

The Treasury OIG priorities are clear. The OIG recently completed its Strategic Plan for Fiscal Years (FY) 1997 through 2002 in accordance with the requirements of the Government Performance and Results Act (Results Act). The OIG Strategic Plan is particularly important because it sets the direction of our organization for the next 5 years. The Strategic Plan establishes the long-range goals and specific strategies we will implement to achieve our mission and ensure our organizational success. Among our strategic goals are strengthening financial management, improving Departmental information technology (IT) investments and operations, and addressing high priority issues that benefit our customers and stakeholders.

To contribute to strengthening the Department's financial management, we have invested considerable effort towards work required under the Chief Financial Officers Act and Government Management Reform Act. We issued 16 financial statement audit reports for FY 1996, including our first audit report on Treasury's Department-wide financial statements. This work, along with concerted efforts by the Department's financial managers, has led to improved audit results.

Treasury collects almost all of the Government's revenue, so it is particularly noteworthy that much of this success has been in two bureaus with significant revenue collection responsibilities. The United States Customs Service (Customs), the second largest revenue collector in the Federal Government, received an unqualified opinion on its FY 1996 financial statements with three repeat material weaknesses cited. (In contrast, Customs received a disclaimer for FY 1994 with 11 material weaknesses cited.) The Bureau of Alcohol, Tobacco and Firearms (ATF), the Government's third largest revenue collector, also received an unqualified opinion for FY 1996. This year, the OIG is assuming responsibility for the audit of the Internal Revenue Service's (IRS) administrative statements and is working with the General Accounting Office at IRS, the Bureau of Public Debt, and the Financial Management Service (FMS).

IT continues to be an area of emphasis for the OIG. The Office of Management and Budget and Congress have continued to emphasize the need for wise IT investments and management. In addition, IT is integral to the Department's ability to accomplish its wide-ranging mission. We are developing a highly skilled IT audit staff to facilitate both financial and program audits and to assist the Department's bureaus with financial systems issues.

Last, the OIG will continue to assist the Department in its efforts to incorporate Results Act requirements into its way of doing business. We have conducted reviews of various bureaus' strategic plans and plan to do more. For example, at the request of the Director of the Bureau of Engraving and Printing (BEP), the OIG's Office of Evaluations assessed BEP's strategic planning process and its consistency with the Results Act. We will perform a similar review at FMS.

In order to meet the Inspector General Act of 1978's mandate to promote efficiency, economy, and effectiveness, the OIG reviewed numerous critical Treasury programs. For example, we recently audited ATF's implementation of the 1994 Crime Bill, mechanisms for reporting suspicious activities at Non-Bank Financial Institutions, Customs' drug interdiction efforts at a land border port of entry, and security weaknesses in Customs Federal inspection service areas at four major airports.

Through such efforts, the OIG has significantly improved Treasury operations and helped to ensure that programs achieve desired results.

Implementing our Strategic Plan along with annual performance goals and measures will not be easy. Success will demand concerted effort and long-term commitment. We have begun by laying the foundation, and our efforts have the potential to add greatly to our performance, a particularly vital goal at a time when resources are limited and public demands are high.

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Department of the Treasury

Bureau	Employees
ATF	3,900
Office of the Comptroller of the Currency (OCC)	2,800
Customs	19,900
Departmental Offices (DO)	1,900
BEP	2,700
Federal Law Enforcement Training Center (FLETC)	500
FMS	2,100
IRS	96,500
U.S. Mint (Mint)	2,100
Bureau of the Public Debt (BPD)	1,800
U.S. Secret Service (Secret Service)	4,800
Office of Thrift Supervision (OTS)	<u>1,300</u>
Total	<u>140,300</u>

The OIG issued 77 reports during the reporting period with recommendations that funds be put to better use and questioned costs totaling \$30.3 million. The IRS Inspection Service issued 97 reports with recommendations that \$76.8 million be put to better use. Monetary benefits relating to investigations conducted by the OIG and Offices of Internal Affairs and Inspection exceeded \$5.3 million. The following summaries represent major issues and concerns for the second half of FY 1997.

FINANCIAL MANAGEMENT

n The OIG issued 16 financial statement audit reports for FY 1996, including the audit report on Treasury's Department-wide financial statements. Six FY 1996 financial statement audits were completed during the last reporting period, including Customs, which received its first unqualified audit opinion. Ten FY 1996 financial statement audits were completed during the current period.

n As part of its audit of the Department-wide financial statements, the OIG rendered an unqualified opinion on the FY 1996 Combining Financial Statements of the Administrative Activities of the Headquarters, Banking, Fiscal, and Manufacturing lines of business. The OIG disclaimed an opinion on the FY 1996 Combining Statements of the Administrative Activities of the Tax/Trade line of business. The audit disclosed two material weaknesses at the Department level and eight material weaknesses at the component entities' level.

n ATF received an unqualified opinion on its Statements of Financial Position as of September 30, 1996 and 1995, and its Statement of Operations and Changes in Net Position for the year ended September 30, 1996.

n The General Accounting Office (GAO) and the OIG issued a Memorandum of Understanding, which sets forth both organizations' respective audit responsibilities, including joint efforts at certain locations; provides for reciprocal review processes so that GAO and the OIG can rely on each other's work; and establishes a process for regular dialogue and resolution of financial reporting, accounting, and auditing issues that may arise. (*See pages 9 to 16.*)

TAX SYSTEMS MODERNIZATION

n The IRS Inspection Service still considers Tax Systems Modernization (TSM) a Federal Managers' Financial Integrity Act material weakness and categorizes TSM control weaknesses as "Program Management," "Infrastructure," and "Financial Management."

n IRS does not have reasonable assurance that it has adequate accountability over its software development resources. The data sources and management information systems employed by Information Systems (IS) are not consistent or reliable, and do not capture the data IS needs to effectively manage its programming staff or improve the present development process. Although IS has undertaken several efforts to develop new management information systems, none has been fully implemented. (See pages 34 to 37.)

GOVERNMENT PERFORMANCE AND RESULTS ACT

n At the request of the Director of BEP, the OIG assessed BEP's strategic planning process and its consistency with the Results Act. The OIG identified considerable strengths in the BEP strategic planning process, along with several enhancements that could benefit the process. From an overall perspective, the OIG found BEP's strategic planning process to be fundamentally sound and consistent with the Results Act. In addition, BEP is making steady progress, particularly with regard to the automated tracking of tasks, and is continually looking for areas to initiate improvements. (See page 17.)

FMS CONTROLS OVER AGENCY DISBURSEMENTS

n In FY 1996, FMS processed over 850 million payments with an outlay of \$1.05 trillion. A follow-up review found that, although FMS had implemented most of the OIG's prior recommendations to improve controls over agency disbursements, it still needed to address a material weakness on computer operations that was reported in its annual assurance letter. The follow-up review also showed that FMS should closely monitor premature payments by the Department of Defense, which escalated by over \$1 billion from FY 1994 to FY 1995. (See page 22.)

TREASURY AUDIT FOLLOW-UP SYSTEMS

n The OIG conducted a review of the Department's audit follow-up systems to determine if they are resulting in the efficient, prompt, and proper resolution of unimplemented audit recommendations. The review found that Treasury's systems do not fully meet the requirement of Office of Management and Budget Circular A-50. In addition, the OIG lacks a comprehensive audit follow-up system, and the Treasury-wide database that monitors progress on internal control issues within the Department contains a number of system weaknesses. (See pages 27 to 28.)

IRS PRIVACY AND SECURITY

n The Commissioner of IRS requested a review of IRS' Office of Disclosure in response to publicity generated by the White House's use of Federal Bureau of Investigation (FBI) files and concerns that tax return information may have been improperly disclosed. While IRS internal auditors did not identify any unauthorized disclosures, they found control weaknesses, poor records management, and numerous unexplained accesses to taxpayer accounts. (See pages 31 to 32.)

