



Semiannual Report To The Congress



April 1, 2003 – September 30, 2003

Office of Inspector General

DEPARTMENT OF THE TREASURY



HIGHLIGHTS IN BRIEF

During this semiannual reporting period, we issued 24 audit and evaluation reports which recommended approximately \$3.6 billion in funds be put to better use and identified \$240,000 in questioned costs. This represents the highest monetary benefits resulting from audit work ever identified by the Treasury OIG in one semi-annual reporting period.

The Office of Investigations also produced 4 successful prosecutions, 5 cases accepted for prosecution, 40 Reports of Investigation that resulted in \$7,000 in fines and restitutions, \$27,000 in recoveries, and 8 personnel actions.

The results of our work are discussed in this report. We also describe our other significant accomplishments and activities during the period.

This year marks the 25th anniversary of the passage of the Inspector General Act of 1978, which established Presidentially appointed inspectors general at 12 federal departments and agencies. The 1988 amendments to the Inspector General Act significantly expanded the number of departments and agencies with statutory inspectors general, including the Treasury Department. As a result of the Internal Revenue Service Restructuring and Reform Act of 1998, a second Presidentially appointed inspector general was created in Treasury to audit and investigate the programs and operations of the IRS.

While not included in the 1978 Act, an inspector general function was first established in Treasury by the Secretary in June 1978. The role of the inspector general was expanded over the years before the 1988 amendments. A more detailed historical perspective of our office is provided as part of this Semiannual Report.



The Honorable John W. Snow
Secretary of the Treasury
Washington, DC 20220

Dear Mr. Secretary:

Following is my Semiannual Report to the Congress. This report summarizes the activities of the Office of Inspector General (OIG) for the 6-month period ending September 30, 2003, and highlights both the important accomplishments and some serious deficiencies in the Department's programs and operations.

We will continue to focus our resources on the most significant and highest risk operations in the Department. However, I remain concerned that we lack the resources to provide timely audit and investigative services to the Department and to contribute to the President's Management Agenda.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Rush, Jr.", written in a cursive style.

Jeffrey Rush, Jr.
Inspector General

TABLE OF CONTENTS

OUR OFFICE	2
ABOUT TREASURY	4
HIGHLIGHTS OF OIG WORK	
IMPROVING TREASURY'S INTERNAL OPERATIONS	7
OVERSEEING THE NATION'S FINANCES	16
WORKING TO MAINTAIN CONFIDENCE IN THE NATION'S BANKING SYSTEM	18
OIG WORK COMPLETED ON DIVESTED BUREAUS	21
OTHER OIG ACCOMPLISHMENTS AND ACTIVITY	27
STATISTICAL SUMMARIES	29
APPENDICES	
APPENDIX A - REPORTS ISSUED DURING PERIOD	36
APPENDIX B - REFERENCES TO THE INSPECTOR GENERAL ACT	39
APPENDIX C - ACRONYMS	40
APPENDIX D - HISTORY OF THE TREASURY OFFICE OF THE INSPECTOR GENERAL	42



OUR OFFICE

The Treasury's Office of Inspector General (OIG) was established pursuant to the 1988 amendment to the Inspector General Act of 1978, 5 USC Appendix § 1. The OIG is headed by an Inspector General who is appointed by the President of the United States, with the advice and consent of the United States Senate. Serving with the Inspector General in the immediate office is a Deputy Inspector General. The OIG performs independent and objective reviews of Treasury programs and operations, except for the Internal Revenue Service, and keeps the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action.

The OIG is organized into four units: (1) Office of Audit, (2) Office of Investigations, (3) Office of Management, and (4) Office of Counsel.

The **Office of Audit (OA)** performs program, financial, information technology, and contract audits. The Assistant Inspector General for Audit (AIGA) supervises or conducts all audits relating to the programs and operations of the Department. OA headquarters is located in Washington, DC, and it maintains field offices in Boston and San Francisco.

The **Office of Investigations (OI)** performs investigations aimed toward the detection and prevention of fraud, waste, and abuse in Treasury programs and operations. The OI performs oversight for Treasury's remaining bureaus. The Assistant Inspector General for Investigations (AIGI) supervises and conducts all investigations relating to the Department's programs and operations.

OI headquarters and investigative staff are located in Washington, DC.

The **Counsel to the Inspector General** serves as the senior legal counsel and policy advisor to the Inspector General, Deputy Inspector General, and the Assistant Inspectors General. The Office of Counsel (OC) provides legal advice on issues that arise from statutorily mandated investigative, oversight, and audit activities. The OC also provides the OIG with legal advice related to government contracts, appropriations, budget formulation and execution, disclosure, records retention, tax information safeguards, equal employment opportunity, and personnel law. Furthermore, the OC conducts the OIG's ethics training, financial disclosure, and Freedom of Information Act programs.

The **Office of Management** provides a range of services designed to maintain the OIG administrative infrastructure. These services include: asset management, budget formulation and execution, financial management, information technology, office policy preparation, planning, and reporting for the OIG. The Assistant Inspector General for Management is in charge of these functions.

OUR OFFICE

OIG Values

The values of the OIG include producing high quality products that are accurate, timely, relevant, and responsive to the needs of decision-makers. We strive to ensure fairness, integrity, independence, objectivity, proficiency, and due care in performing our work. The OIG promotes teamwork and open communication among its organizational components. The OIG encourages and rewards its workforce for innovation, creativity, dedication, and productivity. Finally, the OIG fosters an environment of respect, equal opportunity, and diversity among its workforce.

Regarding Divestiture

The Homeland Security Act of 2002, P.L. 107-296 (HSA), became law in November 2002. It created the Department of Homeland Security (DHS), into which transferred the U.S. Customs Service, U.S. Secret Service, and the Federal Law Enforcement Training Center from Treasury. These transfers took place in March 2003. Also, pursuant to the HSA, the law enforcement activities of the Treasury Bureau of Alcohol, Tobacco and Firearms (ATF) transferred to the Department of Justice in January 2003. The revenue collection function of the former ATF remained with Treasury and is now carried out by the Alcohol and Tobacco Tax and Trade Bureau.

In March 2003, the OIG also underwent a divestiture of 70 percent of its resources to the DHS-OIG. This compares with 30 percent of the OIG workload that was transferred to the DHS-OIG and DOJ-OIG combined. We worked with DHS-OIG and DOJ-OIG to ensure a smooth transition

of in-progress work related to the former Treasury bureaus.

With respect to audit services, audit executives and counsel from Treasury OIG, DHS-OIG, and DOJ-OIG met and agreed that Treasury OIG would supervise the completion of audits covering divested bureaus that were in progress at the date of divestiture. We completed 14 such audits since divestiture, including 5 audits completed during this semi-annual reporting period.

DHS-OIG or DOJ-OIG will be responsible for all follow-up for these audits as well as responding to any Freedom of Information Act requests or other inquiries related to these audits.

The Office of Investigations also coordinated with DHS-OIG and DOJ-OIG. As a result, 15 criminal investigations were transferred to DHS- OIG as part of divestiture. No criminal investigations were transferred to DOJ- OIG resulting from divestiture.

ABOUT TREASURY

The mission of the Department of the Treasury is to promote the conditions for prosperity and stability in the United States and encourage prosperity and stability in the rest of the world.

Organized into bureaus and offices, the Treasury encompasses a wide range of programmatic and operational activities. Currently, approximately 116,700 people make up the Treasury. Of this figure, the Internal Revenue Service has 100,400 FTEs and the other Treasury bureaus and offices have 16,300 FTEs. The Treasury bureaus, offices, and programs under our audit and investigative jurisdiction are:

Treasury Bureaus

Alcohol and Tobacco Trade and Tax Bureau (TTB) enforces and administers laws covering the production, use, and distribution of alcohol and tobacco products. This amounts to approximately \$15 billion in excise taxes, including \$100 million in occupational taxes on the manufacture of firearms and ammunition.

Bureau of Engraving and Printing (BEP) manufactures paper currency and postage stamps, and other government documents. The BEP also processes claims for the redemption of mutilated currency. For Fiscal Year (FY) 2004, BEP estimates 8.5 billion in currency deliveries and 7.5 billion in postal and revenue stamp requirements.

Bureau of the Public Debt (BPD) manages U.S. Government borrowing, monitors the national debt, and processes bonds, notes, and T-Bill transactions. Last year, BPD issued approximately \$3.7 trillion of debt by auctioning marketable

Treasury securities and selling savings bonds, and paid off \$3.5 trillion in securities. The estimated interest on Treasury securities for FY 2004 is approximately \$353 billion.

Financial Crimes Enforcement Network (FinCEN) supports law enforcement investigative efforts against money laundering, terrorist financing, and other financial crimes. During FY 2002, FinCEN received more than 261,000 individual reports of suspected illegal acts, referred to as Suspicious Activity Reports, and 12.4 million Currency Transaction Reports from financial institutions when they receive \$10,000 in cash or a monetary equivalent.

Financial Management Service (FMS) manages the Federal Government's financial accounts. Each year FMS issues 950 million non-Defense payments, with a dollar value of more than \$1.2 trillion, to a wide variety of recipients, such as those who receive Social Security, IRS tax refunds, and veterans' benefits. FMS estimates that for FY 2004, it will make 238 million check payments and 696 million electronic payments, and receive 1.4 million claims. FMS estimates that during FY 2004 FMS will collect \$2.9 billion in delinquent debt.

U.S. Mint (Mint) manufactures coins, and sells numismatic and investment products. The Mint also secures approximately \$79.4 billion of the Nation's gold and silver reserves. The Mint operates as a Public Enterprise Fund, and is exempt from provisions of law governing procurement or public contracts. In 2004, it is anticipated that this activity will manufacture 13.8 million coins. In

ABOUT TREASURY

2002, the Mint transferred \$1.03 billion to the general fund from its operation.

Office of the Comptroller of the Currency (OCC) oversees and regulates all national banks and supervises the U.S. branches and agencies of foreign banks. There are approximately 2,100 national banks and 52 Federal branches with total assets of more than \$3.8 trillion. These assets represent approximately 58 percent of the total assets of all commercial banks.

Office of Thrift Supervision (OTS) oversees and regulates all Federal and many state-chartered thrift institutions. As of September 30, 2002, OTS oversees 983 thrifts with total assets of \$987 billion.

Treasury Offices

Departmental Offices (DO) formulates policy and manages Treasury operations. These operations and activities manage and/or disburse hundreds of millions and in some cases, billions of dollars.

Executive Office for Terrorist Financing and Financial Crimes (EOTF/FC) coordinates and leads the Department's multi-faceted efforts to combat terrorist financing and other financial crimes both within the United States as well as abroad. This office focuses on reducing the risk that domestic and international financial systems are being misused by criminals and terrorists.

Office of Foreign Assets Control (OFAC) manages and enforces economic sanctions and embargo programs against targeted foreign governments and groups that pose

threats to the national security, foreign policy, or economy of the United States. OFAC currently administers 23 economic sanctions programs involving blocked targets, trade embargoes, or other restrictions. During 2002, OFAC had frozen as much as \$36 million in domestic accounts associated with terrorist financing.

Executive Office for Asset Forfeiture (EOAF) manages the Treasury Forfeiture Fund, which supports Treasury's national asset forfeiture program in a manner that results in Federal law enforcement's continued effective use of asset forfeiture as a law enforcement sanction to punish and deter criminal activity. The net position of the Fund was approximately \$173 million as of September 30, 2002.

Exchange Stabilization Fund (ESF) deals in gold and foreign exchange and other instruments of credit and securities as deemed necessary. The principal source of the fund's income is earnings on investments held by the fund, including interest earned on fund holdings of U.S. Government securities. The FY 2004 estimated net position of the fund is \$30.8 billion.

Community Development Financial Institutions Fund (CDFI Fund) expands the availability of credit, investment capital, and financial services in distressed communities. For FYs 2000 through 2002, the various types of financial and technical assistance provided by the CDFI Fund totaled approximately \$298.5 million. The FY 2004

ABOUT TREASURY

estimated net budget authority for the CDFI Fund is \$51 million.

Federal Financing Bank (FFB) provides Federal and Federally assisted borrowing, primarily to finance direct agency activities such as construction of Federal buildings by the General Services Administration and meeting the financing requirements of the U.S. Postal Service. In certain cases, the FFB finances Federal direct loans to the public that would otherwise be made by private lenders and fully guaranteed by a Federal agency. The estimated FFB loans outstanding balance at the end of fiscal year 2004 is \$30.4 billion.

Office of D.C. Pensions (ODCP) makes Federal benefit payments associated with the District of

Columbia Retirement Programs for police officers, firefighters, teachers, and judges. As of September 30, 2002, assets for funding the retirement programs were \$4 billion and liabilities were \$8.4 billion, resulting in an unfunded pension liability of \$4.4 billion.

Air Transportation Stabilization Board (ATSB) issues Federal credit instruments (loan guarantees) to assist air carriers that suffered losses as a result of the terrorist attacks on the United States that occurred on September 11, 2001. As of September 30, 2003, ATSB had five loan guarantees outstanding to guarantee \$1.5 billion of \$1.7 billion in gross loans.

IMPROVING TREASURY'S INTERNAL OPERATIONS

The Chief Financial Officer's Act (CFO) as amended by the Government Management Reform Act of 1994 (GMRA) requires annual financial statement audits of Treasury and the Office of Management and Budget (OMB) designated entities. The financial statements of certain other Treasury component entities are audited pursuant to other requirements, or due to their materiality to Treasury's financial statements. The FY 2003 financial statement audits are currently in progress. The table below shows results for FY 2002 and 2001.

Treasury Audited Financial Statements And Related Audits						
Entity	FY 2002 Audit Results			FY 2001 Audit Results		
	Opinion	Material Weaknesses	Other Reportable Conditions	Opinion	Material Weaknesses	Other Reportable Conditions
GMRA/CFO Requirements						
Treasury Department	U	4	-	U	2	2
ATF (B)	(A)	-	2	(A)	-	-
Customs (B)	(A)	4	5	(A)	-	-
IRS (C)	U	5	2	U	6	1
Other Required Audits						
BEP	U	-	-	U	-	-
CDFI Fund	U	-	-	U	-	-
Office of DC Pensions	U	-	-	U	-	-
Exchange Stabilization Fund	U	-	-	U	-	2
Federal Financing Bank	U	-	-	U	-	-
OCC	U	-	1	U	-	2
OTS	U	-	-	U	-	-
Treasury Forfeiture Fund	U	-	1	U	-	2
Mint						
Financial Statements	U	1	2	U	2	1
Custodial Gold and Silver Reserves	U	-	-	U	-	-
Material to Treasury Department Financial Statements						
BPD						
Schedule of Federal Debt (C)	U	-	-	U	-	-
Government Trust Funds	U	-	-	U	-	-
Schedule of Loans Receivable	U	-	-	U	-	-
FMS						
Treasury Managed Accounts	U	-	-	U	-	-
Operating Cash of Federal Government	U	2	-	U	1	-

U = Unqualified opinion rendered.

(A) The Department requested and received waivers from OMB for the requirement for stand-alone audited financial statements for ATF and Customs for FY 2001 and FY 2002. In FY 2001 limited audit work was performed at these two entities to support the audit of the Department's financial statements. In FY 2002 an examination of internal control over financial reporting at Customs resulted in a qualified opinion, and identified 4 material weaknesses and 5 reportable conditions. A similar examination at ATF identified two reportable conditions related to information technology general and application control weaknesses.

(B) Pursuant to Public Law 107-296, the Homeland Security Act of 2002, the law enforcement activities of ATF was divested to the Department of Justice on January 24, 2003, and Customs was divested to the Department of Homeland Security on March 1, 2003.

(C) Audited by the U.S. General Accounting Office.

IMPROVING TREASURY'S INTERNAL OPERATIONS



Treasury's financial systems are in substantial non-compliance with the requirements of the Federal Financial Management Integrity Act (FFMIA). The current status of these FFMIA non-compliances, including progress in implementing remediation plans are being evaluated as part of our audit of the Department's FY 2003 financial statements. The status of Customs related FFMIA non-compliance will be evaluated and reported as part of the audit of the DHS FY 2003 financial statements.

