance measures which include: the death rate from fire-related causes and the death rate from carbon monoxide poisoning. These measures are discrete, quantifiable, measurable, and directly support the agency's mission. • The program currently conducts cost-benefit analysis for most of its substantive regulations. The Poison Prevention Packaging Act (PPPA) regulations and those regulations directed by Congress that waive statutory requirements for cost-benefit analysis are accepted.	
In Response, TTB is: • Reviewing new performance targets to ensure they are sufficiently ambitious. • Reviewing the conduct of cost-benefit analyses on PPPA regulations to ensure that these regulations are conducted in a more comprehensive, consistent and thorough manner. • Developing a plan to systematically review its current regulations to ensure consistency among regulations in accomplishing program goals.	

Departmental Office	**FY PARTed: FY 2003**
Program: African Development Fund	
Rating: **Results Not Demonstrated**	

OMB Found:

- 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.
- 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.
- 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.

In Response, DO is:

- Working with Congress to secure $136 million annually for the period 2006 to 2008 to fund the US commitment to the latest African Development Fund replenishment.
- Monitoring the Fund's effectiveness in achieving its development objectives, including its progress in measuring and meeting development objectives across-the-board.
- 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.

Bureau of Engraving and Printing	**FY PARTed: FY 2003**
Program: New Currency Manufacturing	
Rating: **Effective**	

OMB Found:

- The program's New Currency program has a clear purpose, is well planned, and is managed effectively.
- 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.
- 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.

In Response, BEP is:

- Working closely with the Advanced Counterfeit Deterrent Steering Committee to identify and evaluate future counterfeit deterrent designs.
- Continuing to work with the Advanced Counterfeit Deterrent Steering Committee to assess the impact of New Currency on counterfeiting performance measures across government.
- Monitoring its design and overhead costs related to the manufacture of New Currency to ensure the most efficient production and distribution of future denominations.

Financial Management Services	**FY PARTed: FY 2003**
Program: Debt Collection	
Rating: **Effective**	
OMB Found: • 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. • 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.	
In Response, FMS is: • Proposing legislation to increase and enhance debt collection opportunities.	

Bureau of Public Debt	**FY PARTed: FY 2003**
Program: Administering the Public Debt	
Rating: **Effective**	
OMB Found: • The Bureau of Public Debt has a clear purpose and is well designed and managed. • The program meets it annual performance goals and continues to improve targets for subsequent fiscal years. • The program lacks long-term performance measures and targets.	
In Response, BPD is: • Continuing to improve annual performance measures. • Identifying new long-term goals to improve efficiency and effectiveness.	

Financial Management Services	**FY PARTed: FY 2004**
Program: Collections	
Rating: **Effective**	
OMB Found: • The program has a clear purpose, is well designed and well managed. The program effectively collects, deposits, and accounts for approximately $2.7 trillion in revenue on behalf of Federal agencies each year through a network of more than 10,000 financial institutions. • The program must develop stronger policies and techniques to ensure its program partners (customer Federal agencies and agent commercial banks) work toward achieving the long-term goals of the program. In 2005, 79 percent of Federal receipts were collected electronically. The goal of the program is to reach 90 percent by 2010.	
In Response, FMS is: • Eliminating paper checks by converting them into electronic data or truncating them so only the image of the check is processed. • Partnering with Customs and Border Protection to convert the $20 billion in customs fees CBP receives annually into electronic collections via *Pay.gov.* • Piloting and implementing TGAnet, an automated system designed to eliminate the paper deposit tickets that accompany over-the-counter deposits by Federal agencies at financial institutions.	

U.S. Mint **Program: Numismatic**	**FY PARTed: FY 2004**
Rating: **Effective**	
OMB Found: • 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. • 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. • 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.	
In Response, Mint is: • Continuing substantial progress toward reaching the Mint's target goal for inventory turnover. • Continuing to streamline the production of numismatic products in order to reduce costs and improve efficiency.	

Internal Revenue Service **Program: Taxpayer Advocate Service**	**FY PARTed: FY 2004**
Rating: **Moderately Effective**	
OMB Found: • 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. • 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. • 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.	
In Response, IRS is: • Developing a unit cost measure for its casework by 2006 (delayed to 2007). • 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 FY 2008 Budget. • Improving case quality to 91.5 percent by 2006, 93 percent by 2009, and 95 percent by 2014.	