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

n In April 1997, Congressional staff discovered four undated evaluation memoranda in the files of the Community Development Financial Institutions Fund (CDFI). The memoranda related to four grant recipients, who received nearly \$11 million of the approximately \$37.2 million awarded in CDFI grants, leading to the concern that the memoranda may have been created after the fact because a meaningful review was not performed before the grants were made to the institutions in 1996. An OIG investigation determined that the undated memoranda were created the night of April 17, 1997 and placed in the CDFI files the next morning prior to the arrival of Congressional staff later that day. The United States Attorney declined prosecution of any individual for conduct surrounding the creation of the undated memoranda and their insertion into the CDFI files. The Director and the Deputy Director of CDFI subsequently resigned from their positions. (See page 44.)

INDIVIDUALS CONVICTED OF CONSPIRING TO OBSTRUCT IRS

n Nine individuals associated with a tax protest group were convicted of a variety of charges, including conspiring to obstruct IRS and defraud the United States, impersonation, and interstate travel or transportation in aid of racketeering. The obstructionist activities were committed over a 3-year period, and included the planning and carrying out of an assault against a county recorder, preparing and using false warrants, and impersonating Government officials. The IRS Inspection Service and the FBI jointly conducted the investigation. (See pages 47 to 48.)

Acronyms

AD-CV	Antidumping and Countervailing	IMF	International Monetary Fund
ADP	Automated Data Processing	INOMS	Integrated Network and
ATF	Bureau of Alcohol, Tobacco and Firearms		Operations Management System
BAAs	Business Area Analyses	IPAs	Independent Public Accountants
BEP	Bureau of Engraving and Printing	IRA	Individual Retirement Arrangement
CDFI	Community Development Financial Institutions Fund	IRS	Internal Revenue Service
CES	Certified Explosives Specialist	IS	Information Systems
CET	Contraband Enforcement Team	IT	Information Technology
CFO	Chief Financial Officers	MACS	Midwest Automated Compliance System
CIO	Chief Information Officer	MOU	Memorandum of Understanding
CSRs	Customer Service Representatives	NBFIs	Non-Bank Financial Institutions
Customs	United States Customs Service	NTIS	National Technical Information Service
DCAA	Defense Contract Audit Agency		
DOD	Department of Defense	OIG	Office of Inspector General
EAC	External Audit Committee	OMB	Office of Management and Budget
EARL	Employee Audit Research Log		
EIN	Employer Identification Number	PCIE	President's Council on Integrity and Efficiency
EMS	Electronic Management System	P.L.	Public Law
ETC	Employee Tax Compliance	PTSP	Public Transportation Subsidy Program
FBI	Federal Bureau of Investigation		
FFB	Federal Financing Bank		
FinCEN	Financial Crimes Enforcement Network	Results Act	Government Performance and Results Act
FIRP	Foreign Information Returns Program	ROI	Report of Investigation
FMFIA	Federal Managers' Financial Integrity Act	RPS	Revenue Protection Strategy Program
FMS	Financial Management Service	SCRIPS	Service Center Recognition/ Image Processing System
FY	Fiscal Year	SSNs	Social Security Numbers
G&A	General and Administrative	TD	Treasury Directive
GAO	General Accounting Office	TFF	Treasury Forfeiture Fund
GMRA	Government Management Reform Act	TINs	Taxpayer Identification Numbers
HMDA	Home Mortgage Disclosure Act	TSM	Tax Systems Modernization
HUD	Department of Housing and Urban Development	TRACS	Treasury Receivable Accounting and Collection System
ICP	Integrated Case Processing	TRIS	Telephone Routing Interactive System
IDRS	Integrated Data Retrieval System	UCC	Uniform Commercial Code
IDS	Inventory Delivery System	U.S.C.	United States Code
IGATI	Inspectors General Auditor Training Institute	VECS	Vessel Entry and Clearance Specialist

Under the provisions of the Inspector General Act of 1978, as amended, Treasury's OIG reports to the Congress semiannually on its activities. This report, which covers the second half of FY 1997, describes major issues and concerns identified during reviews, audits, evaluations, and investigations, along with recommendations for corrective action. **Because the report describes selected significant reviews and investigations, the conditions should not be considered as representative of overall conditions in the Department of the Treasury and its bureaus.**

Treasury's OIG consists of the following components:

- n The **Audit Directorate**,
- n The **Investigations Directorate**,
- n The **Office of Evaluations**,
- n The **Office of IT**, and
- n The **Resources Directorate**.

In accordance with the Results Act, the OIG is engaging in a strategic planning process with the goals of achieving the greatest impact from available resources and ensuring mission accomplishment and customer satisfaction. The **OIG's** mission is to conduct independent audits, investigations, and reviews to help the Department accomplish its mission; improve the Department's programs and operations; promote economy, efficiency, and effectiveness; and prevent and detect fraud and abuse. As it has increased its involvement in performance budgeting, the OIG has reengineered its products, streamlined its organization, and explored new ways in which it can contribute to positive change in the Department and strengthen the Department's position as a leader in Federal financial management.

In addition to Treasury OIG operations, the report covers the activities of the Offices of Internal Affairs and Inspection at ATF, Customs, IRS, and Secret Service. The Inspector General is responsible for oversight of internal investigations by the Offices of Internal Affairs and Inspection at ATF, Customs, and Secret Service and of the IRS Inspection Service's internal audits and investigations.

The **ATF Office of Inspection** plans, directs, and coordinates ATF's inspection and internal affairs activities. Those activities include: office and program inspections, which appraise the effectiveness of ATF operations, assess the quality of management and supervision, and determine adherence to organizational policies, regulations, and procedures; shooting reviews; and investigations into allegations of employee misconduct (both administrative and criminal), fraudulent Office of Worker's Compensation Program claims, and bribery, and investigations of tort claims and other critical or sensitive incidents. All findings are reported to the Director of ATF and his Executive Staff. In addition, the Office of Inspection executes ATF's personnel security program. As part of its shared responsibility with management to secure the right of every Customs employee to work in an environment that is free from corruption, misconduct, or mismanagement, the **Customs Office of Internal Affairs** investigates allegations of misconduct; reports investigative results in a professional and timely manner; screens potential Customs employees for character and suitability; educates Customs employees regarding ethical standards and integrity responsibilities; evaluates physical security threats to Customs employees, facilities, and sensitive information; and inspects Customs operations and processes for managerial effectiveness and improvement.

Guided by a commitment to uphold the policies of **Secret Service** and to ensure quality assurance, the **Office of Inspection's** responsibilities include internal special investigations, policy compliance reviews, ethics assessments, reviews of operational programs, and validation of career development and training programs. As a unique, non-parochial operational unit, which is responsible for critical and impartial reviews, the Office of Inspection provides objective and unbiased feedback and oversight that validates both the Secret Service strategic and customer service plans.

The **IRS Inspection Service** provides independent and professional services to promote the effective administration of the nation's tax laws; detect and deter fraud and abuse in IRS programs and

operations; and protect IRS against external attempts to corrupt or threaten its employees. The organization, which includes Internal Audit and Internal Security functions, is headed by the Chief Inspector, who reports directly to the IRS Commissioner and is overseen by Treasury's Inspector General. This arrangement ensures that audit and investigative results are reported independently to the IRS Commissioner and the Secretary of the Treasury.

TREASURY FUNCTIONS AND ORGANIZATION

Treasury is organized into 12 bureaus and offices. Treasury's mission is to formulate and recommend economic, fiscal, and tax policies; serve as the financial agent of the United States Government; enforce the law; protect the President and other officials; and manufacture coins and currency.

The OIG and Offices of Internal Affairs and Inspection assist in performing reviews of Treasury's many roles, which include such diverse functions as striking commemorative medals, enforcing national firearms and explosives laws, and investigating financial institution fraud. Today, over 140,000 full-time Federal employees work for the Department of the Treasury throughout the world. Treasury, as one of the oldest Federal agencies, performs some of the most fundamental governmental activities, including collecting and borrowing the money to run the United States Government.