Entity	Condition	FY First Reported for FFMIA Purposes	Type of Non-Compliance
Customs	Core financial systems do not provide complete and accurate information for financial reporting and for preparation of audited financial statements.	1997	Federal Financial Management Systems Requirements (FFMSR), Standard General Ledger (SGL)
FMS	General control weaknesses may affect information in FMS system.	1997	FFMSR
IRS	The general ledger does not conform to the U.S. Government Standard General Ledger.	1997	SGL
IRS	The bureau lacks a reliable subsidiary ledger for its property and equipment.	1997	FFMSR
IRS	IRS lacks an effective audit trail from its general ledger back to subsidiary detailed records and transaction source documents.	1997	FFMSR
IRS	Material weaknesses included controls over the financial reporting process, unpaid tax assessments, tax revenue and refunds, property and equipment, and computer controls.	1997	FFMSR, Federal Accounting Standards
IRS	IRS cannot rely on information from its general ledger to prepare financial statements.	1997	FFMSR
IRS	IRS lacks a subsidiary ledger for unpaid assessments.	1997	FFMSR
Mint	Weaknesses exist in the Mint information system general controls.	2001	FFMSR
Customs	IT system logical access and software maintenance security controls need improvement	2002	FFMSR
Customs	Material weaknesses related to controls over the entry process and drawback claims.	2002	Federal Accounting Standards
FMS	Material weakness related to controls over outstanding checks.	2002	Federal Accounting Standards

IMPROVING TREASURY'S INTERNAL OPERATIONS

Audit of the United States Mint's Fiscal Years 2002 and 2001 Financial Statements

An Independent Public Accountant (IPA) under our supervision issued an unqualified opinion on the Mint's Financial Statements as of September 30, 2002, and 2001. The IPA identified one material weakness and two reportable conditions. The material weakness, (previously reported as two material weaknesses and combined in FY 2002) was related to information system general controls and application controls. The reportable conditions were related to the management control environment and e-commerce business processes and controls. The IPA also identified instances of non-compliance with laws and regulations related to OMB Circulars A-127 and A-130, which require compliance with Federal financial management system requirements relating to software change controls, security program planning and management, access controls, policy implementation, and segregation of duties. (OIG-03-076)

Treasury Payments for District of Columbia Water and Sewer Services Provided by the District of Columbia for the Third and Fourth Quarters of Fiscal Year 2003

The District of Columbia Public Works Act of 1954 (P.L. 83-364), as amended, requires that bureaus make timely payments for DC water and sewer services. The Consolidated Appropriation Act of 2001 (P.L. 106-554) requires the Inspector General to submit a quarterly report to the Committees on Appropriations of the House of Representatives and Senate analyzing the promptness of payments with respect to the water and sewer services furnished to the Treasury by the District of Columbia. We performed certain

agreed-upon procedures in evaluating the Department's compliance with the law. For the third and fourth quarters of FY 2003, we noted no exceptions. (OIG-03-077 and OIG-03-089)

Controls Placed In Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Administrative Resource Center Accounting Services Division

The BPD Administrative Resource Center (ARC), through its Accounting Services Division, provides accounting services to various federal agencies. An IPA found that ARC, in all material respects, had suitably designed controls over these services during fiscal year 2003. The IPA also found no instances of reportable non-compliance with laws and regulations tested. The IPA performed its work in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants Statement on Auditing Standards Number 70, *Reports on the Processing of Transactions by Service Organizations*, as amended. (OIG-03-094)



IMPROVING TREASURY'S INTERNAL OPERATIONS

Lack of Bureau Connectivity Remains a Weakness in Treasury Communications System's Disaster Recovery Capability

The Treasury Communications System (TCS) provides the framework for the Department of the Treasury's (Treasury) information infrastructure. This infrastructure enables a wide variety of applications, including simplified tax and wage reporting, law enforcement agencies and public safety links, and the international trade database (in development). TCS provides services to more than 4,500 locations around the nation with approximately 120,000 users operating on a single integrated network. The mission of TCS is to design, build, manage, and operate Treasury's Wide Area Communications Network. There are five components of TCS: (1) Network and Services, (2) TCS Communications Center (TCC), (3) Integrated Network Management System, (4) Automated Security Management System, and (5) Internet Services.

The lack of a TCC emergency backup facility was identified as a security weakness in a prior OIG report.¹ In that report, the OIG recommended that Treasury create a secondary TCC site with adequate physical security. In January 2002, Treasury began assembling the backup facility.

The objectives of this review were to determine if the Department implemented the OIG's prior audit recommendation, and evaluate the Department's disaster recovery capabilities at the backup site. These objectives were accomplished by identifying whether TCS had taken corrective actions to remedy the

weakness identified, and evaluating TCS' disaster recovery capabilities by observing the acceptance testing conducted at the backup site. TCS management has taken actions to remedy the material weakness by establishing a backup facility. In addition, TCS management successfully recovered critical systems during acceptance testing. Although disaster recovery capabilities exist for TCS, we identified a number of weaknesses that continue to need attention. Specifically, we found that (1) the bureaus had not established connectivity to the TCS backup site to ensure networking services would not be interrupted in the event of a disaster; (2) performance testing was not conducted for systems at the backup facility; (3) disaster recovery exercises were not conducted, and disaster recovery standard operating procedures were not documented; and (4) access to the Network Operating Center (NOC) at the backup facility was not restricted.

The OIG recommended that the Treasury Chief Information Officer (CIO) should: (1) ensure bureau connectivity to the backup facility is established for uninterrupted services, (2) conduct performance evaluations on systems at the backup facility to ensure that the systems operate as designed and have the capacity to handle normal processing activity in the event of a disaster, (3) conduct disaster recovery exercises to prepare staff for disasters and to evaluate the effectiveness of TCS' disaster recovery plan; and (4) document disaster recovery standard operating procedures, and (5) improve security for the NOC at the backup facility.

¹ *Audit of Treasury Communications System Automated Information System Security Program* (OIG-99-039, February 1999)

IMPROVING TREASURY'S INTERNAL OPERATIONS

The intent of our prior audit report recommendation was to ensure that, with the creation of a backup facility, TCS could continue to provide uninterrupted services in the event of a disaster. Although TCS management established a backup facility, connectivity is required with Treasury bureaus to provide essential services or minimize service interruptions. Accordingly, Treasury should not downgrade the material weakness associated with the lack of a TCS backup facility until all bureaus have established connectivity to the backup facility, and disaster recovery exercises are successfully conducted.

TCS management concurred with our findings and recommendations. In addition, TCS management has already commenced corrective action. **(OIG-03-079)**

Information Technology: Treasury's Cyber-Based Critical Infrastructure Protection Implementation Efforts Remain Inadequate

Protection of critical infrastructures remains a high profile issue for the Federal Government. The President has declared that securing the nation's critical infrastructures is essential to our economic and national security and is a priority of the Administration. Advances in information technology have caused infrastructures to become increasingly automated and inter-linked. These advancements have created new vulnerabilities related to equipment failures, human errors, weather, and physical and cyber attacks.² Non-traditional attacks on our infrastructures and information systems may be

² Cyber attacks, or cyber terror, may be defined as the unauthorized electronic access, manipulation, or destruction of electronic data or code that is being processed, stored, or transmitted on electronic media, having the effect of actual or potential harm to the nation's critical infrastructure.

capable of significantly harming our economy and military power. The policy on Critical Infrastructure Protection (CIP), Presidential Decision Directive (PDD) 63, issued May 1998, calls for a national effort to assure the security of the nation's critical infrastructures.

We found that Treasury did not provide adequate guidance or effective oversight on CIP implementation to DO and the bureaus. Specifically, certain key documents and tools essential to CIP implementation have not been finalized; risk management activities have not been adequately performed; and review of the emergency management program has not been conducted throughout Treasury. The lack of adequate guidance or effective oversight has impeded CIP planning and implementation activities at Treasury. Due to the inability to effectively implement the requirements of PDD 63, Treasury is unable to ensure that potential risks resulting from security weaknesses will not disrupt the services it provides for the government, such as revenue collection, financial management, and efforts to combat money laundering and terrorist financing. In addition, Treasury is unable to provide the necessary assurance that cyber attacks on its critical infrastructures will not impede its support of national security, national economic security, and national public health and safety.

The OIG recommended that the Treasury CIO should: (1) ensure that funds are appropriated and personnel made available to effectively implement the Treasury Critical Infrastructure Protection Plan (TCIPP); (2) finalize draft documents that are key elements of the TCIPP and distribute them to DO and the bureaus, ensuring that DO and the bureaus have the necessary guidance to comply with PDD 63

IMPROVING TREASURY'S INTERNAL OPERATIONS

requirements; (3) conduct risk assessments for all critical cyber assets, and develop plans to address the significant vulnerabilities identified in order to mitigate security exposures; (4) develop a process for DO and bureaus to report to Treasury on CIP activities and for Treasury to track the status of vulnerabilities identified in critical cyber assets; and (5) conduct a review of cyber disaster recovery capabilities throughout Treasury to ensure the continuity of operations plan is successful. (OIG-03-093)

FMS Continues to Improve its Controls Over the Access, Disclosure, and Use of Social Security Numbers by Third Parties

The Social Security Administration (SSA) created the Social Security Number (SSN) in 1936 as a means of tracking workers' earnings and eligibility for Social Security benefits. However, over the years, the SSN has become a "de facto" national identifier used by Federal agencies, State and local governments, and private organizations. Government agencies frequently ask individuals for their SSNs as a convenient means to track and exchange information. While a number of laws and regulations require the use of SSNs for various Federal programs, they generally also impose limitations on how these SSNs may be used. Although no single Federal law regulates the overall use and disclosure of SSNs by Federal agencies, the Freedom of Information Act of 1966, the Privacy Act of 1974, and the Social Security Act Amendments of 1990 generally govern disclosure and use of SSNs. In addition, a number of Federal laws lay out a framework for Federal agencies to follow when establishing information security programs that protect sensitive personal information, such as SSNs. Most recently, the

Government Information Security Reform provisions of the FY 2001 National Defense Authorization Act require that Federal agencies take specific measures to safeguard computer systems that may contain SSNs.

Due to concerns related to widespread sharing of personal information and the occurrence of identity theft, Congress asked the General Accounting Office (GAO) to study how and to what extent Federal, State, and local government agencies use and safeguard SSNs. As part of the study, GAO sent questionnaires to 18 Federal agencies that it thought were most likely to routinely obtain, maintain, and use SSNs.

Federal agencies have the responsibility to limit the risk of unauthorized disclosure of SSN information. To that end, the Chairman of the House Ways and Means Subcommittee on Social Security asked the SSA OIG and the PCIE to look at the way Federal agencies disseminate and control SSN information.

We found that FMS strengthened its Privacy Act Program to ensure that it makes legal and informed disclosures of SSNs to third parties. Although FMS is taking steps to safeguard SSNs, opportunities exist to improve controls to ensure sensitive information is better protected. We found that FMS needs to better document, maintain, and monitor third party agreements to ensure that security requirements are met. FMS also needs to strengthen its general security controls over Information Technology (IT) applications and systems. As part of these security controls, FMS needs to complete or improve: (1) implementation of IT security policies, standards, and procedures; (2) risk analysis process;

IMPROVING TREASURY'S INTERNAL OPERATIONS

(3) security planning process;
(4) security incident reporting;
(5) monitoring of employees' access to computerized records; and
(6) IT application and system training. We also found that FMS' response to the GAO questionnaire was not always complete and/or consistent with what our review determined. We made 10 recommendations to improve FMS' controls over the access, disclosure, and use of SSNs by third parties. FMS concurred with our recommendations and has taken or plans to take appropriate corrective actions. **(OIG-03-083)**

Bureaus' Policies and Procedures to Ensure the Completeness and Reliability of 2002 Performance Data

In support of Treasury's preparation of its Performance and Accountability Report (PAR) for FY 2002, we reviewed the policies and procedures each bureau used to ensure completeness and reliability of performance data included in the PAR.

DO's Office of Performance Budgeting and the following bureaus were surveyed as a part of our review: ATF, BEP, BPD, FinCEN, FLETC, FMS, OCC, OTS, Mint, Customs and Secret Service.

We found that each bureau independently developed and implemented policies and procedures to ensure data completeness and reliability. There was no mandatory Treasury-wide guidance. Most bureau representatives we interviewed told us that management at the bureaus' operating unit levels were responsible for implementing their own policies and procedures. Most bureaus employed a second level review. One bureau, ATF, also had an executive level committee review data approved at the operational

unit and management levels. One bureau used two different data collection processes to verify data. Four bureaus required a semi-annual review of data. One bureau developed its own manual and inspected its units. Several bureaus had committees or assigned divisions to review anomalies in performance data.

We performed limited testing to determine whether the policies and procedures described by the bureaus were implemented. Specifically, we found that the policies and procedures, as indicated in the interviews, were in place. **(OIG-CA-03-022)**

Treasury Needs to Approve And Reissue Its Policy on The Rural Development Act of 1972

Section 638 of the Treasury General Government Appropriations Act of 2003 (Public Law 108-7) required our office to report on whether policies and procedures are in place at the Department of the Treasury (Treasury) to give first priority to the location of new offices and other facilities in rural areas, in accordance with the Rural Development Act of 1972 (RDA). A similar requirement was included in the 2002 Appropriations Act. At that time (May 2002), we reported that while Treasury had policies and procedures, they needed to be updated and bureaus reminded of RDA requirements.

To meet our reporting requirement during FY 2003, we: (1) determined whether corrective action to our prior recommendation was completed, and (2) conducted a survey of Treasury



IMPROVING TREASURY'S INTERNAL OPERATIONS

offices and bureaus, except for the Treasury Inspector General for Tax Administration (TIGTA) and IRS, to obtain information about facility acquisitions since January 2002, and whether RDA was considered when acquiring this space.

Treasury Directive (TD) 72-03, *Location of New Offices and Facilities in Rural Areas*, gives first priority to the location of new offices and other facilities to rural areas, as directed by RDA. However, as discussed in our prior report, key responsibilities in the directive are assigned to positions that no longer exist. Accordingly, we reaffirmed our prior recommendation that appropriate management controls be established and the directive is updated to ensure RDA compliance.

Five bureaus and offices acquired a total of 27 new office locations since January 2002. Three of the bureaus, which acquired 23 of the 27 locations, reported giving consideration to RDA when selecting new office locations. It should be noted that although RDA was considered for these 23 locations, none were located to rural areas. Representatives for the other 2 bureaus said they did not consider RDA for 4 offices. They stated that the convenience to the public served outweighed consideration to locating in a rural area. These offices were generally located in close proximity to, or expansions of existing offices, and were acquired through GSA.

TD 73-02 was revised and issued in August 2003. **(OIG-CA-03-023)**

Unauthorized Use of a Government Computer at FMS

An investigation conducted by the OIG disclosed that an FMS Senior Computer Specialist was using his Treasury



computer and Internet connection to download images of child pornography onto high-capacity storage cartridges, which he stored at his home. During this investigation, the OIG executed two search warrants and recovered evidence that led to the United States Attorney's Office charging the employee with Possession of Child Pornography. The judicial disposition of this investigation is pending.


Contract Misconduct Exhibited by Alcohol, Tobacco and Firearms (ATF) Supervisory Computer Specialist

An OIG investigation disclosed that an ATF Supervisory Computer Specialist, who was responsible for initiating Task Orders, influenced ATF National Tracing Center contracts to two companies, one of which was owned by a longtime friend, and received a kickback. The investigation also disclosed that this employee, directed ATF contractors to hire friends and associates and had sexual relationships with two ATF contractors. This employee also entered into a scheme with an individual, with whom he was having sexual relations, to split proceeds of an ATF contract that would be awarded. When questioned about his activities, he provided false information to Treasury OIG investigators. The United States Attorney's Office declined criminal prosecution. The ATF Professional Review Board's recommendation to

IMPROVING TREASURY'S INTERNAL OPERATIONS

terminate the employee remains pending.

Mint Contractor Illegally Compromised and Shared Credit Card Numbers

An OIG investigation revealed that a former Mint contract employee processed and compromised several credit card numbers from transactions of 1-800-USA-MINT customers. This employee provided these numbers to her boyfriend, another Mint contract employee, who subsequently used them to operate an illegal cellular telephone business. The United States Attorney's Office declined to bring prosecution, in part, because it was discovered that the boyfriend had recently been sentenced to 20 years in prison on unrelated criminal charges. 

Mint Employee Steals Money from the Mint

An OIG investigation disclosed that a Mint employee created several fraudulent bank accounts, used fictitious names, altered travel authorizations, and then submitted the fraudulent travel vouchers for payment. These monies were deposited via Electronic Funds Transfer into her personal bank accounts. The 57 fraudulent vouchers resulted in disbursements that totaled approximately \$153,500. The employee, who has pleaded guilty and is awaiting sentencing, faces up to 10 years in prison.

Departmental Employees Misused Government Computers

As reported in the prior Semi-Annual Report, an OIG investigation identified two employees who transmitted, via e-mail, pornographic photographs and video attachments to other parties inside and outside the Department. These

employees received non-paid suspensions of between seven and fourteen days, and the Department initiated the following actions: (1) searches of the Department's e-mail database were conducted to determine the scope of e-mail misuse; (2) all new Department employees and contractors, who will use the Department local area network (LAN), are now required to sign documentation acknowledging that they understand the e-mail use policy; (3) a Department-wide reminder to all employees regarding the use of e-mail policy and that there are no privacy rights afforded e-mails or stored computer files; and (4) revisions were made to the Department's "log-on banner" which more clearly places each Treasury employee on notice as to the appropriate use of information technology and strengthens the government's ability to bring judicial and administrative action for its misuse.

Theft at the Mint

In addition to what was reported in the previous Semi-Annual Report, the United States Attorney's Office has accepted felony and misdemeanor guilty pleas from three accomplices and one co-conspirator of a former Mint employee. Two employees were placed on probation and were fined \$5,000. Two subjects await sentencing. As a result of the investigation, \$188,323 and 800 stolen coin presentation boxes were recovered.