Departmental Office	**FY PARTed: FY 2004**
Program: Global Environment Facility	

Rating: **Results Not Demonstrated**

OMB Found:

- 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.
- 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.
- 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.

In Response, DO is:

- Working with the Facility donors to fully implement a performance-based funding allocation system based on relative country performance and environmental benefit.
- Working with the Facility and donors to establish ambitious long-term performance goals and measures and undertaking more rigorous evaluations of project performance.
- 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.

Departmental Office	**FY PARTed: FY 2004**
Program: Tropical Forest Conservation Act	

Rating: **Results Not Demonstrated**

OMB Found:

- The program has been unable to measure its impact on increasing tropical forest conservation. It does not have performance measures that would enable a meaningful evaluation of program effectiveness.
- The Administration has developed a tool to help manage and measure the success of existing and pending agreements. This evaluation sheet will measure 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.
- The Administration is now collecting evaluation sheet data, and actual performance data will be reported in 2006. A re-evaluation may be performed as early as 2007.

In Response, DO is:

- Using information presented in evaluation sheets for existing programs to develop recommendations for improved program management and to justify future funding requests.
- Working with the boards, oversight committees, and program partners to include the evaluation sheet tool or other appropriate evaluations in all new agreements.

Internal Revenue Service Program: Taxpayer Service	FY PARTed: FY 2004
Rating: **Adequate**	
OMB Found: • IRS has significantly improved taxpayer service and maintained high levels of customer satisfaction in recent years. In 2001 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. • 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. • IRS has developed a strong set of balanced measures (quality, customer satisfaction and results) to understand its taxpayer service performance. During the assessment IRS added an efficiency measure (customer contacts per staff year) for this program.	
In Response, IRS is: • 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) • Improving the accuracy of tax law telephone information provided to taxpayers to 90 percent accuracy by 2010. • Researching the impact of taxpayer service programs on voluntary compliance and reporting findings by 2007.	

Community Development Financial Institution Program: Financial and Technical Assistance	FY PARTed: FY 2004
Rating: **Adequate**	
OMB Found: • This program duplicates several Federal, state and private community and economic efforts. • The program has long-term and annual performance measures but has not the opportunity to demonstrate success in accomplishing its long-term goals.	
In Response, CDFI is: • 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.	

Community Development Financial Institution Program: New Markets Tax Credit	FY PARTed: FY 2004
Rating: **Adequate**	
OMB Found: • The program has established meaningful long-term and annual performance measures. • The program needs to measure progress towards achievement of its goals.	
In Response, CDFI is: • Establishing and refining baselines and targets for its long-term and annual measures. • Conducting an independent evaluation of the program in 2006.	

Departmental Office	**FY PARTed: FY 2005**
Program: Asian Development Fund	
Rating: **Results Not Demonstrated**	

OMB Found:

- 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.
- 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.
- 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.

In Response, DO is:

- Working with Congress to secure $115 million annually for the period 2006 to 2009 to fund the US commitment to the latest Asian Development Fund replenishment (AsDF-9).
- 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.
- 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.

Financial Crimes Enforcement Network (FinCEN)	**FY PARTed: FY 2005**
Program: Bank Secrecy Act (BSA) Data, Collection, Retrieval and Sharing	
Rating: **Moderately Effective**	

OMB Found:

- 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.
- 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.
- 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.

In Response, DO is:

- Surveying users to determine if they are receiving needed information in a timely manner, if the information is helpful, and if there are any problems with the information and format. FinCEN should have results from the first survey conducted on E-filing users by the end of 2006.
- Creating targets to measure the number of top 650 filers who file reports electronically. FinCEN has created the targets and implemented the performance measure.
- Creating a performance measure to measure the quality of information provided on Suspicious Activity Reports, possibly by measuring the number of completed fields that are critical to law enforcement. FinCEN is working on how best to measure this.

Internal Revenue Service **Program: Criminal Investigations**	**FY PARTed: FY 2005**
Rating: **Moderately Effective**	

OMB Found:

- 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.
- 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).
- 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.

In Response, IRS is:

- Exploring methods for measuring the impact of criminal investigations on tax compliance. IRS will report on its progress by the end of 2006.
- Implementing a new information management system in 2006 to enhance investigative case tracking and improve efficiency.
- Developing methods to improve case prioritization in 2006 to ensure that cases yield the greatest impact on compliance.