MANAGEMENT AND FINANCIAL LEADERSHIP

President's Council on Integrity and Efficiency Audit Committee

Treasury's Inspector General has chaired the Audit Committee of the President's Council on Integrity and Efficiency (PCIE) since March 1995. The Audit Committee provides recommendations for improving audit quality, leadership in coordinating interagency and PCIE-wide audits, methods for enhancing the professionalism of PCIE member organizations, and perspectives on emerging issues in Government financial management. In addition, the Audit Committee provides valuable information to the Inspector General community on significant auditing and accounting issues.

The following three examples illustrate the Audit Committee's activities during the 6 months ending September 30, 1997.

In association with the Federal Audit Executive Council, the Audit Committee has updated and issued the PCIE External Quality Control Review Guide, which is used to assure the quality and professionalism of audit functions. The Guide, which incorporates recent changes to the Government Auditing Standards and will improve the quality and completeness of future reviews, will be used for all peer reviews beginning with the current cycle. Provided to the Inspectors General in April 1997, the Guide also is available on IGSNet.

The Audit Committee's Financial Statement Audit Manual Task Force has completed its consideration of various options to provide the PCIE community with an update of the guidance included in the PCIE Federal Financial Statement Audit Manual. The Task Force is drafting a proposal for action, which will be issued to the Audit Committee, reflecting its belief that any revisions must be performed efficiently and consider the fact that the PCIE community is unable to dedicate permanent, long-term resources to constantly update and maintain a guidance manual.

The Task Force is drafting a second Audit Alert letter, which will be issued by the Audit Committee, to provide PCIE auditors with a list of new or changed legislation and professional standards and guidance that should be considered while performing audits of FY 1997 financial statements. The letter will supplement and update information included in a similar communication issued by the Audit Committee on December 27, 1996. In addition, at the request of GAO, the Task Force reviewed and provided comments on draft revisions to sections of GAO's Financial Audit Manual.

The Audit Committee is continuing to examine the Treasury Franchise Fund as an option for providing the Inspectors General Auditor Training Institute (IGATI) with more flexibility to operate as a business. This option would allow the PCIE, through the Audit Committee (as IGATI's Board of Directors), to retain policy direction. Information on the Treasury Franchise Fund, including its charter, Annual Report, and other documents, has been provided to PCIE members.

International Monetary Fund External Audit Committee

For 3 weeks in June 1997, the Deputy Inspector General served as chairman of the International Monetary Fund's (IMF) 1997 External Audit Committee (EAC). Nominated by the Secretary of the Treasury and confirmed by IMF's Executive Board, the Deputy Inspector General also served as a member of the 1996 EAC. The IMF is a cooperative intergovernmental monetary and financial institution having 181 member countries, which promotes and facilitates the stability of the international financial system. The IMF is unique among intergovernmental organizations in its combination of regulatory, consultative, and financial functions, which derive from the purposes for which it was established: to facilitate the balanced growth of international trade, promote exchange rate stability, and assist in the establishment of a multilateral system of payments; to provide financial resources to enable its members to correct payments imbalances; and to provide a forum for consultation and collaboration on international monetary problems.

The EAC, which represents member countries, was responsible for performing an external audit of the financial statements and accounts administered by IMF for the year ending April 30, 1997. A big six accounting firm assisted the EAC with this task. The EAC also has authority to raise personnel and programmatic issues. This is accomplished by meeting throughout the year, sharing information via correspondence or the telephone, and serving at the IMF for 3 to 4 weeks in June. Each year the EAC is comprised of three members, a continuing member from the previous year who chairs the committee and two new members. In 1997, the Deputy Inspector General served as the continuing member and the new members were from Cote d'Ivoire and Israel. One of the two new members will be selected to serve as the continuing member next year. All three members individually sign IMF's annual financial statements.

The Chief Financial Officers (CFO) Act and the Government Management Reform Act (GMRA), which are intended to strengthen Federal financial management, require audited financial statements. The CFO Act requires audited financial statements for revolving funds, trust funds, and significant commercial activities. The GMRA extends these requirements to encompass all accounts and activities of the agencies covered by the CFO Act. Annual audited Treasury-wide financial statements must be prepared for FY 1996 and subsequent years.

The process of preparing and auditing financial statements has resulted in the identification of areas for improvement in management controls and business processes. Using this information, Department and bureau managers can more effectively fulfill their responsibilities, as well as provide an audited annual reporting of their operations and positions.

FINANCIAL AUDITS

The OIG's goal is to implement the CFO Act's and GMRA's financial statements audit requirements. The OIG continues to work with officials from the Department and its bureaus to address major financial management and internal control problems that inhibit the production of timely, reliable, and auditable information. In addition, the OIG continues to leverage resources by contracting with public accounting firms and by working with GAO at IRS, BPD, and FMS, bureaus whose financial statements are significant to Government-wide as well as to Treasury financial reporting.

Close and effective working relationships are critical if GAO and OIG auditors are to accomplish both organizations' mutual goals at Treasury. To ensure the most efficient audits, GAO and OIG officials have agreed to work together and share knowledge and experience. A formal Memorandum of Understanding (MOU) specifies the responsibilities of both organizations, including joint efforts at certain locations. The MOU also provides processes for reciprocal review to enable reliance on the work of other auditors, and regular dialogue for resolution of any financial reporting, accounting, and auditing issues that may arise. This agreement benefits GAO, the OIG, and the Department by maximizing efficiency in meeting both Treasury and Government-wide audit objectives.

Department-wide Financial Statements

The Department's activities are distinguished between those that are carried out on behalf of the Federal Government as a whole (custodial activities) and those that represent the specific programs and activities unique to Treasury (administrative activities). Treasury performs numerous functions on behalf of the Federal Government, including servicing the public debt, collecting Federal revenues, disbursing Federal funds, and maintaining other Federal assets and liabilities. Custodial financial statements are designed to report on these activities.

Through its bureaus and Departmental Offices, Treasury is responsible for formulating, recommending, and implementing economic, fiscal, and tax policies; carrying out a variety of law enforcement responsibilities; and serving as the financial agent for the Federal Government. These and other Treasury specific programs and activities are reported in Administrative financial statements. For financial management purposes, the bureaus and offices that comprise the Department are aggregated into broad functional categories: (1) Headquarters/ Departmental Offices; (2) Tax/Trade Compliance and Law Enforcement; (3) Central Fiscal Services; (4) Banking/Thrift Oversight; and (5) Coin/Currency and Manufacturing.

During FY 1997, the OIG audited the **Department-wide** Administrative financial statements (for FY 1996) required by GMRA for the first time. Treasury's **FY 1996 Accountability Report** includes the statements, along with additional information that meets the reporting requirements of the CFO Act, GMRA, the Federal Managers' Financial Integrity Act (FMFIA), the Results Act, the Prompt Payment Act, and other legislation.

The OIG rendered an unqualified opinion on the FY 1996 Combining Financial Statements of the Administrative Activities of the Headquarters, Banking, Fiscal, and Manufacturing lines of business. The OIG disclaimed an opinion on the FY 1996 Combining Statements of the Administrative Activities of the Tax/Trade line of business because the results of the GAO audit of IRS' FY 1996 Administrative financial statements were not available as of the April 30, 1997 transmittal date for the Treasury Accountability Report. (GAO and IRS were working together to resolve key accounting and auditing issues, with the goal of producing more reliable FY 1996 financial statements upon which GAO could base its audit report.) In addition, there was a lack of sufficient evidence supporting the completeness of inter-component entity elimination entries within the Tax/Trade line of business.