OVERSEEING THE NATION'S FINANCES

Opportunities Exist to Better Use Funds of \$3.6 Billion and Improve Controls Over the Plastic Card Network

FMS has instituted a number of programs to assist Federal agencies in collections associated with electronic transactions. One program, initiated in 1987, is the Plastic Card Network (PCN). Its purpose is to facilitate the collection and deposit of revenues from Federal agencies' credit and debit card sales. Any Federal agency that accepts such cards in the sale of goods and services to the public can join the PCN. PCN collections have dramatically increased over the years, from \$731 million in 1998 to \$3.0 billion in 2001. PCN operating expenses have also increased during this period.

To conduct the daily operations of PCN, FMS utilizes the services of two financial agents - Bank of America and Mellon Bank. FMS reimburses the two financial agents for PCN operating costs through "interest credits" on "compensating balances" (also known as time balances) deposited with these institutions. The "interest credits" are based on the 3-month Treasury bill (T-bill) rate.

We reported that FMS should consider less expensive payment options for reimbursing the financial agents for PCN operating expenses. The present method of parking huge amounts of money with these agents to pay for banking services such as PCN raises several issues. For one, the use of the 3-month T-bill rate, coupled with low interest rates, has caused the compensating balances to mushroom. For PCN alone, compensating balances

have steadily increased from \$330 million in 1998 to \$2.8 billion at the end of 2001. We estimated that by basing the interest credit on low-risk securities with higher rates of return, such as Treasury securities with longer maturities, up to **\$42.2 million** could have been saved over a 4-year period. Second, using compensating balances avoids congressional oversight that



would be exercised if the services were acquired through the appropriations process. In this regard, the President's FY 2004 Budget included a proposal to eliminate

compensating balances and authorize FMS to acquire banking services under a permanent, indefinite appropriation. If enacted, this legislation will allow FMS to return compensating balances to the Treasury fund for other uses, which in the case of PCN is **\$2.8 billion**.

Another aspect to the use of compensating balances was that the Treasury general fund was essentially absorbing the costs of the PCN instead of the participating agencies, or ultimately the consumers of the goods and services who used credit and debit cards for the transaction. Instead, if the costs of PCN was included in the pricing of goods and services, we estimated that approximately **\$797 million** could be saved over the next 5 years.

We also found that FMS had not established complete and effective management controls over its administration of the PCN. Control weaknesses were found in reviewing financial agents' billing statements; recording PCN cost data; calculating earnings on compensating balances; and making payments to financial agents. As a result, the \$124 million in

OVERSEEING THE NATION'S FINANCES

financial agent compensation for the previous 4 years may not have been proper and/or accurate. Further, computer security reviews of PCN systems operating at the financial agents' and their subcontractors' sites were not performed, and these systems continued to function without the required recertification. As a result, FMS does not know whether PCN system safeguards remain sufficient to counter threats and vulnerabilities.

Our report contained several recommendations that provide options that will effectively reduce the cost of operating the PCN and improve the program's management and information technology controls. Management concurred with our recommendations, and is in the process of developing a detailed corrective action plan.

Update: On October 28, 2003, the President signed H.R. 1474, the Check Clearing for the 21st Century Act, authorizing a permanent, indefinite appropriation beginning in fiscal year 2004 for reimbursing financial institutions in their capacity as depositories and financial agents of the Federal Government. **(OIG-03-095)**

WORKING TO MAINTAIN CONFIDENCE IN THE NATION'S BANKING SYSTEM

Treasury's Ongoing Efforts as the Lead Agency for the Banking and Finance Sector Under PDD 63

Presidential Decision Directive (PDD) 63 was formalized in 1998 to assign responsibility to various governmental agencies and departments for the protection of critical infrastructures, which are considered potentially vulnerable to terrorist threats. There were eight areas that were identified as critical for the continued viability of the nation's defense or economic security. The financial services sector was designated as one of these eight areas, and the Department of the Treasury was designated as the lead agency for this sector.

We conducted a limited review and reported on the activities of the Treasury in its capacity as the lead agency for the Banking and Finance sector under PDD 63. We reported that to successfully complete all tasks called for in PDD 63 will require extensive time and effort on the part of the private sector, Treasury, and the affiliated organizations that have been developed as a result of the directive. To date, Treasury and the private sector have made advancements in establishing a separate information sharing entity to collect, analyze, and disseminate crucial information pertaining to potential threats to its members in a timely manner. Additionally, communication channels are open and operating between the private and public sectors, which enables both segments to articulate any perceived threats or problems that may or could exist. Several deficiencies that were highlighted following the events of September 11, 2001, have been eliminated. While it is not possible to test the entire financial services system

under simulated circumstances of the magnitude of those events, efforts by Treasury and the private sector to date would indicate that the financial services sector would have the ability to operate in the aftermath of an attack.

Since our evaluation reported on information through March 17, 2003, we will continue to monitor Treasury's activities as well as the financial services sector's activities in this area to ensure that these requirements have been met. Considering the progress that Treasury and the industry have made, the extent of work recently performed by the GAO, and the current ongoing revisions in infrastructure protection strategy associated with the formation of DHS, we decided not to undertake an audit of this area at this time. This is an area where there is ongoing activity, both within the industry and within Treasury, and where revisions continue to be made to address critical infrastructure issues. As such, we plan ongoing monitoring of this area, and will consider the need for an audit as we plan for future years.

(OIG-CA-03-021)

OTS Enforcement Actions for Bank Secrecy Act Violations Were Often Ineffective

Thrifts are required to establish and maintain a program to monitor their compliance with the Bank Secrecy Act (BSA). OTS examines thrifts to, among other things, determine their compliance with the BSA. During such an examination, OTS focuses on whether a thrift has (1) sufficient internal controls to ensure compliance with the BSA, (2) independent testing of compliance, (3) individuals to coordinate and monitor the program, and (4) BSA training for appropriate personnel. OTS examiners

WORKING TO MAINTAIN CONFIDENCE IN THE NATION'S BANKING SYSTEM

also assess whether the program includes adequate record-keeping procedures for required BSA report filings such as the Currency Transaction Report (CTR) and Suspicious Activity Report (SAR). When a thrift violates the BSA, OTS may take enforcement actions. These enforcement actions range from “informal” actions, such as a supervisory letter, to “formal” actions such as a cease and desist order and/or a civil money penalty. There are no guidelines linking the specific enforcement action to the type or severity of the BSA violation.

As of October 2002, OTS supervisory examination records indicated that 321 (33 percent) of the 986 supervised thrifts had some type of BSA violation identified. Examiners found that violations for 180 of the 351 thrifts (56 percent) were substantive, such as the lack of an overall BSA program. OTS issued enforcement sanctions against 11 of these 180 thrifts. To assess whether OTS was taking effective enforcement actions for substantive BSA violations, we sampled 68 of the 180 thrifts for detailed review. We also reviewed 9 of the 11 thrifts with substantive BSA violations where OTS took enforcement action.

Based on our review of the 68 sampled thrifts, we found that OTS consistently relied on moral suasion and thrift management assurances to address the BSA violations rather than taking formal enforcement action. This type of supervisory response was only effective part of the time. We concluded that more forceful (formal) enforcement action was warranted for 21 of the 68 thrifts (31 percent). The 21 thrifts continued to violate the BSA and/or took an inordinate number of years before starting to address the BSA violations.

In some cases, BSA compliance actually worsened from the time OTS first identified the violations.

Additionally, for 5 of the 9 reviewed thrifts where OTS issued enforcement actions, the actions was neither timely nor did they address all the substantive violations found by examiners. In these cases, BSA violations continued for years or BSA compliance worsened.

Furthermore, we found that nearly half the examination records in OTS' information system for monitoring thrift BSA compliance that we sampled

Suspicious Activity Report		1	
July 2003 Previous editions will not be accepted after December 31, 2003		FRB: FR 2230 FDIC: 6713596 OCC: 8010-9,8010-1 OTS: 1801 NCUA: 2362 TREASURY: TD F 90-22-47	OMB No. 7100-0212 OMB No. 3084-0077 OMB No. 1557-0160 OMB No. 1550-0003 OMB No. 3133-0094 OMB No. 1506-0001
ALWAYS COMPLETE ENTIRE REPORT (see instructions)			
1 Check box below only if correcting a prior report. <input type="checkbox"/> Corrects Prior Report (see instruction #3 under "How to Make a Report")			
Part I Reporting Financial Institution Information			
2 Name of Financial Institution			3 EIN
4 Address of Financial Institution			
5 Primary Federal Regulator		d <input type="checkbox"/> OCC	
a <input type="checkbox"/> Federal Reserve		e <input type="checkbox"/> OTS	
b <input type="checkbox"/> FDIC		c <input type="checkbox"/> NCUA	
6 City			
7 State	8 Zip Code		
9 Address of Branch Office(s) where activity occurred <input type="checkbox"/> Multiple Branches (include information in narrative, Part V)			
10 City			13 If institution closed, date closed
11 State	12 Zip Code	MM / DD / YYYY	
14 Account number(s) affected, if any			
a Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No		c Closed? <input type="checkbox"/> Yes <input type="checkbox"/> No	
b <input type="checkbox"/> Yes <input type="checkbox"/> No		d <input type="checkbox"/> Yes <input type="checkbox"/> No	
Part II Suspect Information <input type="checkbox"/> Suspect Information Unavailable			
15 Last Name or Name of Entity		16 First Name	17 Middle
18 Address			
19 SSN, EIN or TIN			
20 City		21 State	22 Zip Code
23 Country			
24 Phone Number - Residence (include area code)		25 Phone Number - Work (include area code)	
() ()		() ()	
26 Occupation/Type of Business		27 Date of Birth	28 Admission/Confession?
		MM / DD / YYYY	a <input type="checkbox"/> Yes b <input type="checkbox"/> No
29 Forms of Identification for Suspect:			
a <input type="checkbox"/> Driver's License/State ID		b <input type="checkbox"/> Passport	
c <input type="checkbox"/> Alien Registration		d <input type="checkbox"/> Other _____	
Number _____		Issuing Authority _____	
30 Relationship to Financial Institution:			
a <input type="checkbox"/> Accountant		d <input type="checkbox"/> Attorney	
b <input type="checkbox"/> Agent		e <input type="checkbox"/> Borrower	
c <input type="checkbox"/> Appraiser		f <input type="checkbox"/> Broker	
g <input type="checkbox"/> Customer		h <input type="checkbox"/> Director	
i <input type="checkbox"/> Employee		j <input type="checkbox"/> Officer	
k <input type="checkbox"/> Shareholder		l <input type="checkbox"/> Other _____	
31 Is the relationship an insider relationship? a <input type="checkbox"/> Yes b <input type="checkbox"/> No			
If Yes specify: c <input type="checkbox"/> Still employed at financial institution e <input type="checkbox"/> Terminated			
d <input type="checkbox"/> Suspended f <input type="checkbox"/> Resigned			
32 Date of Suspension, Termination, Resignation			
MM / DD / YYYY			

Example of the Suspicious Activity Report form used under the BSA.

WORKING TO MAINTAIN CONFIDENCE IN THE NATION'S BANKING SYSTEM

contained an error when compared to the underlying examination report. Discrepancies included omissions and/or inaccuracies such as understating the number of BSA violations actually found during an examination. Consequently, supervisory decisions and BSA program initiatives could be adversely impacted to the extent OTS senior managers used the system for monitoring industry compliance, or reviewing and planning individual BSA examinations. Of equal concern was the possibility of OTS using the information for external reporting purposes.

OTS concurred with our six recommendations aimed at enhancing the enforcement process over thrifts found to be in substantive noncompliance with the BSA.

(OIG-03-088)

OIG WORK COMPLETED ON DIVESTED BUREAUS

Treasury OIG, DHS-OIG and DOJ-OIG audit executives met and agreed that Treasury OIG would supervise the completion of audits covering divested bureaus that were in progress at the date of divestiture. The results of the 5 audits of divested bureaus or activities completed during this semi-annual period are discussed below:

ATF's Accounting for the YCGII Expenditures Needs Improvement

In July 1996, ATF, at the direction of the President, initiated the Youth Gun Crime Interdiction Initiative (YCGII) Program to strengthen enforcement efforts against gun traffickers who supply firearms to juveniles. The initiative consists of



partnerships with State and local law enforcement agencies in the tracing of every crime gun recovered in their localities. The YCGII Program is a

Congressional earmarked program. As such, the funding appropriated for the YCGII Program is to be used for the program and accounted for fully.

The overall objective of our review was to evaluate whether ATF had improved its procedures and controls over YCGII funds and expenditures as a result of our previous audit. Our specific objective was to determine whether ATF accounted for funds received and expended, and that expenditures were efficiently spent and supported YCGII.

We found that ATF could not fully account for YCGII funds during the audited period. Specifically, we could not verify that funds of \$17 million in both FY 2000 and 2001 were for YCGII related expenditures. YCGII expenditures were not correctly recorded in ATF's financial management system, and ATF did not record all of the YCGII funding separate from other bureau-wide funding in its budget

allocation documents within a fiscal year. As a result, full reliance could not be placed on ATF's financial and budget allocation documents to determine whether YCGII funds were efficiently spent and supported the YCGII Program.

The review also found that ATF YCGII purchases were not posted timely to its property management system. ATF procedures required recording of purchases and property transfers in their property management system, which they used to maintain control over their accountable property. Procedures also required the field and program offices notify the Materiel Management Branch (MMB) when property was received. The offices did not forward the required documents for property to MMB on a timely basis. As a result, the reliance of MMB on its inventory listing as an internal control may be undermined.

We recommended that the ATF Director ensure: (1) all YCGII funds are accounted for fully for FY 2001, (2) YCGII funding is monitored by comparing the appropriation to the actual expenditures to verify that all YCGII funds are accounted for properly, (3) ATF field and program offices adhere to the YCGII Spending Plan and enter YCGII indirect costs into the financial management system, and (4) the field and program offices comply with ATF requirements for recording the receipt and transfer of property in the property management system. Audit follow-up is the responsibility of DOJ-OIG. **(OIG-03-080)**

OIG WORK COMPLETED ON DIVESTED BUREAUS

REVENUE COLLECTION: Customs Efforts to Secure the Timely Payment of International Mail Entry Duties Remain Ineffective

All mail arriving from foreign countries and overseas military post offices for delivery in the United States and U.S.

Virgin Islands, is subject to Customs inspection and release. Inspection is performed at 14 International Mail Branches (IMB). Along with the mail inspection and release process, the IMBs are also

responsible for assessing duties on informal mail entries and directing addressees to file formal entries on high value or other required shipments. For each dutiable shipment not exceeding \$2,000 in value, Customs inspectors prepare and attach a mail entry form and return the shipment to the United States Postal Service (USPS) for delivery and collection of duty. A clear and complete Customs declaration, on the form provided by the foreign post office, giving a full and accurate description of the contents and value of the merchandise, must be securely attached to at least one mail article of each shipment. Remittances of Customs duty on mail entries are consolidated by the USPS and sent to a Customs lock box in Pittsburgh, PA.

Mail entry duties are generally due and payable from the USPS to Customs within 30 days of the date that monies are collected from the addressees of the international mail packages. Mail entries resulting from dishonored checks or Automated Clearinghouse (ACH)

transactions are due within 15 days of the date of issuance of the entry. Remittances of Customs duties on mail entries are consolidated by the USPS and sent to a Customs lock box in Pittsburgh, PA. Customs personnel write the mail entry duties using the Mail Entry Writing System (MEWS). MEWS

is a menu driven system that prompts those using the system through the process of writing an informal mail entry.

We found that although mail entry duties are generally due and payable from the

USPS to Customs within 30 days of collection, the USPS does not reimburse Customs timely. Customs has not established adequate controls to secure timely payment from the USPS. As a result, thousands of mail entries have remained open for several years; and Customs has not collected the revenue associated with those entries from the USPS.

Customs is owed a substantial amount of revenue from the USPS for unpaid mail entry duties. As of November 2002, we found that the USPS owed Customs about \$1.3 million. In January 2001, the amount the USPS owed Customs totaled only about \$400,000. Thus, the debt had grown by over \$800,000 during this 23-month period, or by about \$400,000 per year. We project that if the debt continues to go uncollected, over the next 3 years the uncollected debt could total over \$2.4 million. Following our audit, Customs indicated some collections had occurred and Customs reported an outstanding balance in March 2003 of \$1.2 million.



OIG WORK COMPLETED ON DIVESTED BUREAUS

Nonetheless, Customs still needs to obtain reimbursement for the remainder and for the annual growth that occurs.

In addition, Customs has not established the electronic data exchange system that was supposed to provide Customs and the USPS with a means of monitoring outstanding duties owed.