Internal Revenue Service **Program: Examinations**	**FY PARTed: FY 2005**
Rating: **Moderately Effective**	

OMB Found:

- 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.
- 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.
- 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.

In Response, IRS is:

- 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.
- Improving tools for selecting the most productive audit cases by 2007 using the detailed compliance information gathered in the recent individual tax gap study.
- Introducing cost based efficiency measures by 2008 (e.g., enforcement revenue/program budget).

Internal Revenue Service **Program: Submission Processing**	**FY PARTed: FY 2005**
Rating: **Moderately Effective**	
OMB Found: • 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. • 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. • 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.	
In Response, IRS is: • Seeking legislative changes to promote electronic filing, including greater authority to require electronically-filed returns. • Setting goals by 2007 for reduced taxpayer filing burden resulting from the time and expense of preparing and filing their returns. • Using a single cost based efficiency measure by 2008 (cost per return processed).	

U.S. Mint **Program: Protection Program**	**FY PARTed: FY 2005**
Rating: **Effective**	
OMB Found: • 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. • 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. • 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.	
In Response, Mint is: • Continue to assess and implement ways in which the cost of protection per square foot can be minimized. • Continue to improve employee confidence in the United States Mint protection program.	

Alcohol & Tobacco Tax and Trade Bureau Program: Collect the Revenue	FY PARTed: FY 2005
Rating: **Effective**	
OMB Found: • 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. • 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% in 2004 to 92% in 2010. • The program has not developed adequate baselines for its annual performance measures. Three out of the four annual measures do not have baselines.	
In Response, TTB is: • Developing baselines for annual performance measures. • Improving estimates of how funds are distributed across TTB's two lines of business to ensure that funds are obligated in accordance with planned schedules. • Developing a baseline to compare the incremental costs and net benefits of regulation.	

Financial Management Services Program: FMS Payments	FY PARTed: FY 2005
Rating: **Effective**	
OMB Found: • 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). • 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.	
In Response, FMS is: • Working with Federal agencies to reduce the number of paper check payments and increasing the number of more efficient and secure electronic payments. • Implementing Go Direct, a nationwide campaign to encourage current Federal check recipients to switch to direct deposit.	

The following programs were evaluated in 2006 and are awaiting OMB recommendations that will be part of the FY 2008 budget.

Bureau	Program	Rating
BEP	Protection	Rating Pending
FinCEN	Bank Secrecy Act Administration	Rating Pending
FinCEN	Bank Secrecy Act Analysis	Rating Pending
FMS	Government Wide Accounting and Reporting	Rating Pending
IRS	Health Care Tax Credit Administration	Rating Pending
IRS	IRS Retirement Savings Regulatory Program	Rating Pending

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Appendix H: Glossary of Acronyms

ACD	Advanced Counterfeit Deterrence
AGI	Adjusted Gross Income
ARC	Administrative Resource Center
ASM/CFO	Assistant Secretary for Management/Chief Financial Officer
ATAT	Abusive Tax Avoidance Transaction
AUR	Automated Under-Reporter
BEP	Bureau of Engraving and Printing
BIT	Bilateral Investment Treaties
BMENA	Broader Middle East and North Africa
BPD	Bureau of the Public Debt
BSA	Bank Secrecy Act
BSM	Business System Modernization
C&A	Certified and Accredited
CADE	Customer Account Data Engine
CAFTA	Central American Free Trade Agreement
CDDB	Custodial Detailed Data Base
CDE	Community Development Entity
CDFI	Community Development Financial Institution
CFO	Chief Financial Officer
CHCO	Office of the Chief Human Capital Officer
COLA	Certificates of Label Approval
CSI	Customer Satisfaction Index
CSRS	Civil Service Retirement System
D.C. Federal Pension Fund	D.C. Teachers, Police Officers and Firefighters Federal Pension Fund
DCP	Office of D.C. Pensions
DO	Departmental Office
EBRD	European Bank for Reconstruction and Development
e-File	Electronic Filing
EFT	Electronic Funds Transfer
EFTPS	Electronic Federal Tax Payment System
EGRPRA	Economic Growth and Regulatory Paperwork Reduction Act
EGTRRA	Economic Growth and Tax Relief Reconciliation Act
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
EP	Economic Policy