The audit disclosed two material weaknesses at the Department level and eight material weaknesses at the component entities' level. At the Department level, the Department's financial statements preparation process must be improved in certain areas, including the ability to identify, reconcile, and eliminate significant transactions among component entities; to present statements in accordance with Treasury accounting policies and procedures; and to ensure that all financial activity is appropriately presented. Secondly, the Department's entities need to integrate their financial management systems.

The other eight material weaknesses relate to component entity activities, including: (1) the Federal Financing Bank (FFB) did not have a single integrated accounting system; (2) the Mint's system integration project was not a high priority; (3) the reliability of FMS' property management records needed to be strengthened; (4) the Treasury Forfeiture Fund (TFF) did not record all financial statement balances and transactions in the general ledger; and (5) the TFF did not adequately account for the effects of using the cash basis of accounting in maintaining records. The final three material weaknesses relate to Customs' need to: (1) improve the reliability and timeliness of financial information through integrated financial accounting systems; (2) implement controls and procedures to prevent duplicate, excessive, or otherwise improper drawback payments; and (3) improve controls over bills of lading and in-bond shipments to ensure that imported merchandise is properly assessed duties, taxes, and fees.

The Department-wide Administrative financial statement audit disclosed one instance of reportable noncompliance with laws and regulations at the Department level. The Department authorized the Federal Reserve Bank (New York) to establish a letter of credit prior to the apportionment of related funds by the Office of Management and Budget (OMB), which is not in compliance with the provisions of the Anti-deficiency Act. Instances of noncompliance by significant component entities are described in each respective audit report.

The OIG did not attempt to audit the FY 1996 Custodial financial statements primarily because of the substantial resources required to audit the Federal Government's cash accounts maintained by FMS, the borrowing activities of BPD on behalf of the Federal Government, and the resulting debt balances. These accounts and activities were not audited due to the OIG's limited resources for auditing FY 1996 financial statements, and in anticipation of the OIG working jointly with GAO on FY 1997 financial statement audits that will include these account balances and activities. The OIG and GAO have developed an audit approach to economize audit resources and provide for full scope FY 1997 audit coverage that will meet the OIG's audit reporting requirements at Treasury, as well as GAO's Government-wide reporting requirements.

Uncertainty as to the timing and outcome of the GAO audit of IRS' FY 1996 Custodial financial statements was a further consideration in not attempting to audit the FY 1996 Custodial financial statements. GAO and IRS are working together to resolve key accounting and auditing issues identified in prior years' audits, with the goal of producing more reliable FY 1996 financial statements upon which GAO could base its audit report. In addition, the OIG determined that, due to the condition of the financial records, it was not practicable to audit FY 1996 account balances related to FMS' management of certain custodial activities, such as (1) the United States' investments in multilateral development banks, (2) loans, and (3) Government-wide claims and judgment funds. Instead, the OIG contracted for a survey of those activities to identify financial accounting, reporting, and internal control issues that must be resolved to enable a successful FY 1997 audit. (OIG)

Treasury Component Entity Financial Statement Audits

The OIG issued 16 financial statement audit reports for FY 1996, including the audit report on Treasury's Department-wide financial statements. Six FY 1996 financial statement audits were completed during the last reporting period, and ten were completed during the current period. During the 6 months ending September 30, 1997, OIG personnel completed audits at ATF, Secret Service, and the Exchange Stabilization Fund. Contracted Independent Public Accountants (IPAs) completed audits of the Mint, the FFB, BPD's Administrative Accounts, the TFF, DO, and FMS' Salaries and Expenses.

A table providing a 3-year summary of financial statements audit results at Treasury component entities appears at the end of this section, following highlights of the FY 1996 audit results.

n The OIG issued an unqualified opinion on **ATF's** Statements of Financial Position as of September 30, 1996 and 1995, and Statement of Operations and Changes in Net Position for the year ended September 30, 1996. This was the first time an opinion was rendered on the Statement of Operations and Changes in Net Position. ATF's continued commitment to achieving excellence in financial management made these results possible. The OIG auditors found no material weaknesses in ATF's internal control structure and no instances of reportable noncompliance with laws and regulations. However, the OIG identified nine reportable conditions related to controls over payroll and Federal Excise Tax processing, seized property, and electronic data processing access and security. ATF also needed to improve procedures for recording property and equipment disposals.

n The FY 1996 audit of **BPD's Administrative Accounts** financial statements, accomplished by an IPA with OIG oversight, resulted in an unqualified opinion. This first year audit marked progress towards meeting the GMRA requirement for BPD to generate, and have audited, stand-alone statements covering both administrative and custodial operations. The reports on internal controls and compliance with laws and regulations disclosed no instances of noncompliance.

n An IPA rendered an unqualified opinion on the **Mint's** financial statements for the year ended September 30, 1996. However, the report on the internal control structure cited one material weakness. The systems integration project was not a priority. As a result, the existing financial management system was composed of diverse mainframe, manual, and personal computer systems that did not provide useful, timely information.

The IPA's report on compliance cited one instance of noncompliance with laws and regulations. The Mint's financial management system did not meet FMFIA requirements. Section 4 of the FMFIA requires the Mint to issue an annual report on whether its accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller General. In the FMFIA report dated November 1996, the Mint noted that its financial management system did not conform with FMFIA requirements in three respects, and that the management controls, taken as a whole, did not assure that the objectives of Section 4 were achieved during FY 1996. Mint officials have addressed all FMFIA deficiencies, except for integrating financial management systems. Management intends to have an integrated, enterprise-wide, management information system operating by FY 1999.

n An IPA rendered an unqualified opinion on the **FFB's** Statements of Financial Position as of September 30, 1996 and 1995, related statements of operations and accumulated deficit, and cash flows. The FFB provides loans to Federal agencies and non-Federal entities, and purchases loan assets from Federal agencies. Loans to nonfederal borrowers, including foreign governments, are secured by Federal agency guarantees.

The IPA again noted that FFB likely will require congressional appropriations and/or an increased interest rate spread to finance its current \$2.5 billion deficit, which grew by \$200 million from the previous year. The FFB has incurred losses because past legislation allowed specific borrowers to prepay certain loans without the prepayment penalty, known as premiums. However, FFB must pay the prepayment premiums on the underlying obligations to Treasury. In addition, legislation allows one specific borrower to pay FFB less interest than stated in its loan agreements. The FFB absorbs the cost of foregone interest because it must pay the higher loan agreement amount of interest on the underlying borrowings to Treasury.

The IPA's report on the internal control structure cited FFB's lack of a single, integrated financial accounting system, a repeat condition since FY 1993, as a material weakness. The FFB's management has taken steps to correct this weakness, and anticipates resolution by FY 1998. There were no instances of noncompliance with laws and regulations.

The **TFF's** FY 1996 financial statements, audited by an IPA, received an unqualified opinion. The TFF consolidates all Treasury law enforcement organizations under a single forfeiture fund program administered by the Department. Participants in TFF include Customs, IRS, ATF, Secret Service, the Financial Crimes Enforcement Network (FinCEN), and FLETC, as well as the United States Coast Guard. An important purpose of the fund is to encourage state and local law enforcement involvement through the equitable sharing of forfeited assets. The fund is used to centralize the accounting for property or currency seized during Treasury law enforcement operations and sharing this property with Federal, state, and local law enforcement agencies that directly participated in the seizure and forfeiture.

Although TFF's FY 1996 financial statements received an unqualified opinion, the IPA identified two continuing material weaknesses in the internal control structure. Accounting records primarily continued to be maintained on the cash basis of accounting, rather than the accrual basis, and the general ledger did not include all balances and transactions that were reflected in the financial statements. There were two additional reportable conditions involving use of different inventory tracking systems employed to analyze changes in seized and forfeited property, and an issue related to recording the value of forfeited property.