In response to a prior audit, Customs reported that it was in the process of developing an electronic data exchange system that would provide daily mail entry records and payment information for the two agencies. When developed, this electronic data exchange would, for the first time, provide the USPS with a database of mail entry records. To correct the problems above, we recommended that Customs: (1) monitor the USPS balance for open mail entries and implement corrective measures as warranted; and (2) work with the USPS to resolve all past due mail entries and establish effective systems and controls to ensure the timely payment of all open mail entries. Audit follow up on this recommendation is the responsibility of DHS-OIG. **(OIG-03-075)**

REVENUE COLLECTION: Customs Collected Additional Passenger User Fee Revenue Using a Coordinated Audit Approach

The Federal Government collects user fees from passengers arriving in this country to pay the cost of inspection services provided by three Federal agencies: the U.S. Customs Service, the Department of Agriculture's Animal & Plant Health Inspection Service (APHIS), and DOJ's Immigration and Naturalization Service (INS). Because the laws governing passenger user fees do not require carriers to provide

supporting documentation with their remittances, the agencies rely heavily on audits to enforce carrier compliance with their user fee laws. In May 1998, we reported that a more standardized and coordinated approach by Customs, APHIS, and INS for auditing payers of passenger user fees could increase fee collections and reduce burden to industry. Customs agreed to take corrective action in response to the six recommendations in our report. We conducted a follow-up audit to determine whether the planned corrective actions by Customs were implemented. We found that Customs adequately addressed our prior report's recommendations. Specifically, Customs-management executed an interagency memorandum of understanding to standardize their audit approach; executed interagency agreements with both APHIS and INS to conduct user fee audits on their behalf; and streamlined their billing and collection process. Following these changes, Customs improved the collection of passenger user fees due. From 1998 through 2002, APHIS and INS completed 166 audits that identified approximately \$33 million in user fees owed Customs. At the time of our audit, Customs had received remittances totaling \$30 million. **(OIG-03-084)**

Customs Needs to Improve Compliance With Continued Dumping and Subsidy Offset Act of 2000

In late 2000, the U.S. Congress enacted the Continued Dumping and Subsidy Offset Act (CDSOA) as part of P.L. 106-387. The intent of the CDSOA was to protect domestic producers from unfair trade practices. Customs was required to put certain antidumping and countervailing duties into special

OIG WORK COMPLETED ON DIVESTED BUREAUS

accounts. Then, each year, the money collected would be disbursed by Customs directly to affected domestic producers in accordance with law and regulations. Previously, all antidumping and countervailing duties collected were transferred to the Treasury General Fund. For FY 2001, Customs made CDSOA payments of approximately \$231 million and for FY 2002 approximately \$329 million was paid under this program.

We found that Customs was in noncompliance with the law and implementing regulations related to the disbursement of certain antidumping and countervailing duties. Customs was in noncompliance with the law because it did not (1) properly establish special accounts, and (2) pay claimants within 60 days after the end of the fiscal year. In addition, Customs had not instituted standard operating procedures and adequate internal controls for the management of the CDSOA program. As a result, the government has experienced at least a \$25 million shortfall in its accounts.

Five recommendations were made to address the systemic weaknesses and improve procedures to comply with the CDSOA: (1) the \$25 million in overpayments should be billed to the overpaid affected domestic producers; (2) the Special Account mandated by CDSOA should be used and maintained; (3) Customs should establish procedures to manage the CDSOA program; (4) staff should be cross-trained in these procedures; and (5) Customs should address programming and staffing issues early to fulfill the CDSOA program requirement of disbursing CDSOA

payments within 60 days from the end of the fiscal year.

Customs concurred with the recommendations and is currently addressing these issues. The Commissioner directed that the \$25 million in overpayments be billed immediately. Also, a newly formed CDSOA Working Group plans to address the systemic issues identified in our report. The Working Group will review the process related to the Special Account, review existing procedures and staffing, make recommendations for process improvements, and oversee efforts to establish the documented controls.

During the course of our audit, we identified four other issues that we believe warrant management's attention. These issues relate to: (1) untimely publishing of a comprehensive annual report on the FY 2001 CDSOA payments, (2) the need to resolve \$97 million in open (unpaid) antidumping and countervailing duty bills and interest, (3) the need to resolve approximately one million unliquidated antidumping and countervailing duty entries totaling about \$2 billion, and (4) the lack of routine verification of qualifying expenditures claimed by affected domestic producers. If Customs effectively implements planned actions addressing these matters, this should provide the public and the U.S. Congress timely, informative data about the program, and result in more timely distribution of a substantial amount of CDSOA duties and interest.
(OIG-03-085)

OIG WORK COMPLETED ON DIVESTED BUREAUS

Deficiencies Noted With Customs Modernization Contract

In December 2000, Public Law 106-554, the Consolidated Appropriations Act, was enacted appropriating funds for the Customs Modernization effort. At least \$130 million of the funds appropriated were to begin work on the Customs' Automated Commercial Environment (ACE) project. Before obligating any of the appropriated funds, however, Customs was required to submit periodic expenditure plans for Congressional approval. According to the Act, Customs' expenditure plans are required to comply with the acquisition rules, requirements, guidelines, and systems acquisition management practices of the Federal government. Federal acquisition rules for procurement actions initiated by executive agencies are primarily codified in the Federal Acquisition Regulation (FAR), including Federal acquisition rules for multiyear contracting.

In examining information pertaining to Customs' Prime Contract for ACE, our review concluded that the contract was both a multiyear and an Indefinite Delivery, Indefinite Quantity (IDIQ) contract. In this regard, we found that Customs did not fully comply with FAR policies and procedures for multiyear contracting pertaining to solicitations, cancellation, and Congressional notification. We also found that Customs' blending of multiyear with IDIQ contracting was problematic with regard to three significant issues. First, Customs' use of options to extend the performance period would violate multiyear contracting provisions. Second, Customs inability to define, with any certainty, its Modernization

requirements on a program year basis is contrary to multiyear contracting provisions contemplated by statute and the FAR. Third, Customs' ability to mitigate contract cancellation risks associated with multiyear contracting provisions may not be in its best interest.

As a result of the deficiencies noted: (1) cancellation costs were not determined, (2) funds were not obligated to cover cancellation costs upon contract award, (3) the Anti-Deficiency Act may have been violated in that Congress was not notified that cancellation cost could exceed \$10 million prior to contract award, (4) the contract performance period cannot be legally extended beyond 5 years, (5) expenditure plan certifications concerning Customs' compliance with Federal acquisition rules were not accurate, (6) the risk of contract termination before the end of the first 5-year performance period is elevated, and (7) both the House and Senate Appropriation Committees may lose confidence in Customs' ability to adequately contract for this Modernization program.

We made six recommendations that should improve Customs' policies, procedures, and practices with regard to its Modernization contract. Customs did not specifically address these recommendations in its response to our report. Instead, Customs took exception to the report's premise that its prime contract was a multiyear IDIQ contract and asserted that the contract language identified it solely as an IDIQ contract. In addition, Customs claimed that the inclusion of a mandatory clause for a multiyear contract in the prime contract, requiring cancellation costs be

OIG WORK COMPLETED ON DIVESTED BUREAUS



determined, was an oversight by its Contracting Officer. Customs attempted to address this concern by entering into a bilateral contract modification with the Contractor that, among other things, deleted the mandatory clause. Customs did not, therefore, accept our findings and recommendations on multiyear contracting. DHS-OIG will be responsible for audit follow-up on the report recommendations. **(OIG-03-087)**

OTHER OIG ACCOMPLISHMENTS AND ACTIVITY

PCIE Awards

During this period, the October 2003 annual awards ceremony honoring significant accomplishments by the IG Community, the President's Council on Integrity and Efficiency (PCIE), jointly with the Executive Council on Integrity and Efficiency, conferred its first-ever Alexander Hamilton Award to our office.

The PCIE is comprised of Federal Inspectors General and chaired by the Deputy Director of Management of the Office of Management and Budget (OMB). Its mission is to (1) address integrity, economy, and effectiveness issues that transcend individual Government agencies, and (2) increase the professionalism and effectiveness of IG personnel throughout the Government. The OIG received the Hamilton Award for its accelerated audit of the Treasury Department's fiscal year 2002 consolidated financial statements. The Hamilton Award is the highest honor the PCIE can bestow, recognizing

"outstanding achievements in improving the integrity, efficiency or effectiveness of Executive Branch agency operations."

The Treasury OIG audit team completed their audit within 45 days after the fiscal year-end, as compared with 5 months the prior year. An ambitious goal established by the Secretary of the Treasury, the Department's accelerated financial reporting for FY 2002 was cited by OMB as one of the most significant achievements in furthering the President's Management Agenda for Improved Financial Performance, and has served as a model for other federal

agencies in improving audit efficiency and the quality and timeliness of annual reports.

In addition to the Hamilton Award, three other Treasury OIG audit teams received PCIE Awards for Excellence for their work related to Treasury's PCN and two failed banks that resulted in estimated material losses of over \$475 million to the Bank Insurance Fund. The auditors of the PCN identified \$3.6 billion in funds that could be better used by changing the way PCN financial agents are compensated for their services and by charging PCN costs back to the participating agencies. The auditors of the two failed banks

(Hamilton Bank, N.A., and NextBank, N.A.) identified a number of actions that Treasury banking regulators could take to avoid similar failures in the future.

Furthermore, the PCIE honored our Office of Management with an Award for Excellence for exceptional team

performance during the recent divestiture of OIG resources to the DHS-OIG and the subsequent restructuring of the OIG administrative management infrastructure.

The results of the audits of the Department FY 2002 financial statements and the two failed banks were highlighted in our prior Semiannual Report. The audit of the PCN is discussed on page 17 of this Semiannual Report.



Clay Johnson, (center) Deputy Director for Management, OMB, presents the Hamilton Award to Sunday Okrume, Audit Mgr., Louis King, Audit Director, Ade Bankole, Audit Mgr., and Inspector General Rush.

OTHER OIG ACCOMPLISHMENTS AND ACTIVITY

OIG Reviews Poland's Ministry of Finance Internal Audit Manual

The Financial Services Volunteer Corps (FSVC) requested that the OIG review and provide comments on the Ministry of Finance Internal Audit Manual. The purpose of the review was to provide the Ministry with an evaluation of the structural content and an overall assessment of the document. In general we found that the manual provides the Ministry's Internal Audit Group with an excellent basis for direction and guidance during their independent assessment of organizational units within the Ministry. We provided FSVC with comments and suggestions on several areas that the Ministry should consider when finalizing the manual.

OIG Meets with the Board of Audit of Japan

We met with a representative of the Board of Audit of Japan to discuss the Inspector General mission and our financial and performance audit program at the Department of the Treasury. The representative was visiting the United States to study government financial management and auditing in our country under a program sponsored by the State Department. As part of his studies, the representative also met with staff of the Joint Financial Management Improvement Program Steering Committee, the Federal Accounting Standards Advisory Board, OMB, and GAO.



Assistant Inspector General for Audit Marla Freedman and staff meet with Mr. Katsuhiro Hara (center) of the Board of Audit of Japan.

STATISTICAL SUMMARIES

Summary of OIG Activity - October 1, 2002, to September 30, 2003

	10/1/02 – 3/31/03	4/1/03 – 9/30/03
OIG Activity	Number / Amount (Dollars in thousands)	Number / Amount (Dollars in thousands)
Reports Issued (Audits and Evaluations)	92	24
Reports Issued & Oversight Reviews (Investigations)	60	40
Regulation and Legislation Reviews	3	4a/
Disputed Audit Recommendations	0	0
Significant Revised Management Decisions	0	0
Management Decision in Which the IG Disagrees	0	0
Instances Where Information Was Refused	0	0
Number of Hotline Calls	828	736
Monetary Benefits (Audit)		
a) Questioned Costs	\$143	\$240
b) Funds Put to Better Use	\$7,410	\$3,597,000
c) Revenue Enhancements	\$1,482,000	0
Total Monetary Benefits (Audit)	\$1,489,553 b/	\$3,597,240
Monetary Benefits (Investigations)		
a) Fines/Restitutions	\$391	\$7
b) Recoveries	\$231	\$27
c) Savings/Cost Avoidance	0	0
Total Monetary Benefits (Investigations)	\$622	\$34

b/ During this period, the OIG received over 400 items of proposed legislation, regulations, and Departmental Orders and Directives. The OIG Office of Counsel reviewed them all, and staffed 33 within the organization for information and possible comment. The OIG provided formal comment to the Department with respect to 3 legislative proposals and 2 draft directives and orders. a/ This is a correction to the March 31, 2003 schedule however, it does not affect the schedule of questioned costs or funds put to better use for the same period.

STATISTICAL SUMMARIES

Administrative Sanctions – April 1, 2003 to September 30, 2003	
	Number
Personnel Actions	8
Suspensions and/or debarments of contractors	1
Prosecutorial Actions – April 1, 2003, to September 30, 2003	
	Number
Cases pending prosecutorial decision at start of period	6
Cases referred to prosecutorial authorities	11
Cases accepted for prosecution	5
Cases declined	8
Cases pending prosecutorial decision at end of period	4
Successful prosecutions (Includes those found guilty by a Federal or state court, accepted for pretrial diversion agreements by the Department of Justice, or granted plea bargaining agreements)	4

STATISTICAL SUMMARIES

Audit Reports with Questioned Costs for the Period April 1, 2003 – September 30, 2003 (Dollars in thousands)

Category	Total		
	No. of Reports	Questioned Costs	Unsupported Costs
For which no management decision had been made by beginning of reporting period	4	1,421	0
Which were issued during the reporting period	1	240	0
Subtotals	5	1,661	0
For which a management decision was made during the reporting period	0	0	0
dollar value of disallowed costs	0	0	0
dollar value of costs not disallowed	0	0	0
For which no management decision has been made by the end of the reporting period	5	1,661	0
For which no management decision was made within six months of issuance	4	1,421	0

Audit Reports with Recommendations that Funds be Put to Better Use for the Period April 1, 2003 – September 30, 2003 (Dollars in thousands)

Category	No. of Reports	Total	Savings	Revenue Enhancement
For which no management decision has been made by the beginning of the reporting period	0	0	0	0
Which were issued during the reporting period	1	3,597,000	3,597,000	0
Subtotals	1	3,597,000	3,597,000	0
For which a management decision was made during the reporting period	1	3,597,000	3,597,000	0
dollar value of recommendations agreed to by management	1	3,597,000	3,597,000	0
based on proposed management action	1a/	797,000	797,000	0
based on proposed legislative action	1a/	2,800,000	2,800,000	0
dollar value of recommendations not agreed to by management	0	0	0	0
For which no management decision has been made by the end of the reporting period	0	0	0	0
For which no management decision was made within six months of issuance	0	0	0	0

A recommendation that funds be put to better use denotes funds could be used more efficiently if management took actions to implement and complete the recommendation including: (1) reduction in outlays, (2) de-obligations of funds from programs or operations, (3) costs not incurred by implementing recommending improvements related to operations, (4) avoidance of unnecessary expenditures noted in pre-award review of contract agreements, (5) any other savings which are specifically identified, or (6) enhancements to revenues. a/ One report included recommendations with management decisions based on both proposed management action and proposed legislative action.

STATISTICAL SUMMARIES

Contract Audits Completed April 1, 2003 – September 30, 2003 (Dollars in Thousands)

Pre Award Audits			Costs Incurred Audits		Other Contract Audits	
Bureau	Number Completed	Funds to be Put to Better Use	Number Completed	Questioned Costs	Number Completed	Questioned Costs
BEP	2	\$0	1	\$240	2	\$0
Mint	1					
Totals	3	\$0	1	\$240	2	\$0

The monetary amounts are reflected in the table on monetary benefits from OIG audits in the Summary of Activities table. Audits were performed by DCAA. All Treasury bureaus requests for pre-award, costs incurred, and other contract audits are referred to the OIG. The OIG has the option to perform the audits, refer the audits to DCAA and other government audit agencies to perform under OIG oversight, or contract with an Independent Public Accountant (IPA).

Management Decisions with which the Inspector General is in Disagreement

There were no such decisions this period.

