

The Treasury Office of Inspector General

Mission:

To promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations, and prevent and detect fraud, waste and abuse in Treasury programs and operations.

Program Summary by Appropriations Account

(Dollars in Thousands)

Appropriation	FY 2005	FY 2006	FY 2007		
	Enacted	Enacted	President's Budget	Change	% Change
Salaries and Expenses	\$16,368	\$16,830	\$17,352	\$522	3.1%
Audits	11,299	11,549	11,908	359	3.1%
Investigations	5,069	5,281	5,444	163	3.1%
Subtotal, Office of Inspector General	\$16,368	\$16,830	\$17,352	\$522	3.1%
Offsetting Collections - Reimbursables	2,342	2,342	2,342	0	0.0%
Total Program Operating Level	\$18,710	\$19,172	\$19,694	\$522	2.7%

Overview

The Treasury Office of Inspector General (OIG) conducts audits and investigations of eight Treasury bureaus and all non-IRS Treasury offices in accordance with the Inspector General Act, as amended. OIG audits and investigates Treasury programs and operations to: promote economy, efficiency, and effectiveness; prevent and detect fraud, waste and abuse; and keep the Secretary of the Treasury and the Congress informed of problems, deficiencies and corrective actions.

Since the major divestiture of OIG resources and personnel to Homeland Security in 2003, OIG has made steady improvement in the number of audits completed and the number of cases referred for criminal prosecution, civil litigation or administrative action. FY 2007 approved resources will allow OIG to maintain performance at a level consistent with FY 2006.

In FY 2005, OIG:

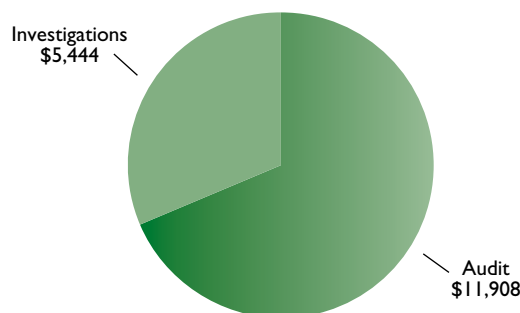
- Completed 54 audits and evaluations which identified monetary benefits (cost savings and/or funds put to better use) totaling approximately \$52 million,

- Completed 100 percent of statutory audits by the required date, and
- Referred 85 cases for criminal prosecution, civil litigation, or corrective administrative action, making progress against a growing caseload backlog.

The OIG is requesting a FY 2007 resource level of \$17,352,000 and 115 FTE which will permit Treasury OIG to maintain current operations, and will enable the completion of 56 audits, completion of 100 percent of mandated audits on time and referral of 85 cases for criminal prosecution, civil litigation or administrative action. The OIG also has approximately \$2.3 million for reimbursable operations.

OIG Funding by Budget Activity

(Dollars in Thousands)



Performance Highlights

The Treasury OIG's Office of Audit performs audits, attestation engagements and evaluations that are mandated by law, support the President's Management Agenda, and address high risk programs and operations. The Office of Audit also responds to requests by Treasury officials and the Congress for specific work. The number of Congressionally required audits has increased in recent years.

After divestiture, OIG redirected a significant portion of its resources to auditing Treasury programs that combat terrorist financing and money laundering, including a number of important audits at the Financial Crimes Enforcement Network (FinCEN). As a result of this work, FinCEN received additional funding for its operations, including the establishment of the new Office of Compliance, to remedy issues identified by OIG. A recent audit of FinCEN's Bank Secrecy Act (BSA) program found that FinCEN was on track in implementing, and in fact should expand, its BSA e-filing system. The Under Secretary for Terrorism & Financial Crimes has requested that the Office of Audit review the responsibilities and authorities of the Office of Terrorism and Financial Intelligence (TFI).

As examples of significant results during FY 2005, the OIG Office of Audit:

- Issued the audit report on Treasury's FY 2004 consolidated financial statements by November 15th, representing the 3rd year Treasury successfully reported its financial results on an accelerated basis.
- Completed four audits related to FinCEN's administration of the Bank Secrecy Act (BSA). The audits provided recommendations to management for improving the quality of suspicious activity reports filed by financial institutions, increasing the use of FinCEN's BSA E-Filing system, and enhancing FinCEN's program to register money services businesses. Additionally, the OIG provided an early assessment of (1) FinCEN's

efforts to establish an Office of Compliance and (2) the level of cooperation under recent memorandums of understanding between FinCEN and federal banking regulators to share information.

- Reported on the results of an independent review of the on-going Treasury Building and Annex Repair and Restoration (TBARR) project, a \$237 million program. The review noted that Treasury exerted extraordinary effort in bringing the renovation of the Main Treasury building to its current state. However, some building code violations and other deficiencies were identified which are being addressed by the Department.

For FY 2006, the Office of Audit expects to complete 56 audits and complete 100 percent of statutory audits on time. The audit priorities for FY 2006 are:

- Mandated requirements related to financial statements, information security, Treasury procurements on behalf of the Department of Defense, and as necessary, failed financial institutions resulting in material losses (more than \$25 million) to the deposit insurance funds,
- Department's progress in addressing the Presidential Management Agenda (PMA) initiatives (Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government and Budget and Performance Integration), and
- Significant known and emerging areas of risk such as IT security and programs to combat terrorist financing and money laundering.

The Office of Audit will also perform a "peer review" of the Department of Education OIG under the auspices of the President's Council on Integrity and Efficiency (PCIE) Audit Committee.

In FY 2007, the Office of Audit will perform or supervise contractors to meet mandated audit requirements. The Office of Audit will also continue to work with the Department and focus a substantial amount of its self-initiated audit resources to address the major management and performance challenges

identified by the Inspector General. Those 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.