The IPA's report on compliance cited one instance of noncompliance with applicable laws and regulations. The Budget and Accounting Procedures Act of 1950, as amended, requires Federal agencies to establish an internal control structure that ensures the safeguarding of assets and the proper recording of revenues and expenditures. As noted above, TFF's internal control structure had certain material weaknesses that resulted in noncompliance with this Act.

The **OIG** issued a qualified opinion on **Secret Service's** Statement of Financial Position as of September 30, 1996. The opinion was qualified because the Statement did not present the value of Non-entirety Seized Currency and Other Monetary Instruments, its related liability account, and the related footnote disclosures as required by Federal accounting standards. Secret Service's system for recording these seized items was designed to track receipt, location, and disposal, but not for financial reporting of the items. The **OIG** did not identify any weaknesses in controls designed to safeguard the items.

The auditors also cited one other material weakness and eight reportable conditions. Secret Service did not properly apply cash collections received from TFF against the related receivables, resulting in an initial overstatement of accounts receivable. During the audit, Secret Service officials analyzed collections and then properly applied them to receivables. Related adjustments were recorded in the general ledger and the resulting changes were reflected in the financial statement. The eight reportable conditions and recommendations related to needed improvements in controls over operating materials and supplies, property, personnel/payroll processing, and access to system programs. The auditors found no instances of noncompliance with laws and regulations.

The **OIG** issued an unqualified opinion on the **Exchange Stabilization Fund's** FY 1996 and 1995 financial statements. However, the auditors identified a reportable condition during the testing of the internal control structure. Documentation supporting certain transactions and events (e.g., loans of Special Drawing Rights) were not submitted timely, and transactions recorded in the general ledger were not properly reviewed. As a result, transactions may not have been accurately and timely recorded in the general ledger and financial records may be incomplete. The auditors did not

identify any instances of reportable noncompliance with laws and regulations.

n The OIG contracted for an audit of the FY 1996 financial statements of the **FMS Salaries and Expenses Appropriation**. The IPA rendered an unqualified opinion on the statements. However, the IPA reported, as a continuing material weakness, that FMS did not maintain reliable property, plant, and equipment records, and did not reconcile the records during the year. In addition, the IPA identified two reportable conditions involving inventory valuation and payroll reconciliation.

n An IPA rendered an unqualified opinion on **DO's** financial statements for the year ended September 30, 1996. The report on compliance with laws and regulations contained no instances of noncompliance. However, the report on the internal control structure cited six reportable conditions which were not considered material weaknesses. The reportable conditions included a lack of accounts payable and receivable reconciliations, the lack of allowances for doubtful Civil Monetary Penalties accounts, and the need for more accurate expense estimates and related accruals.

The IPA also determined that DO lacked an efficient property management system. The IPA recommended that DO establish a more advanced fixed asset system that can handle a greater volume of data and be integrated with DO's other data systems, and the enforcement of established procedures associated with the purchase, movement, and disposal of accountable property.

n An IPA surveyed accounts administered by **FMS' Credit Accounting Branch** and other custodial accounts within FMS for FY 1996 to identify issues that may preclude or hinder a financial statement audit for FY 1997. FMS custodial operations for FY 1996 included 163 accounts with total assets of \$904 billion and total expenditures of \$649 billion.

The IPA identified numerous financial reporting, accounting, and auditing issues, which must be addressed to facilitate a successful FY 1997 audit. Significant issues involved the ability to verify the terms and conditions of loans made to foreign countries, the lack of allowances for losses associated with these loans, and financial statement reporting and presentation problems associated with FMS custodial operations. Unreconciled differences also existed between the Treasury Receivable Accounting and Collection System (TRACS) and the FMS central accounting system. Balances in the TRACS trial balance control accounts did not agree with TRACS subsidiary detail balances. (OIG)

DEPARTMENT OF THE TREASURY AUDITED FINANCIAL STATEMENTS						
	FY 96 Audit Results		FY 95 Audit Results		FY 94 Audit Results	
	Opinion	Material Weaknesses	Opinion	Material Weaknesses	Opinion	Material Weaknesses
Department-wide	(A)	2	Not Audited	-	Not Audited	-
Headquarters/General Services (DO)						
Exchange Stabilization Fund (S)	Unqualified	0	Unqualified	0	Unqualified	0
FFB (S)	Unqualified	1	Unqualified	3	Unqualified	2
DO/Working Capital Fund	Unqualified	0	Unqualified	0	Unqualified	0
Tax/Trade/Enforcement						
IRS (D)	(E)	(E)	Disclaimer	5	Disclaimer	5
Customs (D)	Unqualified	3	SFP only Unqualified	5	Disclaimer	11
ATF (D)	Unqualified	0	SFP only Unqualified	0	Not Audited	-
Secret Service	SFP only Qualified	2	Not Audited	-	Not Audited	-
TFF (S)	Unqualified	2	Unqualified	3	Qualified	6
Central Fiscal Services						
FMS-Salaries and Expenses	Unqualified	1	Unqualified	1	Unqualified	1
FMS Credit Accounting Branch	Survey	-	Not Audited	-	Not Audited	-
FMS Central Agency Accounts	Not Audited	-	Not Audited	-	Not Audited	-
Government Trust Funds	(Ltd Scope) Unqualified	0	Not Audited	-	Not Audited	-
BPD-Administrative (D)	Unqualified	0	Not Audited	-	Not Audited	-
BPD-Debt (D)	Not Audited	-	Not Audited	-	Not Audited	-
Banking/Thrift Oversight						
OCC (S)	Unqualified	0	Unqualified	0	Unqualified	0
OTS (S)	Unqualified	0	Unqualified	0	Unqualified	0
Manufacturing						
BEP (S)	Unqualified	0	Unqualified	0	Unqualified	0
Mint (S)	Unqualified	1	Unqualified	2	Unqualified	3
Mint's Custodial Gold and Silver Reserves	Unqualified	0	Unqualified	0	Unqualified	0
<p>A= For the Department's Administrative financial statements, the OIG rendered an unqualified opinion on four of five lines of business and a disclaimer on the Tax/Trade business line. The Department's Custodial financial statements were not audited.</p> <p>D= Designated by OMB under GMRA for audited financial statements.</p> <p>S= Separate statutory audit requirements incorporated into GMRA audit plan.</p> <p>E= The GAO audit report on the FY 1996 IRS Administrative financial statements was issued in August 1997. GAO issued a qualified opinion on the SFP and a disclaimer on the Statement of Operations and Changes in Net Position, and identified five material weaknesses in internal controls. The GAO audit report on the FY 1996 IRS Custodial financial statements has not been issued.</p> <p>SFP = Statement of Financial Position</p>						

The Inspector General Act of 1978 established OIGs to promote the efficiency, economy, and effectiveness of Federal programs and operations. At Treasury, the Act has resulted in a program of audits and evaluations that focuses on internal controls, management assessment, and program compliance and performance. This work enables the OIG and the Offices of Internal Affairs and Inspection at ATF, Customs, IRS, and Secret Service to provide independent, objective assessments of programs and performance which help to improve the Department's operations and ensure that programs achieve desired results.

As the Department addresses critical changes affecting its bureaus and programs, the OIG believes that its work is helping by providing independent, objective information and recommendations for program improvements. The OIG has sought to provide products that its customers, departmental managers, and the Congress will find useful and relevant. One of the OIG's objectives is to help decision makers find solutions to the problems they face in new or modified programs and with rapidly changing technology that affects all areas of business and finance.

GOVERNMENT PERFORMANCE AND RESULTS ACT

BEP's Strategic Planning Process

At the request of the Director of BEP, the OIG assessed BEP's strategic planning process and its consistency with the Results Act. The purpose of the assessment was to assist BEP's CFO Directorate in its continuing enhancement of the strategic planning process. Since 1994, BEP has been one of four Treasury pilot bureaus for implementing Results Act planning and performance measurement requirements. As a pilot bureau, BEP has refined its strategic planning efforts.