Reports with Pending Management Decisions Undecided for Over Six Months as of September 30, 2003 (Dollars in Thousands)

Title and Date Issued	Report Number	Amount	Bureau
Costs Incurred Under Contract TOS-91-31 for Calendar Year 1991, 3/12/96 a/	OIG-96-042	\$5	DO
Contractor's FY Ended December 31, 1992 through 1994, Applicable to Contracts TOS-91-31 and TOS-94-25, 2/25/98 a/	OIG-98-045	\$562	DO
Incurred Cost for Contract TOS-92-20 for FY 1997, 1/7/00 a/	OIG-00-030	\$584	DO
Costs Claimed Under Contract TSW-87-0228, 10/1701 c/	OIG-01-010	\$270	DO
Totals	4 Reports	\$1,421	

STATISTICAL SUMMARIES

Significant Unimplemented Recommendations as of September 30, 2003

Report Number	Issue Date	Report Title and Recommendation Summary
OIG-99-123	9/99	Bureau of Alcohol, Tobacco and Firearms Controls Over Tax Free Spirit Exports The ATF Director should amend 27 CFR to include specific timeframes for Distilled Spirits Plants to submit documents that support claimed exports and additional guidance defining adequate export evidence. (1 recommendation) TTB management is responsible for the audit follow-up on the recommendation.
OIG-01-014	11/00	Review of Treasury Computer Security Plans The Treasury CIO should correct system vulnerabilities identified in DO systems, update DO system security plans, ensure through the Certification and Accreditation process that system security plans are kept up-to-date and that new system vulnerabilities are identified and addressed, and develop a means to identify all existing and newly developed DO systems. (1 recommendation)
OIG-01-019	11/00	Alcohol, Tobacco and Firearms Needs to Improve its Controls Over Tax-Free Tobacco Exports The ATF Director should establish controls to ensure Tobacco Unit specialists properly monitor open notices of removal listed in the pending files. Consideration should be given to developing an automated tracking system that begins assessment action on all shipments not cleared within 90 days. (1 recommendation) TTB management is responsible for the audit follow-up on the recommendation.
OIG-01-026	12/00	Review of Surcharges from the Sale of Commemorative Coins The Mint Director should ensure that the Mint's implementation of Activity Based Costing (ABC) provides equitable and cost effective methods for allocating general and administrative (G&A) costs. The Mint should also ensure that its implementation of ABC with regard to G&A activities is completed in a timely manner. (1 recommendation)
OIG-02-065	3/02	Export Licensing Process: Progress Has Been Made But Better Cooperation And Coordination Are Needed (multi-bureau) OFAC should pursue a partnership agreement with Customs and the Bureau of the Census that will provide direct access to the Automated Export System and stipulate the data that will be accessible by OFAC personnel. (1 recommendation)
OIG-02-071	3/02	Financial Management: Audit of the United States Mint's FY's 2001 and 2000 Financial Statements The Mint Director should ensure that: (1) the CIO and CFO make certain that independent systems audits are scheduled and budgeted for the next fiscal year, which would include the following information systems security and control reviews—(i) full application testing of all modules relate to the Mint's ERP solution, (ii) a review of planned upgrades of the Mint's ERP package to ensure systems security and controls are designed and implemented, (iii) a full scope review of the Mint's database controls, (iv) a full scope review of the Mint's operating systems controls, (v) detailed systems reviews of the Mint's e-commerce and call center environments, and (vi) various reviews of major systems projects or technology changes planned by the Mint for the next fiscal year; (2) the CIO and CFO improve financial reporting for the Mint's business applications and e-commerce environment to enable users to perform their jobs in a more efficient manner; and (3) the CFO performs an audit of all significant procurements of goods or services, focusing on the sufficiency of vendor invoice support and evidence of a thorough Contracting Officer's Technical Representative review of the invoices, to include verification that the invoice and support are in compliance with the contract (or other procurement source, such as purchase orders) as well as whether there was sufficient proof or receipt of goods or services by the Mint. (3 recommendations)

STATISTICAL SUMMARIES

Significant Unimplemented Recommendations as of September 30, 2003

Report Number	Issue Date	Report Title and Recommendation Summary
OIG-02-078	4/02	<p>Revenue Collection: ATF Needs to Improve Its Offers in Compromise Process</p> <p>The ATF Director should: (1) take appropriate action to ensure that N-Spect integration efforts progress as originally planned and/or an appropriate case tracking system is implemented to accomplish accurate and consistent tracking and monitoring of offers in compromise (OIC) cases; (2) ensure that OIC information entered in N-Spect or other appropriate system is reviewed and that any necessary adjustments are made to correct any OIC information that is inaccurate, incomplete, and/or inconsistent; (3) ensure that there is an adequate system in place capable of reporting and tracking OIC cases so that meaningful management reports can be produced; (4) ensure that OIC cases are monitored and analyzed to identify trends and patterns to measure the effectiveness of the OIC case process; (5) ensure that timeliness guidelines are established for processing OIC cases to timely recognize revenue and allow funds to be put to better use; (6) re-emphasize to the field divisions the importance of sending completed OIC case documentation promptly to the NRC; (7) ensure that appropriate follow-up action is taken to resolve OIC cases identified as untimely to more quickly recognize revenue received as a result of an OIC; (8) ensure that OIC case processing procedures are revised and issued to provide clear guidance for processing OIC cases, including a more specific definition for classifying a case as closed, specific instructions regarding OIC workflow process (including entering and closing cases in N-Spect), an updated OIC form that lists the correct address for submitting an offer, and timeliness guidelines for processing OIC cases. The ATF Director should emphasize the importance of implementing these procedures to ensure that OIC cases are processed fairly, consistently, and timely. (8 recommendations) TTB management is responsible for the audit follow-up on these recommendations.</p>
OIG-02-098	6/02	<p>Extensive Claims Review But Few Inspections in ATF's Non-Beverage Drawback Program</p> <p>The ATF Director should ensure that (1) National Revenue Center personnel request field divisions to perform MNBP (manufacturers of non-beverage product) inspections and prioritize the requests so that field division personnel know which inspections to perform first and (2) ensure that field divisions make every effort to complete the number of inspections identified in ATF's annual operating plan. (2 recommendations) TTB management is responsible for the audit follow-up on these recommendations.</p>
OIG-02-105	7/02	<p>Federal Efforts to Recover Unclaimed State-Held Assets Face Many Challenges and Obstacles</p> <p>Treasury should: (1) perform a cost analysis to determine under which circumstances would it be more economical to administer asset recovery duties in-house versus contracting with finders; (2) assess the feasibility and circumstances of providing financial assistance to states for assisting in the recovery of unclaimed federal assets; (3) periodically coordinate with federal agencies to determine the list of agency names, including all the possible name variations, and once determined, provide the current listings of agency names to states; (4) periodically search for federal assets based on the presence of federal organization within each state, city, or county government; and (5) establish procedures to review internal controls regarding unclaimed assets held by states, cities, and counties. (5 recommendations)</p>
OIG-02-115	9/02	<p>Treasury's Planning, Management, and Implementation of a Smart Card and Public Key Infrastructure Needs Improvement</p> <p>The CIO should ensure that Treasury: (1) establishes a Treasury program to effectively manage smart cards and PKI; (2) develops a program plan defining roles and responsibilities, and milestones and resources needed for smart card and PKI initiatives; (3) plans for adequate staffing of employees to support smart card and PKI infrastructure as enterprise architecture; (4) develops a strategy to consolidate and minimize the number of smart card and PKI administrative</p>

STATISTICAL SUMMARIES

Significant Unimplemented Recommendations as of September 30, 2003

Report Number	Issue Date	Report Title and Recommendation Summary
		systems (inventory management, personnel management, administrative, travel, manpower, etc.); (5) develops a detailed Cross-Certification Policy that triggers a multi-phase process designed to achieve a mutually reliable trust relationship; (6) uses another hard token as an interim security measure along with smart cards to provide strong two-factor authentication for digital certificates; and (7) establishes appropriate record management controls for general, sensitive, and secret information related to the Treasury smart card and PKI infrastructure. (7 recommendations)
OIG-02-122	9/02	Community Development Financial Institution (CDFI) Fund The CDFI Fund Director should initiate action to amend the OMB Circular A-133 Compliance Supplement to reflect revised accountability requirements for financial assistance funds. (1 recommendation)

This list of unimplemented recommendations in OIG audit reports is based on information in Treasury's automated audit recommendation tracking system, which is maintained by Treasury management officials.

APPENDIX A - REPORTS ISSUED DURING PERIOD

The following OIG reports were issued during the period of April 1 through September 30, 2003. Each entry in the list contains the name of the report, report number (prefixed by "OIG" for audit reports or "OIG-CA" for evaluation reports, issue date, and if applicable, the amount of revenue enhancements (R), savings (S), and questioned costs (Q).

Improving Treasury's Internal Operations

Mint, Financial Management: Audit of the United States Mint's Fiscal Years 2002 and 2001 Financial Statements, OIG-03-076, 4/14/03

Departmental Offices, Financial Management: Department of the Treasury Payments for Water and Sewer Services Provided by the District of Columbia for the Third Quarter of Fiscal Year 2003, OIG-03-077, 4/23/03

Multi-Bureau, Information Technology: Lack of Bureau Connectivity Remains A Weakness in Treasury Communications System's Disaster Recovery Capability, OIG-03-079, 4/28/03

FMS, Government-Wide Financial Management Services: FMS Continues to Improve Its Controls Over the Access, Disclosure, and Use of Social Security Numbers by Third Parties, OIG-03-083, 5/20/03

Departmental Offices, Financial Management: Department of the Treasury Payments for Water and Sewer Services Provided by the District of Columbia for the Fourth Quarter of Fiscal Year 2003, OIG-03-089, 7/28/03

Multi-Bureau, General Management: Treasury Employees Feel Safer With Greater Awareness of Safety, Physical Security, Evacuation, and Continuity of Operations Planning Procedures, OIG-CA-03-020, 4/2/03

Departmental Offices, Information Technology: Treasury's Cyber-Based Critical Infrastructure Protection Implementation Efforts Remain Inadequate, OIG-03-093, 8/29/03

BPD, Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Administrative Resource Center Accounting Services Division for the Period July 1, 2002 to June 30, 2003, OIG-03-094, 9/10/03

Multi-Bureau, General Management: Bureaus' Policies and Procedures to Ensure the Completeness and Reliability of 2002 Performance Data, OIG-CA-03-022, 7/23/03

Number of OIG Reports Issued (By Office/Bureau) April 1, 2003 – September 30, 2003	
Office/Bureau	Number
TTB	0
BEP	5
BPD	1
Department-wide of Multi-Bureau	4
Departmental Offices	4
FinCen	0
FMS	2
Mint	2
OCC	0
OTS	1
Divested Bureaus	5
Total	24

APPENDIX A - REPORTS ISSUED DURING PERIOD

Multi-Bureau, General Management: Treasury Needs to Approve and Reissue Its Policy on the Rural Development Act of 1972, OIG-CA-03-023, 8/19/03

Working to Maintain Confidence in the Nation's Banking System

Departmental Offices, Treasury's Ongoing Efforts as the Lead Agency for the Banking and Finance Sector Under PDD 63, OIG-CA-03-021, 4/29/03

OTS, Office of Thrift Supervision: Enforcement Actions Taken for Bank Secrecy Act Violations, OIG-03-095, 9/23/03

Overseeing The Nation's Finances

FMS, Government-Wide Financial Management Services: Additional Control and Oversight Needed to Reduce Costs and Improve the Plastic Card Network, OIG-03-088, 7/11/03, **\$ 3,597,000,000 S**

Supervised Contract Audits

Mint, Evaluation of Contractor's Purchasing System, OIG-03-081, 4/30/03

BEP, Examination of Costs Billed Under Contract TEP-95-56 (TN), Task Orders 15 through 28, OIG-03-082, 5/1/03, **\$240,098 Q**

BEP, Contract Audit: Agreed-Upon Procedures on the Proposal for Upgrading Passenger Elevators (BEP-02-029), OIG-03-086, 6/13 /03

BEP, Post Award Audit of the Bureau of Engraving and Printing Contract TEP-03-001, OIG-03-090, 7/18/03

BEP, Agreed-Upon Procedures on the Subcontractor's Proposal for Upgrading Passenger Elevation (BEP-02-029), OIG-03-091, 7/28/03

BEP, Post-Award Audit of Subcontractor Costs on BEP Contract TEP-03-0001, OIG-03-092, 7/28/03

OIG Work Completed on Divested Bureaus

Customs, Revenue Collection: Customs Efforts to Secure the Timely Payment of International Mail Entry Duties Remain Ineffective, OIG-03-075, 4/3/03, **\$ 2,400,000 R**

ATF, Protecting the Public: The Bureau of Alcohol, Tobacco, Firearms, and Explosives' Accounting for the Youth Crime Gun Interdiction Initiative Expenditures Needs to Be Improved, OIG-03-080, 4/28/03

Customs, Revenue Collection: Customs Collected Additional Passenger User Fee Revenue Using A Coordinated Audit Approach, OIG-03-084, 5/30/03

APPENDIX A - REPORTS ISSUED DURING PERIOD

Customs, Financial Management: Bureau of Customs and Border Protection Needs to Improve Compliance With the Continued Dumping and Subsidy Offset Act of 2000 (CDSOA), OIG-03-085, 6/17/03

Customs, Customs Ace Contract Management: Deficiencies Noted With Customs Modernization Contract, OIG-03-087, 6/30/03

APPENDIX B - REFERENCES TO THE INSPECTOR GENERAL ACT



References to the Inspector General Act of 1978, as amended		
Reference	Requirement	Page
Section 4(a)(2)	Review of legislation and regulations	2
Section 5(a)(1)	Significant problems, abuses, and deficiencies	8-26
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	8-26
Section 5(a)(3)	Significant unimplemented recommendations described in previous semi-annual reports	33-35
Section 5(a)(4)	Matters referred to prosecutive authorities	30
Section 5(a)(5)	Summary of instances where information was refused	N/A
Section 5(a)(6)	List of audit reports	36-38
Section 5(a)(7)	Summary of significant reports	8-26
Section 5(a)(8)	Audit Reports with Questioned Costs	31
Section 5(a)(9)	Recommendations that funds be put to better use	31
Section 5(a)(10)	Summary of audit reports issued before the beginning of the reporting period for which no management decision has been made (Reports with Pending Management Decisions)	32
Section 5(a)(11)	Significant revised management decisions made during the reporting period	N/A
Section 5(a)(12)	Management decisions with which the Inspector General is in disagreement	32
Section 5(a)(13)	Instances of unresolved FFIA non-compliance	8

APPENDIX C - ACRONYMS

Acronyms

ACE	Automated Commercial Environment
AIGA	Assistant Inspector General for Audit
AIGI	Assistant Inspector General for Investigations
APHIS	Department of Agriculture's Animal and Plant Health
ATF	Bureau of Alcohol, Tobacco and Firearms
ATSB	Air Transportation Stabilization Board
BEP	Bureau of Engraving and Printing
BPD	Bureau of the Public Debt
BSA	Bank Secrecy Act
CDFI Fund	Community Development Financial Institutions Fund
CDSOA	Continued Dumping and Subsidy Offset Act
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIP	Critical Infrastructure Protection
CTR	Currency Transaction Report
Customs	U.S. Customs Service
DC	District of Columbia
DCAA	Defense Contract Audit Agency
DHS	Department of Homeland Security
DO	Departmental Offices
EEOC	Equal Employment Opportunity Commission
FECA	Federal Employee Compensation Act
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act of 1996
FinCEN	Financial Crimes Enforcement Network
FLETC	Federal Law Enforcement Training Center
FMS	Financial Management Service
FSVC	Financial Services Volunteer Corps
FTE	Full-time Equivalent
FY	Fiscal Year
GAO	General Accounting Office
GMRA	Government Management Reform Act
GSA	General Service Administration
HSA	Homeland Security Act
IDIQ	Indefinite Delivery, Indefinite Quantity
IMB	International Mail Branches
INS	Immigration and Naturalization Service
IPA	Independent Public Accountant

APPENDIX C - ACRONYMS

IRS	Internal Revenue Service
IT	Information Technology
Justice	Department of Justice
Mint	U.S. Mint
MMB	Material Management Branch
MSPB	Merit System Protection Board
NRC	National Record Center
OA	Office of Audit
OC	Office of Counsel
OCC	Office of the Comptroller of the Currency
ODCP	Office of DC Pensions
OFAC	Office of Foreign Asset Control
OI	Office of Investigations
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSC	Office of Special Counsel
OTS	Office of Thrift Supervision
PCIE	President's Council on Integrity and Efficiency
PCN	Plastic Card Network
PDD	Presidential Decision Directive
RDA	Rural Development Act
Secret Service	U.S. Secret Service
SSA	Social Security Administration
SSN	Social Security Number
TCIPP	Treasury Critical Infrastructure Protection Plan
TD	Treasury Directive
TCS	Treasury Communications System
TIGTA	Treasury Inspector General for Tax Administration
TTB	Alcohol and Tobacco Tax and Trade Bureau
USPS	United States Postal Service
YCGII	Youth Crime Gun Interdiction Initiative

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL



APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

The Treasury Office of Inspector General (OIG) was first created in July 1978, when the Secretary of the Treasury established the position of Inspector General (Department Order No. 256). At that time, the OIG was responsible for conducting and overseeing investigations, but not audits, within the Department and its bureaus. Later that year, the Inspector General Act of 1978, Pub. L. 95-452, was enacted. That law established statutory Offices of Inspector General with both investigative and audit responsibilities in several executive departments, but not the Department of the Treasury.

In February 1980, the Department's Office of Audit was transferred to the OIG (Treasury Order 101-14). In June 1982, the internal audit functions of several Treasury offices and bureaus were transferred to the OIG (Treasury Order 101-28). Internal inspection functions of OCC and BEP were transferred, as were an indeterminate number of investigative and clerical positions from the internal affairs functions of ATF, Customs, and Secret Service.