EQ	Embedded Quality
ERIS	Enforcement Revenue Information System
ESF	Exchange Stabilization Fund
EU	European Union
F&PC	Filing and Payment Compliance
FACT	Federal Accurate Credit Transaction
FACTS I	Federal Agencies' Centralized Trial Balance System
FAIR	Federal Activities Inventory Reform Act
FARS	Financial Analysis and Reporting System
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHBP	Federal Employees Health Benefits Program
FERS	Federal Employees' Retirement System
FET	Federal Excise Tax
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FinCEN	Financial Crimes Enforcement Network
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMIS	Financial Management Information System
FMS	Financial Management Service
FPA	Federal Program Agencies
FTA	Free Trade Agreement
FTE	Full Time Equivalents
FY	Fiscal Year
GAB	General Arrangements to Borrow
GAIS	Government Agency Investment Services
GAO	Government Accountability Office
GDP	Gross Domestic Product
GEMAP	Governance and Economic Management Assistance
GFRS	Government-wide Financial Report System
GPRA	Government Performance and Results Act
GSA	General Services Administration

GTF	Government Trust Funds
GWA	Government-wide Accounting
HCSIP	Human Capital Strategic Implementation Plan
HIPC	Heavily Indebted Poor Countries
HSPD-12	Homeland Security Presidential Directive-12
IA	International Affairs
IAE	Integrated Acquisition Environment
IAP	International Assistance Programs
IEEPA	International Emergency Economic Powers Act
IFS	Integrated Financial System
IG	Inspector General
IISOWG	Information Security Officers' Working Group
IMF	International Monetary Fund
IPIA	Improper Payments Information Act
IRIS	Integrated Revenue Information System
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service Criminal Investigation
IT	Information Technology
JAMES	Joint Audit Management Enterprise System
JIATF	Joint Interagency Task Force
Judicial Retirement Fund	District of Columbia Judicial Retirement and Survivors Annuity Fund
LMSB	Large and Mid-Sized Business Division
MDB	Multilateral Development Banks
MeF	Modernized Electronic File
MEO	Most Efficient Organization
MINT	United States Mint
NAB	New Arrangements to Borrow
NMTC	New Markets Tax Credit
NRP	National Research Project
OCC	Office of the Comptroller of the Currency
OCIO	Office of the Chief Information Officer
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Asset Control
OIA	Office of Intelligence Analysis and Security Programs
OIG	Office of the Inspector General
OMB	Office of Management and Budget

OPEB	Other Post Employment Benefits
OPM	Office of Personnel Management
ORB	Other Retirement Benefits
OTS	Office of Thrift Supervision
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PCA	Planned Corrective Actions
PCIE	President's Council for Integrity and Efficiency
PIJ	Palestinian Islamic Jihad
PMA	President's Management Agenda
RIS	Requested for Information Services
RTC	Resolution Trust Corporation
SBR	Statement of Budgetary Resources
SDNT	Specially Designated Narcotics Traffickers
SDR	Special Drawing Rights
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SME	Small and Medium Enterprise
Supplemental Fund	Federal Supplemental District of Columbia Pension Fund
TAC	Tax Assistance Center
TBARR	Treasury and Annex Repair and Restoration
TCE	Treasury Communications Enterprise
TEOAF	Treasury Executive Office for Asset Forfeiture
TFFC	Terrorist Financing and Financial Crimes
TFI	Terrorism and Financial Intelligence
TIGTA	Treasury Inspector General for Tax Administration
TIPS	Treasury Inflation-Protected Securities
Trust Fund	District of Columbia Federal Pension Liability Trust Fund
TTB	Alcohol & Tobacco Tax and Trade Bureau
TY	Tax Year
UAE	United Arab Emirates
USPS	United States Postal Service
VITA	Volunteer Income Tax Assistance
VPCR	Voluntary Payment Compliance Rates

Treasury On-line	**www.treas.gov**
Alcohol and Tobacco Tax And Trade Bureau	**www.ttb.gov**
Community Development Financial Institutions Fund	**www.treas.gov/cdfi**
Comptroller of the Currency	**www.occ.treas.gov**
Bureau of Engraving & Printing	**www.bep.treas.gov**
Financial Crimes Enforcement Network	**www.treas.gov/fincen**
Financial Management Service	**www.fms.treas.gov**
Internal Revenue Service	**www.irs.gov**
U.S. Mint	**www.usmint.gov**
Bureau of the Public Debt	**www.publicdebt.treas.gov**
Office of Thrift Supervision	**www.ots.treas.gov**