The OIG identified considerable strengths in the BEP strategic planning process, along with several enhancements that could benefit the process. For example, BEP's strategic planning process already possesses committed executive leadership and management involvement, well aligned Information Resources Management Strategic and Operational Plans, and a highly developed BEP 2000 Communication Strategy. The strategic plan can be enhanced by more substantive employee and labor union involvement, attention to certain client consultation and relationship matters, more current data regarding BEP's organizational climate and employee attitudes, improved product forecasts, and more clearly linking tactical planning and goal accomplishment to BEP's performance appraisal system.

From an overall perspective, the OIG found BEP's strategic planning process to be fundamentally sound and consistent with the Results Act. In addition, BEP is making steady progress, particularly with regard to the automated tracking of tasks, and is continually looking for areas in which to initiate improvements. (Report #OIG-96-E19)

BEP's Strategic Plan

At the request of the Director of BEP the OIG analyzed BEP's strategic plan and its consistency with the Results Act. While the strategic plan is generally aligned with basic content requirements, BEP needs to strengthen its program evaluation efforts. The OIG identified a number of options which could enhance the plan. Many of these exceed basic plan requirements and are tailored specifically for BEP. For example, a "systems" approach to policy and strategy formulation could facilitate more comprehensive and balanced coverage within the strategic plan. In addition, a central vision and values component, along with clearer linkage to National Performance Review and other broader Federal Government program improvement initiatives, could further enhance the plan.

Options were suggested to strengthen specific program strategies, include important implementation factors, and minimize technical ambiguity within the strategic plan. In addition, several alternative performance measures were suggested for areas where BEP may want to consider refining its measures. BEP found the report to be useful and has already addressed some of the OIG's comments, including those related to the bureau's program evaluation efforts, in its current plan. Other options, including improving plan production quality and alternative performance measures, will be considered in BEP's future planning efforts. (Report #OIG-96-E20)

PERFORMANCE REVIEWS

ATF's Implementation of the 1994 Crime Bill

The Violent Crime Control and Law Enforcement Act of 1994 (Public Law 103-322), commonly referred to as the Crime Bill, was signed into law by the President on September 13, 1994. A key section of the Crime Bill prohibited the manufacture, transfer, and possession of semiautomatic assault weapons and large capacity ammunition feeding devices after September 13, 1994. Both the Crime Bill and Presidential licensing initiatives issued in August 1993 have resulted in better control of the firearms licensing process.

An OIG audit of ATF's implementation of major provisions of the Crime Bill disclosed that ATF has implemented some provisions better than others. The OIG believes that ATF has effectively implemented the new licensing provisions and has taken positive action toward implementing provisions related to firearms theft reports, response to trace requests, and restrictions on the sale of handguns to juveniles. However, the OIG concluded that ATF has taken a passive approach to enforcing the ban on semiautomatic assault weapons.

ATF lacks a formal method for identifying semiautomatic assault weapon manufacturers, does not monitor the production and sale of semiautomatic assault weapons, and has not made inspections of semiautomatic assault weapon manufacturers a priority. As a result, ATF lacks assurance that banned semiautomatic assault weapons are not being manufactured and distributed to unauthorized persons. In addition, ATF's ability to enforce certain Crime Bill provisions regarding large capacity ammunition feeding devices and prohibiting individuals subject to restraining orders from receiving firearms is limited.

The OIG made three recommendations which address ATF's efforts to assure that banned semiautomatic assault weapons are not manufactured and distributed to unauthorized persons. ATF concurred with and is making plans to implement those recommendations. (Report #OIG-97-080)

ATF's Use of Task Forces

An OIG audit concluded that ATF's participation in certain task forces had achieved significant benefits. However, ATF had inadequate assurance that all task forces are involved in the most productive type of investigations, and that all ATF agents are in full compliance with the Department's enforcement policies. The audit found that ATF did not have sufficient procedures to allow senior ATF law enforcement officials to periodically assess the extent of task force involvement and the costs and benefits incurred for specific task forces.

Information developed by the OIG also showed that about 25 percent of all ATF agents involved in task forces are on task forces led by other law enforcement agencies. ATF enforcement officials acknowledged that these task forces present unique risks because ATF operating standards may be different from those of the agency leading the task force; ATF is not in control of the task forces' operations; and the task forces may focus on crimes outside ATF's primary jurisdiction. Furthermore, field offices needed additional guidance to help resolve issues that may arise when ATF agents are operating under task forces led by other law enforcement agencies.

Due to the unique risks that exist when ATF agents are involved in task forces, ATF officials agreed with OIG recommendations for additional guidance for the field offices. ATF also concurred with recommendations that will enable it to measure specific task force accomplishments and costs in order to justify the continuation or termination of particular task forces. (Report #OIG-97-085)

Joint Review of Currency Issues

The OIG and the Federal Reserve Board OIG participated in a joint project to address the status of current issues related to United States currency and to judge the benefits of pursuing additional work in this area. Issues reviewed included the roll out of the redesigned \$100 bill and other denominations, currency forecasting, currency production and planning, and other initiatives, such as the possible use of a \$1 coin and polymer-based substrates to prolong currency life.

Although the project did not identify any currency issues that would presently benefit from a joint audit, both OIGs agreed that the mutual exploration of issues has merit and that a joint project likely will be tried again. In addition, both OIGs plan to consider future issues that may benefit from independently managed audits. (OIG)

PCIE Audit of Firearm Controls

The OIG completed three audits as part of a multi-bureau PCIE review of Federal agencies' controls over firearms in their custody. The audits were conducted at Customs, ATF, and FLETC. Each audit determined whether current policies, procedures, and operating practices were adequate to control firearms authorized for official use; and whether unwanted firearms were properly controlled and destroyed.

Customs had effective controls over firearms purchased and converted for official use and properly controlled and timely destroyed unwanted firearms. However, it had not made a determination on a missing firearm reported by the OIG in 1995. The missing firearm will be addressed by Customs' Board of Survey. (Report #OIG-97-022)

ATF has improved its firearms controls since the OIG's 1994 audit, which reported 78 missing firearms. The bureau can now verify the location of all but one firearm, and is in the process of investigating that firearm's whereabouts. The OIG found that ATF could further enhance controls by maintaining a perpetual firearms inventory and by controlling and timely destroying unwanted firearms. ATF management agreed with the OIG's findings and recommendations, and plans to strengthen firearm controls by providing training, issuing new control procedures, and replacing its inventory control system

with an integrated system. (Report #OIG-97-104)

Although FLETC effectively controlled and destroyed unwanted firearms, inventory records did not readily or accurately identify owned and non-owned firearms maintained on FLETC property. In addition, FLETC did not provide adequate physical security over firearm access or resolve the ownership of 5 firearms discovered in 1989. FLETC concurred with the OIG's findings and agreed to implement all of the OIG's recommendations in order to strengthen controls over its firearms and the non-owned firearms stored on its property. (Report #OIG-97-092)

Non-Bank Financial Institutions

Approximately 200,000 Non-Bank Financial Institutions (NBFIs) carry out many cash transactions similar to banks without being subject to the same regulatory oversight as banks. Like a bank, a NBFI may provide check cashing, currency exchange, and money transmitting services, and issue travelers checks. Absent regulatory scrutiny, criminals may seek to use NBFIs as easy places to launder money obtained through illegal means. The Money Laundering Suppression Act of 1994 requires the registration of NBFIs and a method for reporting suspicious activity that occurs at NBFIs.

An OIG audit found that NBFIs have not been registered by FinCEN as required by the Money Laundering Suppression Act and that money laundering activity may go unreported because FinCEN has not provided NBFIs with a Suspicious Activity Report form. The OIG made four recommendations to address NBFI registration and a reporting mechanism for suspicious activity at NBFIs. FinCEN has taken positive action toward implementing the recommendations by issuing a Notice of Proposed Rulemaking in the Federal Register. The regulations proposed in the Notice address the core recommendations in the OIG's report. (Report #OIG-97-098)

IRS Library Deposit Accounts

At the request of the Deputy Chief Counsel, the OIG examined the deposit accounts of IRS' Office of the Chief Counsel Library. Since FY 1992, the Library has established deposit accounts of appropriated funds with 22 vendors, who have received advance payments for future orders of Library items, including books, periodicals, and supplies, on an as-needed basis.