In January 1987, an OIG was formally established within the Department (Treasury Order 100-02). The Office was charged with conducting and supervising audits and investigations relating to programs and operations of the Department. The OIG's independence from all offices and bureaus, responsibility to report directly to the Secretary and Deputy Secretary, and immunity from efforts to interfere with his work, were all proclaimed in this Order, as was the requirement that all Treasury employees and officials report all instances of illegality or wrongdoing of which they became aware. (In May 1988, Treasury Order 100-02 was re-promulgated with minor changes.)

Later in 1988 Congress enacted the Inspector General Act Amendments of 1988 (Pub. L. 100-514), Pub. L. 100-504, which established a statutory Inspector General in the Department of the Treasury. Subsequently, in May 1989 Treasury Order 114-01 was promulgated and implemented the statutory creation of a Treasury Inspector General. The independence of the OIG within the Department, and the obligation of all employees to report all illegality and wrongdoing to the OIG was reaffirmed in Treasury Order 114-01).

More recently, the Internal Revenue Service Restructuring and Reform Act of 1998 (Pub. L. 105-206) created a separate Treasury Inspector General for Tax Administration (TIGTA) responsible for audits and investigations of the programs and operations of the Internal Revenue Service. Further, the Homeland Security Act of 2002 transferred most of the Department's law enforcement bureaus and responsibilities from the Department of the Treasury to the newly created Department of Homeland Security with its own OIG. Included in that transfer was 70 percent of the Treasury OIG's resources.

The Treasury Orders cited above are included in this Appendix on the pages following.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
TREASURY DEPARTMENT ORDER NO. 256

Establishment of the Position of
Inspector General

Pursuant to the authority vested in me as Secretary of the Treasury by Reorganization Plan No. 26 of 1950, there is hereby established the position of Inspector General reporting directly to the Secretary and Deputy Secretary. The Inspector General is authorized to perform the following duties:

1. Receive and analyze allegations of (i) illegal acts, (ii) violations of the Rules of Conduct of the Treasury Department or Bureaus, (iii) violations of the merit system or (iv) any other misconduct (if the matter is one which is not appropriate for normal grievance or appeal procedure or other routine management action) concerning any official or employee of any Treasury office or Bureau.
2. Receive by referral from head of Treasury offices or Bureaus serious allegations of official or employee misconduct which the Treasury office or Bureau does not want to investigate using its own staff.
3. With regard to senior Treasury and Bureau officials:
 - a. Initiate, organize, direct, and control investigations of any allegations received pursuant to paragraphs 1 or 2 against such officials which have potential validity and which, within the discretion of the Inspector General, merit such action, and,
 - b. Review and report the results of investigations of senior officials conducted by the Inspector General or at his or her direction to the Secretary or Deputy Secretary for appropriate action.
4. Refer allegations of misconduct by any non-senior official or employee of a Treasury office or Bureau that does not have an inspection service

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

- to any Inspection service within Treasury for investigation and receive a full report of the results of such investigation.
5. Refer any complaints concerning improper activity of a non-senior official or employee of a Treasury office or Bureau that has an Inspection service to that service and receive a full report concerning the investigation and action taken concerning any such referral.
 6. Conduct in exceptional situations such investigations as may be specifically directed by the Secretary or Deputy Secretary concerning any allegations or misconduct by an official or employee of any Treasury office or Bureau.
 7. Review existing policies, procedures and operations for ascertaining, reporting and investigating misconduct of officials and employees of any Treasury office or Bureau and, after consulting with other Treasury officials as may be appropriate, make recommendations, if any, to the Secretary or Deputy Secretary for their change or implementation.
 8. Carry out those duties and functions set forth in Treasury Department Order No. 246 (Rev.) which are required of the Department under Executive Order 12036 and relate to the oversight of foreign intelligence activities in Treasury.
 9. Obtain, as needed, under prescribed procedures developed pursuant to paragraph 10, investigative and other support personnel from Inspection services within Treasury for conducting investigations under his or her direct supervision, any such detailed personnel to remain on the rolls of the services from which they are detailed but to report exclusively to the Inspector General as to the matter being investigated.
 10. Develop detailed procedures and definitions for approval by the Deputy Secretary and Secretary which shall become a part of this Order.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

This Order does not change or reduce the authority presently existing in Treasury offices or Bureaus having Inspection services to conduct their own investigations in accordance with their procedures with the exception of investigations being conducted by the Inspector General. Where notice is received by a Treasury office or Bureau from the Inspector General that he or she is conducting an investigation in a particular area, no investigation or similar activity will be initiated or continued in that area by any Treasury office or Bureau except with the approval of the Inspector General.


W. Michael Blumenthal

Date: July 18, 1978

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL



DEPARTMENT OF THE TREASURY ORDER

Number: 101-14

Subject: Transfer of the Office of Audit to the Inspector General Date: 2-20-80

Pursuant to the authority vested in me as Secretary of the Treasury, including the authority contained in Reorganization Plan No. 26 of 1950, it is ordered that:

1. The Office of Audit is transferred from the jurisdiction and supervision of the Assistant Secretary (Administration) to that of the Inspector General; specifically transferred are the personnel, records, property, duties, and responsibilities of the Office of Audit except the following responsibilities and associated resources which shall be retained by the Assistant Secretary (Administration):

a. Accounting Policy. The responsibilities for providing professional assistance to Treasury bureaus on improving financial management as it relates to administrative appropriations. This includes the review and appraisal of accounting systems in operation and the approval of new or modified systems preparatory to obtaining final approval by the Comptroller General of the United States.

b. Travel Policy. The responsibilities for developing and interpreting Treasury travel policies consistent with GSA and other Government regulations and reviewing, on behalf of the Deputy Secretary, bureau requests for use of first class travel.

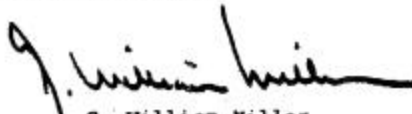
TD F 80-01.K (11-78)

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

-2-

2. This Order is effective immediately.

3. This Order supersedes Treasury Department Order No. 200 (Amendment 1) dated June 24, 1971.



G. William Miller
Secretary of the Treasury

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL



DEPARTMENT OF THE TREASURY ORDER

Number: 101-28

Date: 6-7-82

Subject: Transfer of Internal Audit Function
and Internal Investigative Functions
and Positions to the Office of
Inspector General

Pursuant to the authority vested in me as Secretary of the Treasury, including the authority vested in me by Reorganization Plan No. 26 of 1950, it is ordered that:

Section 1. There is hereby transferred to the Office of Inspector General the internal audit function (excluding management review) of the following offices:

- a. The Office of Internal Affairs, Bureau of Alcohol, Tobacco and Firearms;
- b. The Division of Inspections and Audits, Office of the Comptroller of the Currency;
- c. The Office of Management Integrity, Customs Service;
- d. The Office of Audit and Internal Affairs, Bureau of Engraving and Printing;
- e. The Audit Staff, Bureau of Government Financial Operations;
- f. The Internal Audit Staff, Federal Law Enforcement Training Center;
- g. The Internal Audit Staff, Bureau of the Mint;
- h. The Division of Internal Audit, Bureau of Public Debt; and
- i. The Office of Inspection, Secret Service.

Section 2. There is hereby transferred to the Office of Inspector General the internal inspection function of the following offices:

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

- 2 -

a. The Division of Inspections and Audits, Office of the Comptroller of the Currency;

b. The Office of Audit and Internal Affairs, Bureau of Engraving and Printing.

Section 3.

a. All positions, personnel, records, property, contracts, ~~powers~~, ~~duties~~, responsibilities, and unexpended balances (available or to be made available) of appropriations, authorizations, allocations, and other funds attributable to the internal audit and investigative functions as identified in Sections 1 and 2 above are transferred to the Office of Inspector General.

b. A pro rata share of administrative support and indirect costs attributable to the internal audit and investigative functions as identified in Sections 1 and 2 above are transferred to the Office of the Secretary.

c. The management review function of the offices listed in Sections 1 and 2 above shall not be transferred to the Office of Inspector General, nor shall the personnel, positions, or resources attributable to those functions be transferred.

d. The specific elements transferred by subsections (a) and (b) of this Section shall be described by determination order. The Department's FY 1984 appropriation request will include resources for the IG in accordance with OMB Circular A-11 procedures.

Section 4. Effective immediately, no positions attributable to the internal audit function shall be transferred out of the offices listed in Section 1 above, nor shall any positions attributable to either the internal audit or internal inspection functions be transferred out of the offices listed in Section 2 above, without the approval of the Inspector General. Neither shall any personnel be transferred into the functions within those offices without the approval of the Inspector General.

Section 5.

a. There is hereby transferred to the Office of Inspector General a number of GS-1811 investigative positions and a number of clerical positions, to be drawn from any or all of the following offices:

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

- 3 -

- (1) The Office of Internal Affairs, Bureau of Alcohol, Tobacco and Firearms;
- (2) The Office of Management Integrity, Customs Service; and
- (3) The Office of Inspection, Secret Service.

b. The number of positions and the specific personnel transferred to the Office of Inspector General shall be as agreed by the Inspector General and the Assistant Secretary (Enforcement and Operations).

Section 6. All property and funds necessary to support the positions transferred in Section 5 above, including but not limited to salary, travel, and administrative funds, are transferred to the Office of Inspector General.

Section 7. All Treasury Orders and Directives, including Treasury Department Order No. 256 and Treasury Directive 15.01, as they relate to the internal investigative activities of the Office of Inspector General, shall remain in effect. All other orders, directives, and delegations, to the extent that they are inconsistent with this Order, are hereby revoked.

Section 8. The Inspector General shall prepare, for the approval of the Secretary or Deputy Secretary, such further orders as are necessary to carry out the purposes of this Order.

Section 9. The Inspector General is authorized to promulgate policies and procedures, and to sign memoranda of understanding with appropriate Secretarial Officers, to implement the provisions of this Order.

Section 10. Bureaus shall provide the necessary assistance to implement the transfer of authorities, positions and functions effectuated by this Order.

Section 11.

a. Sections 1, 2, 3, and 6 of this Order shall be effective October 1, 1982, with the following exceptions.

(1) Consistent with applicable Departmental policies and regulations, the Inspector General shall assume full personnel management authority over all personnel identified with the functions specified in Sections 1 and 2, effective July 1, 1982. Such authority may be delegated at the discretion of the Inspector General. The Inspector General

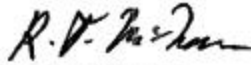
APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

-4-

shall also have the authority to use the resources attributable to the functions specified in Sections 1 and 2 and to the positions transferred by Section 5, effective July 1, 1982. Administrative costs, including but not limited to salary and travel expenses, required to maintain the functions specified in Sections 1 and 2 and to support the positions transferred by Section 5 shall remain the responsibility of each respective bureau or office until October 1, 1982.

(2) Property and records will transfer as provided for in Sections 3 and 6, effective August 1, 1982.

b. Section 5, 7, 8, and 9 are effective July 1, 1982. Sections 4 and 10 are effective immediately.



R. T. McNamar
Acting Secretary of the Treasury

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL



DEPARTMENT OF THE TREASURY ORDER

Superseded by
TU 100-02 05/03/8

DATE: January 13, 1987

NUMBER: 100-02

SUBJECT: Establishment of the Office of the Inspector General
and Delegation of Authority to the Inspector General

By virtue of my authority as Secretary of the Treasury, including the authority contained in 31 U.S.C. 321(b), and 5 U.S.C. 301 and 302, it is hereby ordered that:

1. ESTABLISHMENT OF THE OFFICE OF THE INSPECTOR GENERAL (OIG).

a. There is hereby established within the Department of the Treasury, the Office of the Inspector General, which shall conduct and supervise audits and investigations relating to programs and operations within the Department as detailed in this order.

b. The Office of the Inspector General shall also provide leadership and coordination and recommend policies for activities designed to:

(1) promote economy, efficiency, and effectiveness in the administration of Departmental programs and activities;

(2) prevent and detect fraud, waste, and abuse in Departmental programs and operations; and

(3) inform the Secretary and Deputy Secretary of any problems or concerns with the administration of such programs and operations and the need for and progress of corrective action.

c. The Office of the Inspector General shall be independent of all other offices and bureaus within the Department.

d. The head of the Office of the Inspector General shall be the Inspector General (IG) who shall be appointed by the Secretary of the Treasury and who shall report to and operate under the general supervision of the Secretary and/or the Deputy Secretary.

e. No officer or employee of the Department shall prevent the Inspector General from initiating, carrying out, or completing any duly authorized audit or investigation, or prevent any duly appointed officer or employee of the Office of the Inspector General from obtaining access to any information or documentation which the Inspector General has determined is necessary to the execution of an audit or investigation.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 2

TO 100-02
01-13-87

2. AUTHORITY AND RESPONSIBILITY OF THE INSPECTOR GENERAL FOR THE CONDUCT AND OVERSIGHT OF INVESTIGATIONS.

a. The Inspector General is hereby delegated the authority to receive, analyze and evaluate allegations of illegal acts, violations of the Rules of Conduct of the Treasury Department and of the bureaus, violations of the merit system, and any other misconduct concerning any official or employee of any Treasury office or bureau or, in the case of alleged illegal acts or misconduct, any Treasury contractor, subcontractor, or offeror.

b. All employees and officials of the Department of the Treasury shall report to the Inspector General all matters which they believe raise questions of illegality or wrongdoing pursuant to paragraph a. above. Employees and officials who work in bureaus or offices with internal affairs or inspection offices, shall report such matters either to the head of those offices or to the Inspector General.

c. The Inspector General is hereby delegated the authority to initiate, organize, conduct, direct and control investigations of any allegations received pursuant to paragraph a. above, concerning the Department's senior officials, i.e., Presidential appointees, SES members, and GS or GM-15s and above.

d. If the allegation to be investigated involves a non-senior official or employee of a Treasury law enforcement bureau, the Inspector General shall refer the investigation to that bureau's internal affairs or inspection office and shall receive a full report of the investigation and any action taken on the matter referred.

e. If the allegation to be investigated involves a non-senior official or employee of a Treasury bureau or office that does not have an internal affairs or inspection office, the Inspector General may refer the investigation to a bureau which has such an office, which will undertake the investigation and will prepare a full report for the Inspector General of the investigation and of any action taken on the matter referred.

f. Paragraphs d. and e. above notwithstanding, the Inspector General shall conduct any investigation which he or she is directed to conduct by the Secretary or Deputy Secretary concerning any allegation of misconduct by an official, employee or contractor of the Treasury. The Inspector General may also conduct any investigation which involves alleged notorious conduct or other matter which, in his or her opinion, is especially sensitive or of Departmental significance.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

TO 100-02

Page 3

01-13-87

g. If an allegation involves a matter which is appropriate for the Departmental or a bureau grievance or appeal procedure, or other routine management action, the Inspector General may refer such matter to the appropriate office or bureau for handling.

h. This Order does not change or reduce the authority of Treasury offices or bureaus which had established internal affairs and inspection offices as of July 18, 1978, to conduct investigations in accordance with their own internal procedures, with the exception of those investigations being conducted by the Inspector General. However, when the Inspector General gives notice to a bureau or office that an OIG investigation is being conducted in that bureau or office, no internal investigation will be initiated and any ongoing investigation into the same matter will immediately cease.

i. All law enforcement bureau internal affairs and inspection offices shall periodically report to the Inspector General their significant current investigative activities.

j. The Inspector General may review, evaluate, and approve all Departmental and bureau programs, plans, policies and operations for investigative misconduct and may make recommendations for changes.

k. The Inspector General shall require, receive, review, and analyze all reports informing the Secretary or Deputy Secretary of any significant problems, abuses, or deficiencies disclosed in any bureau or office investigation and the actions taken to correct them.

l. The Inspector General may, at his or her discretion, report the results of the investigation of any senior official to the Secretary or Deputy Secretary or other appropriate management official for action.

m. The Inspector General is hereby delegated authority to receive all matters referred to the Department of the Treasury by the Special Counsel of the Merit Systems Protection Board, regarding allegations or prohibited personnel practices. He or she may investigate such matters or, as appropriate, may refer such matters for investigation to a law enforcement bureau internal affairs or inspection office, except for matters concerning the Internal Revenue Service (IRS), which shall be referred directly to that bureau.

n. The Inspector General shall receive and review reports of investigations by any bureau or office conducting such investigations, except for IRS, and may prepare or delegate to the appropriate bureau or office for preparation, final reports to

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 4

TO 100-02
01-13-87

the Special Counsel for review and signature of the Deputy Secretary or Under Secretary as the Secretary's designees, except for IRS which shall prepare its own final reports to the Special Counsel.