The Treasury OIG Office of Investigations investigates complaints of fraud, waste and abuse in Treasury programs and operations. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice and state or local prosecutors for criminal prosecution or civil litigation, or to agency leadership for corrective administrative action

The investigative caseload has remained constant even after the 2003 Homeland Security divestiture, which caused some delays in completing the more complex or high visibility investigations. Complaints of fraud, waste and abuse requiring investigative review have averaged about 7,000 per year. The Office of Investigations has improved case completion rates, and OIG investigative efforts continue to contribute to exposing and resolving fraud, waste, abuse, and criminal activities, such as:

- In March 2005, two people were sentenced as a result of investigations with FDIC and the FBI into the Sinclair National Bank failure. One person was sentenced to five years incarceration with three years supervised release and ordered to pay \$4.2 million in restitution. Another person was sentenced to two years probation and fined \$5,000.
- As a result of a joint investigation with the HUD OIG into fraudulent predatory lending practices, a person was indicted on 13 counts of using Fictitious Government Financial Instruments. The person used fraudulent bill of exchange instruments to purchase approximately \$1.6 million in real estate from low income families.

- The Office of Investigations participated in the recovery of a missing shipment of nickels from a U.S. Mint facility valued at \$180,000, that were destined for the Federal Reserve Bank in Louisiana. The contractor's tractor-trailer was eventually located, and as a result approximately \$160,000 worth of nickels was recovered and five subjects were arrested.

In FY 2006, the OIG plans to refer 85 investigations for legal or administrative action with the following FY 2006 priorities:

- Investigating complaints of alleged criminal and serious misconduct,
- Investigating allegations of fraud and other crimes involving Treasury contracts, grants, guarantees, and federal funds,
- Investigating a variety of financial programs, like those where fraud and other crimes are involved in the issuance of licenses or benefits provided to citizens, and
- Proactive efforts in detecting, investigating, and deterring electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

In FY 2007, the Office of Investigations plans to continue investigating all reports of fraud, waste and abuse and other criminal activity. FY 2007 resources will enable the Office of Investigations to maintain current efforts to aggressively investigate, close and refer 85 cases in a timely manner.

To more effectively use its resources the OIG closed its San Francisco field audit office in FY 2005 and reallocated those resources to Washington, D.C., where it consolidated the banking audit function. This shift in resources will increase the breadth and regularity of the OIG's banking-related work.

The OIG also maximized its efficiency, productivity, and pared down its costs in the aftermath of the 2003 Homeland Security divestiture by partnering with the Bureau of the Public Debt's Administrative Resource Center, which provides common administrative

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
		Actual	Actual	Actual	Target	Target
Audit	Number of completed audits and evaluations (Ot)	116	49	54	✓	56
	Percent of statutory audits completed by the required date (%) (E)	92	100	100	✓	100
Investigations	Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action. (Oe)	26	23	85	✓	85

(E) = Efficiency Measure (Oe) = Outcome Measure (Ot) = Output Measure

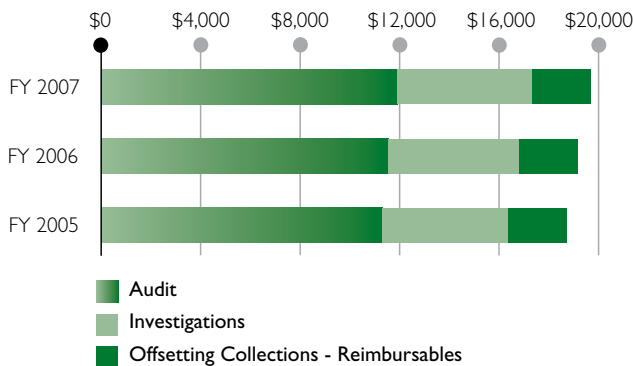
services, such as personnel and accounting services, on a fee-for-service basis. OIG plans to continue this cross-servicing arrangement in FY 2007, and has implemented a paperwork management system to reduce the amount of valuable audit and investigative talent expended on document control rather than on active audit and investigative work.

Source of Funds

OIG requests \$17,352,000 from direct appropriations. OIG's budget also includes \$2,342,000 from reimbursable agreements.

OIG Funding History

(Dollars in Thousands)



OIG FY 2007 Budget Highlights

(Dollars in Thousands)

	Amount
FY 2005 Enacted	\$16,368
FY 2006 Appropriation (P.L. 109-115)	17,000
Rescission (P.L. 109-148)	(170)
FY 2006 Enacted	\$16,830
Current Services	
Adjustments to Maintain Current Levels	\$522
Pay Annualization	92
Proposed Pay Raise	315
Non-pay Inflation Adjustment	115
Current Services Level	\$17,352
Program Adjustments	
Program Increases	\$0
FY 2007 President's Budget Request	\$17,352

Budget Activities

Salaries and Expenses

Office of Audits (\$11,908,000 from direct appropriations)

This office conducts audits, attestation engagements, and evaluations that are mandated by law, support the President's Management Agenda, and address high risk programs and operations.

Office of Investigations (\$5,444,000 from direct appropriations)

This office investigates complaints of fraud, waste and abuse in Treasury programs and operations.

Reimbursable funding (\$2,342,000) This funding is for external audit-work and the Inspector General Auditor Training Institution (IGATI).

FY 2007 Budget Adjustments

FY 2006 Enacted

The FY 2006 appropriation is \$16,830,000 in support of Treasury OIG's important oversight mission.

Current Services

Adjustments to Maintain Current Levels +\$522,000/0

FTE January 2006 pay increase, \$92,000; proposed January 2007 pay raise, \$315,000; other labor related benefits; and items such as contracts, travel, and GSA rent \$115,000.