The OIG's review revealed that the manner in which the Library established and used the deposit accounts violated the prohibition against advance payments. The vendors held the deposit accounts in escrow for future unspecified orders, resulting in no financial benefit to the Government. As a result, the Library violated provisions of 31 United States Code (U.S.C.), section 1502, concerning the use of such monies to supplement subsequent years' appropriations. In addition, the OIG estimated that the Government constructively incurred approximately \$48,000 in borrowing costs because of deficit financing during the period these accounts were in effect. The Library lacked sufficient accounting controls, and the Office of the Chief Counsel did not provide adequate management oversight of the Library's advance funding through its deposit accounts. Since the inception of the OIG's review, approximately \$190,000 had been idle and outstanding in the deposit accounts. The OIG recommended that IRS recover all outstanding funds from the deposit account vendors. IRS is implementing the recommendations. (Report #OIG-97-117)

OTS' Processing of Home Mortgage Disclosure Act Data

In order to identify possible discriminatory lending patterns, the Home Mortgage Disclosure Act (HMDA) requires financial institutions with assets of more than \$10 million and a home or branch office in a Metropolitan Statistical Area to report on their home mortgage lending activities. To assist the Department's oversight of Treasury IT issues, the OIG examined OTS' processing of HMDA data, which includes the race, sex, and income of mortgage applicants and borrowers.

OTS is the only agency that processes its own HMDA data. Financial institutions reporting HMDA data for other agencies, such as OCC, the Federal Deposit Insurance Corporation, the Federal Reserve System, and the National Credit Union Administration, generally provide their data to the Federal Reserve Board for processing. The OIG examined whether it would be more cost beneficial for OTS to transfer its HMDA data processing to the Federal Reserve Board. OTS provided cost data for both itself and the Federal Reserve Board to show that it could process HMDA data less expensively in-house.

However, the OIG did not find the data fully comparable or adequately supported and, as a result, could not reach the same conclusion.

OTS favors maintaining its HMDA data processing function which, according to officials, allows the bureau to obtain timely and inexpensive reports to conduct fair lending analysis, provide prompt assistance to thrifts, and acquire HMDA data with minimal validity errors. However, several factors, including the continuing decline of the thrift industry, downsizing at OTS, and current Government efforts to consolidate data processing functions, suggest that OTS may need to contract out its HMDA data processing at some point. According to the Department's Chief Information Officer (CIO), the recently passed Clinger-Cohen legislation mandates that all processing investments be evaluated. The Department plans to use the OIG's report as a framework for evaluating data processing of HMDA information. (Report #OIG-97-086)

Follow-up Review of FMS Controls Over Agency Disbursements

In FY 1996, FMS processed over 850 million payments with an outlay of \$1.05 trillion. Although FMS had implemented most of the OIG's prior recommendations to improve controls over agency disbursements, it still needed to address a material weakness on computer operations that was reported in its annual assurance letter. Inadequate computer operation security controls risk the theft of or tampering with computer software and disbursement-related financial data. The OIG's follow-up review also showed that FMS should closely monitor premature payments by the Department of Defense (DOD), which escalated by over \$1 billion from FY 1994 to FY 1995. Unless justified, the Government can lose interest on prematurely disbursed funds.

The OIG made two recommendations to strengthen FMS' computer security controls and monitoring of agency disbursements. FMS concurred with both recommendations and initiated corrective action. FMS is implementing and testing computer security features and has issued revised guidance on contingency tests of computer systems to its regional offices. In addition, as agencies convert to electronic payment systems, FMS will provide additional instructions to better ensure that payments arrive as close to their due date as possible. Finally, FMS will more closely monitor DOD's early payments and work with DOD should those payments continue. (Report #OIG-97-121)

OCC Bank Examiner Conflict of Interest

OCC examiners are frequently hired by commercial banks. Between January 1, 1994 and April 26, 1996, 43 of the 155 individuals graded OC-12 and higher who left OCC's Northeastern, Southwestern, and Western Districts subsequently were employed by commercial banks. Of those 43 employees, 27 were hired by banks they previously examined. As the supervisor of national banks, OCC must be alert to the possibility that an examiner could influence the results of a bank examination in order to obtain employment with a bank. Despite such possible conflicts of interest, and the fact that OCC had instituted its own procedures to prevent the violation of ethical standards, the OIG found that OCC did not conduct required conflict of interest reviews on 24 of the 43 employees noted above. Supervisors failed to initiate the required reviews and OCC did not monitor the reviews to ensure they were completed. In addition, the OCC ethics officials ultimately responsible for final review were not notified when employees resigned.

Although 12 of the 43 employees left OCC to work for banks they had examined during the previous 12 months, only the work of 2 employees was subjected to a workpaper review. OCC field managers provided several explanations for their failure to conduct workpaper reviews, including: (1) the subject examiners were assigned relatively minor segments of and were not in a position to influence the examinations, (2) confidence in and the professional judgment of the examiners, (3) the examiners were hired in areas that were not the subject of the examinations, and (4) the examiners were contacted and accepted employment after the examinations were completed.

The OIG recommended that OCC implement a policy requiring the notification of ethics officials when individuals leave for employment with commercial banks, ethics officials follow-up with the appropriate OCC units when conflict of interest review forms are not promptly received, periodic monitoring of compliance, and workpaper reviews when an examiner-in-charge is hired by a bank that was recently examined. OCC concurred with the OIG's recommendations and is implementing corrective actions that meet or exceed the OIG's recommendations. For example, all examiners who leave OCC to work for a bank are subject to a workpaper review if they worked on the bank's last examination, regardless of whether or not they were the examiner-in-charge.
(Report #OIG-97-068)

Customs Pre-Importation Reviews

In January 1992, to expedite entry processing of goods into the United States, Customs began to pre-classify and pre-approve certain imports through pre-importation reviews. The reviews expanded on an existing pre-classification program by which an importer could receive a binding classification ruling from Customs on imported goods before they arrived in the United States. Pre-approval was intended for importers with inventories that, due to volume, rapid turnover, or product diversification, did not lend themselves to an item-by-item review.

A 1993 Customs quality assurance review found that pre-importation reviews had increased the quality of entry summaries documentation, resulting in reduced document review and cargo examinations. In FY 1993, Customs saved an estimated \$3.7 million in import specialist direct salary expenditures due to pre-importation reviews. Pre-importation reviews also continued to provide benefits through the textile industry's pre-classification component, which

accounted for 80 percent of the over 5,100 pre-classifications between 1992 and 1995.

An OIG audit found that changes in Customs' operations have diminished the benefits associated with pre-importation reviews in general and pre-approval in particular. For example, organizational changes and the initiation of compliance assessment team reviews have expedited the import process and made pre-approval less of a benefit. In order to persuade high volume importers to participate in pre-importation reviews, the OIG recommended that Customs assess the continued viability of and any needed changes in the reviews. Customs concurred with the OIG's recommendation and discontinued pre-importation reviews in light of compliance assessments for nationally targeted accounts and port account management of other importers. However, Customs will continue with pre-classification. The OIG agrees with Customs' decision. (Report #OIG-97-126)

Customs International Air Passenger Processing

The OIG identified security weaknesses in Customs Federal inspection service areas at four airports, two of which are pre-clearance stations. Identified security weaknesses, which have been the subject of Congressional and news media attention, could result in the diversion and unauthorized entry of international passengers, narcotics, illegal merchandise, or other contraband into the domestic population of the United States. The threat of terrorists smuggling explosive devices into airports and onto airplanes also was addressed.