3. AUTHORITY AND RESPONSIBILITY OF THE INSPECTOR GENERAL FOR THE CONDUCT AND OVERSIGHT OF AUDITS.

- a. The Inspector General is hereby delegated complete authority for performing internal audits of all Treasury bureaus and offices, with the exception of the law enforcement bureaus. The law enforcement bureaus are the: Internal Revenue Service, U.S. Customs Service, Bureau of Alcohol, Tobacco and Firearms, and U.S. Secret Service.
- b. The Inspector General may audit or authorize law enforcement bureau internal affairs or inspection offices to audit any Treasury program, activity, or function, including any Treasury or bureau contractor, subcontractor, or offeror.
- c. The Inspector General shall coordinate all requests submitted by IGs from other Government departments and agencies for audit services within the Department.
- d. The Inspector General and, as appropriate, the Heads of Internal Audit in the law enforcement bureaus shall distribute copies of final audit reports to all headquarters and field officials responsible for taking corrective action on matters covered by those reports.
- e. The Inspector General shall keep the Secretary or Deputy Secretary informed of any significant problems, abuses, or deficiencies disclosed in audits and the actions taken to correct them.
- f. The Inspector General is responsible for formulating Departmental audit policies and priorities and assuring implementation of Federal audit standards in the Department.
- g. The Inspector General may review, evaluate, and approve law enforcement bureau internal affairs and inspection offices' programs, plans, policies, reports and operations for internal auditing and may make recommendations for changes.
- h. The Inspector General shall receive and may review and analyze all law enforcement bureau internal affairs and inspection offices' audit plans and reports as a basis for evaluating audit services to management.
- i. All law enforcement Bureau internal affairs and inspection offices shall periodically report to the Inspector General their significant current audit activities.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

TO 100-02
01-13-87

Page 5

4. AUTHORITY OF THE INSPECTOR GENERAL FOR INTELLIGENCE ACTIVITIES.

a. Pursuant to Section 4 of Executive Order 12334, the Inspector General shall, together with the General Counsel, to the extent permitted by law, report to the President's Intelligence Oversight Board, concerning intelligence activities that he or she has reason to believe may be unlawful or contrary to Executive order or Presidential directive.

b. All Treasury employees shall report to the Inspector General, the General Counsel, or the head of the inspection or internal affairs office of their bureau, any matters which they believe raise questions or propriety or legality under Executive Order 12333.

c. At appropriate intervals, The Inspector General shall review any foreign intelligence activities of the Treasury Department to determine whether any such activities raise questions of propriety under Executive Order 12333. Any questions arising from this review as to the legality of such activities shall be referred to the General Counsel.

d. All law enforcement bureau internal affairs and inspection offices shall review at appropriate intervals the activities of their bureaus in their relations with the United States foreign intelligence agencies to determine whether such activities raise questions of legality or propriety. Any questions of legality or propriety arising from this review shall be reported to the Inspector General who shall refer to the General Counsel any illegal activities.

e. The Inspector General, together with the General Counsel, shall review any agreement between the Treasury Department or any of its bureaus or offices and the Central Intelligence Agency (CIA), dealing with arrangements of a continuing nature.

f. The Inspector General, together with the General Counsel, shall, when requested, consult with the Office of Intelligence Support regarding CIA or Treasury requests for support or assistance where there is no current written arrangement for such support or assistance.

g. The Inspector General shall, together with the General Counsel, consult with the Under Secretary, when requested, with regard to arrangements for support or assistance between the Treasury and any other intelligence agency of the Federal government except for arrangements between the Federal Bureau of Investigation and the Internal Revenue Service, which shall be the responsibility of the Commissioner of Internal Revenue.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 6

TO 100-02
01-13-87

5. PERSONNEL AUTHORITY.

a. The Inspector General may obtain as needed, under procedures he or she develops, investigative, audit, and support personnel from law enforcement bureau internal affairs and inspection offices for conducting investigations or audits under his or her direct supervision. Any detailed personnel shall remain on the rolls of the service or office from which they were detailed but will report exclusively to the Inspector General regarding the matter being investigated or audited.

b. Bureau heads shall consult with the Inspector General in recruiting and selecting candidates to head the internal affairs or inspection offices of the law enforcement bureaus. Bureau heads shall, prior to issuance, submit annual performance evaluations of incumbent heads of internal affairs or inspection offices to the Inspector General for review.

6. REGULATORY AUTHORITY. The Inspector General is hereby delegated authority to promulgate any rules, regulations, directives, memoranda of understanding, policies and procedures necessary to implement his or her duties and responsibilities pursuant to this Order.

7. CANCELLATION AND CONSOLIDATION OF PREVIOUS ORDERS.

a. This Order supersedes the following Treasury Department Orders (TDO):

(1) TDO 256, "Establishment of the Position of Inspector General," dated July 18, 1978;

(2) TDO 101-14, "Transfer of the Office of Audit to the Inspector General," dated February 20, 1980; and

(3) TDO 101-28, "Transfer of Internal Audit Function and Internal Investigative Functions and Positions to the Office of the Inspector General," dated June 7, 1982.

b. This Order supersedes those parts of the following orders which set forth duties of the Inspector General:

(1) TDO 240 (Revision 1), "Liaison Between Subordinate Organizational Units of the Treasury and the Central Intelligence Agency," dated July 18, 1978;

(2) TDO 246 (Revision 1), "Responsibilities for Oversight of Foreign Intelligence Activities Under Executive Order 12036," dated July 18, 1978. Inspector General's duties are set forth in paragraphs number 1, 3, 5, and 6;

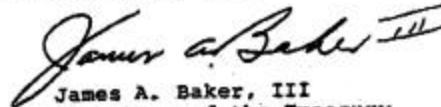
APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

TO 100-02
11-13-87

Page 7

(3) TDO 101-4, "Delegation of Authority to the Inspector General to Receive Referrals from the Merit Systems Protection Board, and Delegation to the Deputy Secretary, to the Under Secretary and to the Commissioner of Internal Revenue to Sign Final Reports," dated April 13, 1979. Inspector General's duties are set forth in Part 1 of this Order; and

(4) TDO 101-15, "Delegations of Authority to the Deputy Secretary and Inspector General Relating to Treasury Auditing and Inspection Activities," dated February 27, 1980.



James A. Baker, III
Secretary of the Treasury

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL



DEPARTMENT OF THE TREASURY ORDER

Superseded by
TD 80-01.7 05/06/89

DATE: May 3, 1988

NUMBER: 100-02

SUBJECT: The Office of the Inspector General and Delegation of Authority to the Inspector General

By virtue of my authority as Secretary of the Treasury, including the authority contained in 31 U.S.C. 321(b), and 5 U.S.C. 301 and 302, it is hereby ordered that:

1. ESTABLISHMENT OF THE OFFICE OF THE INSPECTOR GENERAL (OIG).

a. There is hereby established within the Department of the Treasury, the Office of the Inspector General, which shall conduct and supervise audits and investigations relating to programs and operations within the Department as detailed in this order.

b. The Office of the Inspector General shall also provide leadership and coordination and recommend policies for activities designed to:

(1) promote economy, efficiency, and effectiveness in the administration of Departmental programs and activities;

(2) prevent and detect fraud, waste, and abuse in Departmental programs and operations; and

(3) inform the Secretary and Deputy Secretary of any problems or concerns with the administration of such programs and operations and the need for and progress of corrective action.

c. The Office of the Inspector General shall be independent of all other offices and bureaus within the Department.

d. The head of the Office of the Inspector General shall be the Inspector General (IG) who shall be appointed by the Secretary of the Treasury and who shall report to and operate under the general supervision of the Secretary and/or the Deputy Secretary.

e. No officer or employee of the Department shall prevent the Inspector General from initiating, carrying out, or completing any duly authorized audit or investigation, or prevent any duly appointed officer or employee of the Office of the Inspector General from obtaining access to any information or documentation which the Inspector General has determined is necessary to the execution of an audit or investigation.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 2

TO 100-02

2. AUTHORITY AND RESPONSIBILITY OF THE INSPECTOR GENERAL FOR THE CONDUCT AND OVERSIGHT OF INVESTIGATIONS.

a. The Inspector General is hereby delegated the authority to receive, analyze and evaluate allegations of illegal acts, violations of the Rules of Conduct of the Treasury Department and of the bureaus, violations of the merit system, and any other misconduct concerning any official or employee of any Treasury office or bureau or, in the case of alleged illegal acts or misconduct, any Treasury contractor, subcontractor, or offeror.

b. All employees and officials of the Department of the Treasury shall report to the Inspector General all matters which they believe raise questions of illegality or wrongdoing pursuant to paragraph a. above. Employees and officials who work in bureaus or offices with internal affairs or inspection offices, shall report such matters either to the head of those offices or to the Inspector General.

c. The Inspector General is hereby delegated the authority to initiate, organize, conduct, direct and control investigations of any allegations received pursuant to paragraph a. above, concerning the Department's senior officials, i.e., Presidential appointees, SES members, and GS or GM-15s and above.

d. If the allegation to be investigated involves a non-senior official or employee of a Treasury law enforcement bureau, the Inspector General shall refer the investigation to that bureau's internal affairs or inspection office and shall receive a full report of the investigation and any action taken on the matter referred.

e. If the allegation to be investigated involves a non-senior official or employee of a Treasury bureau or office that does not have an internal affairs or inspection office, the Inspector General may refer the investigation to a bureau which has such an office, which will undertake the investigation and will prepare a full report for the Inspector General of the investigation and of any action taken on the matter referred.

f. Paragraphs d. and e. above notwithstanding, the Inspector General shall conduct any investigation which he or she is directed to conduct by the Secretary or Deputy Secretary concerning any allegation of misconduct by an official, employee or contractor of the Treasury. The Inspector General may also conduct any investigation which involves alleged notorious conduct or other matter which, in his or her opinion, is especially sensitive or of Departmental significance.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

TO 100-02

Page 3

g. If an allegation involves a matter which is appropriate for the Departmental or a bureau grievance or appeal procedure, or other routine management action, the Inspector General may refer such matter to the appropriate office or bureau for handling.

h. This Order does not change or reduce the authority of Treasury offices or bureaus which had established internal affairs and inspection offices as of July 18, 1978, to conduct investigations in accordance with their own internal procedures, with the exception of those investigations being conducted by the Inspector General. However, when the Inspector General gives notice to a bureau or office that an OIG investigation is being conducted in that bureau or office, no internal investigation will be initiated and any ongoing investigation into the same matter will immediately cease.

i. All law enforcement bureau internal affairs and inspection offices shall periodically report to the Inspector General their significant current investigative activities.

j. The Inspector General may review, evaluate, and approve all Departmental and bureau programs, plans, policies and operations for investigative misconduct and may make recommendations for changes.

k. The Inspector General shall require, receive, review, and analyze all reports informing the Secretary or Deputy Secretary of any significant problems, abuses, or deficiencies disclosed in any bureau or office investigation and the actions taken to correct them.

l. The Inspector General may, at his or her discretion, report the results of the investigation of any senior official to the Secretary or Deputy Secretary or other appropriate management official for action.

m. The Inspector General is hereby delegated authority to receive all matters referred to the Department of the Treasury by the Special Counsel of the Merit Systems Protection Board, regarding allegations or prohibited personnel practices. He or she may investigate such matters or, as appropriate, may refer such matters for investigation to a law enforcement bureau internal affairs or inspection office, except for matters concerning the Internal Revenue Service (IRS), which shall be referred directly to that bureau.

n. The Inspector General shall receive and review reports of investigations by any bureau or office conducting such investigations, except for IRS, and may prepare or delegate to the appropriate bureau or office for preparation, final reports to

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 4

TO 100-02

the Special Counsel for review and signature of the Deputy Secretary or Under Secretary as the Secretary's designee, except for IRS which shall prepare its own final reports to the Special Counsel.

3. AUTHORITY AND RESPONSIBILITY OF THE INSPECTOR GENERAL FOR THE CONDUCT AND OVERSIGHT OF AUDITS.

a. The Inspector General is hereby delegated complete authority for performing internal audits of all Treasury bureaus and offices, with the exception of the law enforcement bureaus. The law enforcement bureaus are the: Internal Revenue Service, U.S. Customs Service, Bureau of Alcohol, Tobacco and Firearms, and U.S. Secret Service.

b. The Inspector General may audit or authorize law enforcement bureau internal affairs or inspection offices to audit any Treasury program, activity, or function, including any Treasury or bureau contractor, subcontractor, or offeror.

c. The Inspector General shall coordinate all requests submitted by IGs from other Government departments and agencies for audit services within the Department.

d. The Inspector General and, as appropriate, the Heads of Internal Audit in the law enforcement bureaus shall distribute copies of final audit reports to all headquarters and field officials responsible for taking corrective action on matters covered by those reports.

e. The Inspector General shall keep the Secretary or Deputy Secretary informed of any significant problems, abuses, or deficiencies disclosed in audits and the actions taken to correct them.

f. The Inspector General is responsible for formulating Departmental audit policies and priorities and assuring implementation of Federal audit standards in the Department.

g. The Inspector General may review, evaluate, and approve law enforcement bureau internal affairs and inspection offices' programs, plans, policies, reports and operations for internal auditing and may make recommendations for changes.

h. The Inspector General shall receive and may review and analyze all law enforcement bureau internal affairs and inspection offices' audit plans and reports as a basis for evaluating audit services to management.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

TO 100-02

Page 5

i. All law enforcement Bureau internal affairs and inspection offices shall periodically report to the Inspector General their significant current audit activities.

4. AUTHORITY OF THE INSPECTOR GENERAL FOR INTELLIGENCE ACTIVITIES.

a. Pursuant to Section 4 of Executive Order 12334, the Inspector General shall, together with the General Counsel, to the extent permitted by law, report to the President's Intelligence Oversight Board, concerning intelligence activities that he or she has reason to believe may be unlawful or contrary to Executive order or Presidential directive.

b. All Treasury employees shall report to the Inspector General, the General Counsel, or the head of the inspection or internal affairs office of their bureau, any matters which they believe raise questions or propriety or legality under Executive Order 12333.

c. At appropriate intervals, The Inspector General shall review any foreign intelligence activities of the Treasury Department to determine whether any such activities raise questions of propriety under Executive Order 12333. Any questions arising from this review as to the legality of such activities shall be referred to the General Counsel.

d. All law enforcement bureau internal affairs and inspection offices shall review at appropriate intervals, the activities of their bureaus in their relations with the United States foreign intelligence agencies to determine whether such activities raise questions of legality or propriety. Any questions of legality or propriety arising from this review shall be reported to the Inspector General who shall refer to the General Counsel any illegal activities.

5. PERSONNEL AUTHORITY.

a. The Inspector General may obtain as needed, under procedures he or she develops, investigative, audit, and support personnel from law enforcement bureau internal affairs and inspection offices for conducting investigations or audits under his or her direct supervision. Any detailed personnel shall remain on the rolls of the service or office from which they were detailed but will report exclusively to the Inspector General regarding the matter being investigated or audited.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

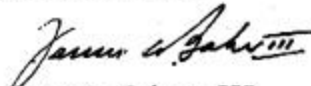
Page 6

TO 100-02

b. Bureau heads shall consult with the Inspector General in recruiting and selecting candidates to head the internal affairs or inspection offices of the law enforcement bureaus. Bureau heads shall, prior to issuance, submit annual performance evaluations of incumbent heads of internal affairs or inspection offices to the Inspector General for review.

6. REGULATORY AUTHORITY. The Inspector General is hereby delegated authority to promulgate any rules, regulations, directives, memoranda of understanding, policies and procedures necessary to implement his or her duties and responsibilities pursuant to this Order.

7. CANCELLATION. Treasury Order 100-02, "Establishment of the Office of the Inspector General and Delegation of Authority to the Inspector General," dated January 13, 1987.


James A. Baker, III
Secretary of the Treasury

TOTAL P.23

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 1 of 8

BY ORDER OF THE SECRETARY OF THE TREASURY

TREASURY ORDER: 114-01

DATE: May 16, 1989

SUNSET REVIEW: TBD

SUBJECT: Office of Inspector General

By virtue of my authority as Secretary of the Treasury, including the authority contained in P.L. 100-504 (the Inspector General Act Amendments of 1988), 31 U.S.C. 321(b), 5 U.S.C. 301, and 302, it is hereby ordered that:

1. The Office of Inspector General (OIG).

a. There is within the Department of the Treasury an Office of Inspector General (OIG). The OIG shall be headed by an Inspector General (IG) who is appointed by the President and who shall report to and be under the general supervision of the Secretary and the Deputy Secretary. The IG shall provide policy direction for and shall conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Department.

b. The Office of Inspector General shall include the former administratively established Office of the Inspector General and the internal audit functions of the following offices:

- (1) Office of Internal Affairs, Bureau of Alcohol, Tobacco and Firearms;
- (2) Office of Internal Affairs, United States Customs Service; and
- (3) Office of Inspection, United States Secret Service.

c.

(1) The Office of Inspector General shall be placed organizationally within the Departmental Offices, but shall be independent of the Departmental Offices and all other offices and bureaus within the Department. Each fiscal year, the Inspector General shall submit to the Secretary a request for a separate appropriation account as contemplated by 31 U.S.C. 1105(a)(25). The staffing and funding level transmitted to OMB for the Inspector General shall be subject to final determination by the Secretary or the Deputy Secretary.

(2) The Office of the Inspector General shall be provided by the Department, and/or the bureaus, with adequate and appropriate office space at central and field office locations together with such equipment, office supplies, communications facilities and services necessary for the effective operation of such offices, and shall be provided with necessary maintenance services for such offices, equipment, and facilities located therein. For Fiscal Year 1991 and thereafter, the Office of Inspector General shall reimburse the providing entity for the costs of providing such space, equipment, supplies, communications facilities and services, and maintenance thereof. In addition, this paragraph is not to be construed to affect the extent of

<http://www.ustreas.gov/regs/to114-01.htm>

10/29/2003

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 2 of 8

the Inspector General's obligation to reimburse providing entities for the costs of providing space, equipment, supplies, communications facilities and services, and maintenance thereof in Fiscal Years 1989 or 1990.

d. All employees and officials of the Department of the Treasury shall report to the Inspector General any complaints or information concerning the possible existence of any activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority, or a substantial and specific danger to the public health and safety relating to the Department, except that law enforcement bureau employees, i.e., employees of the Internal Revenue Service; United States Customs Service; Bureau of Alcohol, Tobacco and Firearms; and the United States Secret Service, shall report such matters either to the heads of the Internal Affairs or Inspection Offices of the bureau in which they work, or to the Inspector General.

e.

(1) No officer or employee of the Department shall prevent the Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena during the course of an audit or investigation, except that the Inspector General shall be under the authority, direction, and control of the Secretary and the Deputy Secretary of the Treasury with respect to matters set forth in Section 8C(a) of the Inspector General Act, as amended.

(2) No officer or employee of the Department shall prevent or prohibit any duly appointed officer or employee of the Office of Inspector General from obtaining access to any information or documentation which the Inspector General has determined is necessary to the execution of an audit, investigation or other inquiry, except that the Inspector General shall be under the authority, direction, and control of the Secretary and the Deputy Secretary of the Treasury with respect to matters set forth in Section 8C(a) of the Inspector General Act, as amended.

(3) Whenever information or assistance requested by the OIG is unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary or Deputy Secretary without delay.

f.

(1) The Inspector General shall have access to returns and return information, as defined in section 6103(b) of the Internal Revenue Code of 1986, only in accordance with the provisions of section 6103 of such Code and the Inspector General Act Amendments of 1988.

(2) Access by the Inspector General to returns and return information under section 6103(h) (1) of such Code shall be subject to the following additional requirements:

(a) In order to maintain internal controls over access to returns and return information, the Inspector General (or in the absence of the Inspector General, the Acting Inspector General, the Deputy Inspector General, the Assistant Inspector General for Audit, or the Assistant Inspector General for Investigations) shall provide the Assistant Commissioner (Inspection) of the Internal Revenue Service (IRS) written notice of the Inspector General's intent to access returns and return

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 3 of 8

information;

(b) If the Inspector General determines that the Assistant Commissioner (Inspection) of the IRS should not be made aware of a notice of access to returns and return information, such notice shall be provided to the Senior Deputy Commissioner of the IRS; and

(c) Such notice shall clearly indicate the specific returns or return information being accessed and shall contain a certification by the Inspector General (or in the absence of the Inspector General, the Acting Inspector General, the Deputy Inspector General, the Assistant Inspector General for Audit, or the Assistant Inspector General for Investigation") that the returns or return information being accessed are needed for a purpose described under section 6103(h)(1) of the Internal Revenue Code of 1986. The notice shall also identify those employees of the Office of Inspector General who may receive such returns or return information.

2. Duties and Responsibilities of the Inspector General.

a. In General.

(1) The Inspector General shall recommend policies for and shall conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Department;

(2) The Inspector General shall recommend policies for and shall conduct, supervise, and coordinate other activities for the purpose of promoting economy and efficiency in the administration of, and for preventing and detecting fraud and abuse in, the Department's programs and operations;

(3) The Inspector General shall recommend policies for and shall coordinate relationships between the Department and other Federal, State and local governmental agencies and nongovernmental entities with respect to:

(a) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by the Department; and

(b) the identification, investigation, and prosecution of participants in such fraud and abuse. Provided, however, that the responsibilities and authorities of the Inspector General under this paragraph shall not be construed to impair or reduce the responsibilities of program managers to ensure that their programs are administered in an economic and efficient manner and that such programs are protected against waste, fraud and abuse. Similarly, this paragraph shall not be construed to prevent program managers from coordinating with other agencies in fulfilling their responsibilities for proper administration of their programs;

(4) The Inspector General shall keep the Secretary and Deputy Secretary fully and currently informed concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of the program and operations of the Department. The IG shall recommend corrective action concerning such problems, abuses, and deficiencies and shall

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 4 of 8

report on the progress made in implementing such corrective action;

(5) In the event that the Inspector General becomes aware of a particularly serious or flagrant problem, abuse, or deficiency, relating to the administration of programs and operations of the Department, the IG shall report immediately to the Secretary who shall transmit such report to the appropriate committees or subcommittees of Congress within seven calendar days, together with a report from the Secretary containing any comments he deems appropriate,

(6) The Inspector General shall prepare semiannually, not later than Apr 1 30 and October 31 of each year, a report to the Secretary for transmission to Congress within thirty days after receipt, pursuant to Section 5(a) of the Inspector General Act, as amended, summarizing the activities of the OIG and the Internal Affairs and Inspector Offices during the immediately preceding six-month period;

(7) The Inspector General shall institute Departmentwide policies for resolving disagreements between the OIG and auditees related to findings and recommendations included in OIG audit reports. To the extent practicable and appropriate, such policies shall provide for resolving such disagreements prior to the issuance of the audit reports in final form;

(8) The Inspector General shall review existing and proposed legislation and regulations relating to programs and operations of the Department and shall make recommendations in the semiannual reports to Congress concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by the Department or the prevention and detection of fraud and abuse in such programs and operations;

(9) The Inspector General may require by subpoena the production of information, documents, reports, answers, records, accounts, papers, and other data and documentary evidence necessary for the performance of IG functions under the Inspector General Act, as amended, and under the Program Fraud Civil Remedies Act, except that the Inspector General shall be under the authority, direction, and control of the Secretary and the Deputy Secretary of the Treasury with respect to matters set forth in Section 8(a) of the Inspector General Act, as amended; Such subpoenas, in the case of contumacy or refusal to obey, shall be enforceable by order of any appropriate United State" district court: Provided, the Inspector General shall use procedure. other than subpoenas to obtain document" and information from Federal agencies when exercising authority under the IG Act, as amended; and

(10) The Inspector General and the IG's designee(s) shall have the authority to administer to or take from any person an oath, affirmation, or affidavit, whenever necessary for the performance of IG functions.

b. For Audits.

(1) The Inspector General shall routinely perform internal audits for all Treasury bureaus and offices, with the exception of the IRS. With regard to the IRS, the Inspector General may audit any program, activity or function the IG deems appropriate. The Inspector General shall, in formulating each year's audit plan, solicit and consider bureau heads'

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 5 of 8

recommendations with respect to appropriate subjects for audit and their relative prior. The Inspector General shall inform each bureau head of the audit plan with respect to that bureau;

(2) When the Inspector General initiates an audit under the authority contained in the second sentence of paragraph b.(1), the IG may provide the Commissioner of the IRS with written notice that the IG has initiated such an audit. If the IG issues such a notice, no other audit or internal review shall be initiated into the matter and any other audit or internal review of such matter in the Department shall cease;

(3) The Inspector General shall coordinate all requests for audit services within the Department submitted by IG's from other Federal, State or local government agencies;

(4) The Inspector General shall distribute copies of final audit reports to all headquarters and field officials responsible for taking corrective action on matters covered by those reports;

(5) The Inspector General shall keep the Secretary and Deputy Secretary informed of any significant problems, abuses or deficiencies disclosed in audits and the actions taken to correct them: and

(6) The Inspector General shall formulate Departmental audit policies and priorities and assure implementation of Federal audit standards in the Department pursuant to Section 4(b)(1)(A) and © of the Inspector General Act, as amended.

c. For Investigations.

(1) The Inspector General shall conduct investigations and shall prepare reports relating to the programs and operations of the Department, including those of the law enforcement bureaus, as the IG deems necessary or desirable;

(2) The Inspector General may receive and investigate complaints or information from any Treasury employee concerning the possible existence of an activity constituting a violation of law, rules or regulations, or mismanagement, gross waste of funds, abuse of authority, or a substantial and specific danger to the public health and safety;

(3) When the Inspector General initiates an investigation in any law enforcement bureau, under the authority of paragraph c.(1) and (2), the IG may provide the head of the law enforcement bureau with written notice that the IG has initiated an investigation. If the IG issues such a notice, no other investigation shall be initiated into the matter and any other pending investigation into the matter within the Department shall cease;

(4) The Inspector General shall require, receive, review, and analyze all reports informing the Secretary or Deputy Secretary of any significant problems, abuse, or deficiencies disclosed in any bureau or office investigation and the actions taken to correct them;

(5) The Inspector General shall report the results of any significant investigation of any high official to the Secretary or the Deputy Secretary or other appropriate management official for action, and may so report the results of other investigations;

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 6 of 8

(6) The Inspector General shall receive and monitor all requests submitted by IG's from other government departments and agencies for investigative services within the Department;

(7) The Inspector General shall receive all matters referred to the Department of the Treasury by the Special Counsel of the Merit Systems Protection Board (MSPB) regarding allegations of prohibited personnel practices, may investigate such matters, or may refer such matters for investigation to a law enforcement bureau Internal Affairs or Inspection Office;

(8) Bureaus or office" conducting investigations under 5 U.S.C. 1206(b)(3) for the Special Counsel of the MSPB shall forward to the Inspector General all investigative reports prepared for such investigations. The IG may prepare, or delegate to the appropriate bureau or office for preparation, final report. to the Special Counsel for review and signature of the Secretary or the Deputy Secretary; and

(9) The Inspector General shall report expeditiously to the Attorney General whenever the IG has reasonable ground" to believe there ha. been a violation of Federal criminal law. However, in matters involving chapter 75 of the Internal Revenue Code of 1986, the Inspector General shall report expeditiously to the Attorney General only offenses under section 7214 of such Code, unless the Inspector General obtains the consent of the Commissioner of Internal Revenue to exercise additional reporting authority with respect to such chapter.

d. For Oversight.

(1) The Inspector General shall have oversight responsibility for the Office of Internal Affairs of the Bureau of Alcohol, Tobacco and Firearms; the Office of Internal Affairs of the United States Customs Service; the Office of Inspection of the United States Secret Service; and the Office of the Assistant Commissioner (Inspection) of the IRS;

(2) The Inspector General shall require from the head of each office of Internal Affairs and Office of Inspection, monthly or more frequent reports of the significant activities being performed by such offices;

(3) Heads of Offices of Inspection or Internal Affairs shall routinely provide to the Inspector General timely information regarding any matter which could have a material effect on their office operations; and

(4) The Inspector General shall review, evaluate, and approve all Departmental and bureau programs, plans, policies and operation. for referring allegations of criminal civil rights violations against Treasury law enforcement personnel and may make recommendations for changes.

e. For Intelligence Activities.

(1) Pursuant to section 4 of Executive Order 12334, the Inspector General together with the General Counsel, to the extent permitted by law, shall report to the President's Intelligence Oversight Board concerning intelligence activities that the IG has reason to believe may be unlawful or contrary to Executive Order or Presidential directive; and

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL

Page 7 of 8

(2) All Treasury employees shall report to either the Inspector General, the General Counsel, or the head of an Inspector or Internal Affairs Office any matters which raise questions of propriety or legality under Executive Order 12333.

f. For Miscellaneous Matters.

(1) The Inspector General has the authority to select, appoint, and employ such officers and employees, including members of the Senior Executive Service (SES) and excepted service employees, as may be necessary for performing the functions and duties of the Office, subject to FTE ceilings and to the provisions of lime 5, United States Code;

(2) The Inspector General may exercise any and all administrative functions attendant upon this personnel authority except for those functions assigned by law to the Secretary, which may not be delegated;

(3) The Inspector General is authorized to exercise all authorities granted to an "appointing authority" pursuant to Title 5, United States Code as those authorities pertain to SES members or positions which are or would be within the OIG. With regard to any other authority accorded by law to the agency or the Secretary which pertains to SES members or positions within the OIG, the IG shall be under the direct supervision of the Secretary or the Deputy Secretary and no other Departmental official;

(4) The Inspector General has the authority to obtain services a" authorized by 5 U.S.C. 3109 at daily rates not to exceed the equivalent rate prescribed for grade GS-18 of the General Schedule by 5 U.S.C. 5332, and to enter into contracts and other arrangements for audits, studies and other services and to make such payments as may be necessary to carry out the IG's mission;

(5) The Inspector General, under procedures the IG develops, may obtain by detail investigative, audit, and support personnel from law enforcement bureaus' Internal Affairs and Inspection Offices for conducting investigation" or audit. under the IG's direct supervision; provided that, the Office of Inspector General shall reimburse the providing entity for the costs of employing a detailed employee for the period of the detail.

At the Inspector General's discretion, personnel so detailed shall remain on the rolls of the service or office from which they were detailed but will report exclusively to the Inspector General regarding the matter being investigated or audited;

(6) Bureau heads shall consult with the Inspector General in recruiting and selecting candidates to head Internal Affairs or Inspection Offices of the law enforcement bureaus; and prior to completing performance evaluations for individuals encumbering those positions;

(7) The Inspector General is hereby delegated the authority to issue final decisions on administrative appeals under 5 U.S.C. 552 and 552a with respect to records which are within the custody of the OIG; and

(8) The Inspector General may issue additional directives or regulations regarding the OIG as the Inspector General deems appropriate.

APPENDIX D – HISTORY OF THE TREASURY OFFICE OF INSPECTOR GENERAL



Page 8 of 8

3. CANCELLATION. This Order supersedes Treasury Orders (TO):

- a. TO 100-02, "The Office of the Inspector General and Delegation of Authority to the Inspector General," dated May 3, 1988; and
- b. TO 102-07, "Delegation of Authority to Assistant Secretary (Management) to Make Certain Appellate Determinations Under the Freedom of Informatic Act, 5 U.S.C. 552a," dated Oct

CONGRESS RECOGNIZES THE ACCOMPLISHMENTS OF THE INSPECTORS GENERAL

H. J. RES. 70

108TH CONGRESS
1ST SESSION

Recognizing Inspectors General over the last 25 years in their efforts to prevent and detect waste, fraud, abuse, and mismanagement, and to promote economy, efficiency, and effectiveness in the Federal Government.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 2003

Mr. TOM DAVIS of Virginia (for himself, Mr. WAXMAN, Mr. PLATTS, and Mr. TOWNS) introduced the following joint resolution; which was referred to the Committee on Government Reform

Whereas for 25 years the Inspectors General have worked with Congress to facilitate effective oversight to improve the programs and operations of the Federal Government:
Now, therefore, be it

*Resolved by the Senate and House of Representatives
of the United States of America in Congress assembled,*

That the Congress—

- (1) recognizes the many accomplishments of the Inspectors General in preventing and detecting waste, fraud, abuse, and mismanagement in the Federal Government;
- (2) commends the Inspectors General and their employees for the dedication and professionalism displayed in the performance of their duties; and
- (3) reaffirms the role of Inspectors General in promoting economy, efficiency, and effectiveness in the administration of the programs and operations of the Federal Government.

The Inspector General Act of 1978 was signed into law on October 12, 1978. Inspectors General now exist in the 29 largest executive branch agencies and in 28 other Federal entities. Created in 1988 Amendments to the IG Act, the Treasury Office of Inspector General has served the American taxpayer by promoting economy, efficiency, effectiveness, and integrity in the administration and programs and operations of the Treasury Department for 14 years. The above excerpt is from a joint resolution passed by the Congress recognizing the 25th Anniversary of the original IG Act.

contact us

Headquarters
Office of Inspector General
1500 Pennsylvania Avenue, N.W., Room 4436
Washington, D.C. 20220
Phone: (202) 622-1090; Fax: (202) 622-2151

Office of Audit
740 15th Street, N.W., Suite 600
Washington, D.C. 20220
Phone: (202) 927-5400; Fax: (202) 927-5379

Office of Counsel
740 15th Street, N.W., Suite 110
Washington, D.C. 20220
Phone: (202) 927-0650; Fax: (202) 927-5418

Office of Investigations
740 15th Street, N.W., Suite 500
Washington, D.C. 20220
Phone: (202) 927-5260; Fax: (202) 927-5421

Office of Management
740 15th Street, N.W., Suite 510
Washington, D.C. 20220
Phone: (202) 927-5200; Fax: (202) 927-6492

Western Field Audit Office
333 Market Street, Suite 275
San Francisco, California 94105
Regional Inspector General for Audit, Suite 275
Phone: (415) 977-8810; Fax: (415) 977-8811

Eastern Field Audit Office
408 Atlantic Avenue
Captain J. F. Williams Federal Building
Boston, MA, 02110
Phone: (617) 223-8640; Fax (617) 223-8651

Treasury OIG Hotline
Call Toll Free: 1.800.359.3898

Treasury OIG Web Page

OIG reports and other information are now available via the Internet. The address is <http://www.treas.gov/offices/inspector-general>