Three limited official use reports were issued to Customs and the Department of Transportation Inspector General, who would consider any action deemed necessary by the Federal Aviation Administration. The audits also established that Customs processes passengers and baggage at these airports in a timely manner and deploys inspectors to coincide with peak periods and security needs. (Reports #OIG-97-106, #OIG-97-107, and #OIG-97-108)

Customs' Drug Interdiction Efforts at a Land Border Port

As part of its planned audits of Customs' drug interdiction efforts, the OIG examined Customs' Contraband Enforcement Team program (CET) at a land border port of entry. Customs established the CET in 1982 as a dedicated resource for intercepting large quantities of drugs found in high-risk conveyances such as trucks, aircraft, and commercial cargo. While Customs has concentrated its resources at the southwest border, the OIG believes that it also may be vulnerable to drug smuggling at the northern border. The OIG selected a port and identified that the port had not developed an action plan to address the drug threat as required under Custom's FY 1996 Annual Plan.

The OIG report also discussed weaknesses in the port's targeting processes and examination procedures. For example, inspectors did not use the port's automated databases to routinely profile cargo and conveyance for inspection; and rather than concentrating on drugs, port management focused CET and other inspectors on facilitating the flow of commercial and passenger vehicles. Examination procedure weaknesses included insufficient coverage of the cargo inspected and limited use of available technology. Staffing and facility constraints also appeared to heighten the port's vulnerability to drug smuggling.

The auditors made seven recommendations to improve the port's targeting, examination, and reporting processes. Foremost among the recommendations was that the port develop an action plan focusing on the drug threat, and the need to assess the risk of similar problems occurring at other northern border ports. Customs management concurred with the recommendations and initiated corrective action. (Report #OIG-97-105)

Revenue Protection Strategies

The IRS continues to improve systems for detecting return filing fraud in advance of issuing tax refunds. During the second 6 months of FY 1997, IRS internal auditors continued to assess revenue protection activities by issuing two audit reports, both of which are summarized below.

The Foreign Information Returns Program (FIRP) plays an integral role in IRS efforts to address international taxation issues in the global economy. Under tax treaty provisions IRS receives information from participating nations on income from foreign sources paid to businesses and individuals residing in the United States. Between tax years 1988 and 1991, IRS received documents reporting foreign income ranging from \$20 to \$36 billion annually.

Due to budgetary constraints, the 1995 FIRP was canceled. Consequently, FIRP data reporting billions of dollars in foreign income was not used in compliance efforts, including the Underreporter and Nonfiler programs. IRS cannot effectively evaluate the impact of the cancellation due to difficulties in determining FIRP's impact on compliance efforts. A formalized system to measure program results has not been established, and data related to performance and compliance levels is not readily available. In order to assess program performance, IRS internal auditors developed ad hoc measurement systems for IRS efforts in obtaining and processing foreign income documents and using those documents in compliance efforts.

The auditors recommended that IRS management establish system controls with applicable goals and measurements to evaluate program performance. In addition, IRS management should ensure that treaty partners are encouraged to file all available FIRP data and should increase taxpayer and IRS employee awareness of foreign income reporting requirements by enhancing instructions. IRS management agreed with the findings and is taking corrective action. (IRS Report #072208)

■ The Revenue Protection Strategy Program (RPS) began as an initiative to address the growing number of fraudulent returns being submitted both electronically and on paper. IRS internal auditors conducted a review to evaluate the effectiveness of changes made to RPS for the 1996 filing season.

During the 1995 filing season, IRS internal auditors determined that proposed RPS assessment notices were incorrect and, in many cases, significantly understated the actual tax. This situation arose because the automated system used by RPS was not programmed to make related statutory adjustments to a taxpayer's filing status or childcare credit when IRS disallowed all dependent exemptions. IRS management's corrective action included issuing a directive to manually assess additional tax for returns requiring such statutory adjustments during the 1995 filing season and to initiate computer program changes that would improve the processing of statutory assessments during the 1996 filing season. (Effective in 1997, a new tax law was enacted that allows statutory adjustments to be processed as math error corrections rather than examination assessments.)

A review of management corrective action to identify and assess statutory adjustments for tax years 1994 and 1995 determined that IRS effectively protected revenue, realizing a total of \$71.8 million in additional tax assessments for both tax years. In addition, changes to computer programs improved the identification of appropriate returns and of returns that required mandatory statutory tax adjustments. The program enhancements also helped to reduce inventories. Although the results were generally positive, the auditors identified a condition that should be addressed in the development of future strategies. The clarity and accuracy of correspondence sent to taxpayers could be improved by eliminating multiple RPS notices and by correcting those that contain inaccurate information. IRS management agreed with the auditors' findings and is taking appropriate corrective action. (IRS Report #071502)

IRS Public Transportation Subsidy Program

IRS launched the Public Transportation Subsidy Program (PTSP) to comply with Public Law (P.L.) 103-172, the Federal Employees Clean Air Incentive Act, which authorizes Federal agencies to pay all or a portion of employees' public transportation costs in order to encourage the use of mass public transportation. At the request of the National Director of the Real Estate Planning and Management Division, IRS internal auditors evaluated the effectiveness and efficiency of the PTSP and its internal controls. The review examined managerial guidance and operational oversight, procedures for measuring program effectiveness and direct/indirect costs, physical security, and managerial and operational controls.

The auditors found that IRS is spending millions of dollars annually on a program that may not be effective. Estimated direct program costs for FY 1996 and 1997 are \$10 million, not including indirect and opportunity costs. IRS management needs to evaluate the PTSP to determine if it should be curtailed or eliminated. If the program continues in some form, identified control weaknesses must be addressed to strengthen security and accountability over assets. Databases were neither updated timely nor sufficiently accurate and complete to adequately document and control subsidy distributions. In addition, key duties were not sufficiently separated among employees to provide effective checks and

balances against possible error, waste, or wrongful acts; reconciliations of transitchek/voucher inventories were not always conducted; unauthorized users were not adequately restricted from accessing PTSP databases; and physical security was insufficient to safeguard funds.

IRS management agreed with the auditors' recommendations. Specific planned corrective actions include preparing a survey questionnaire for all PTSP participants to document the trend in public transportation use since program implementation; requesting a legal opinion on the feasibility and legality of payroll distribution; issuing an updated PTSP guidance document and security measures; requiring that PTSP data is timely updated and validated, and that managers ensure the separation of employees' duties; and establishing more definitive reporting requirements, including general reconciliation provisions. (IRS Report #073502)

Secret Service Customer Service Activities

With the enactment of Executive Order 12862, "Setting Customer Standards", the Secret Service has developed formal plans to document and implement goals and strategies in order to provide the very best customer service to all recipients of its services. The Office of Inspection continues to formulate support strategies to enhance the Secret Service Customer Service Plan, which includes developing inspection protocols that measure customer satisfaction both internally and externally. Customer service is an integral part of Secret Service's overall strategic plan and the Office of Inspection continues to play a key role in keeping customer service a priority.

Pursuant to a 1987 MOU, Secret Service provides polygraph support to OIG criminal investigations upon written request from the Inspector General. Secret Service polygraph examiners conduct the polygraphs at field locations throughout the United States. In addition to providing two polygraphs and one Forensic Examination for the OIG, Secret Service has conducted polygraphs for the Railroad Retirement Board and the Social Security Administration. (Secret Service Inspection).

MANAGEMENT ASSESSMENTS

Treasury Audit Follow-up Systems

The OIG conducted a review of the Department's audit follow-up systems to determine if they are resulting in the efficient, prompt, and proper resolution of unimplemented audit recommendations. The review found that Treasury's systems do not fully meet the requirement of OMB Circular A-50. In addition, the OIG lacks a comprehensive audit follow-up system, and the Treasury-wide database that monitors progress on internal control issues within the Department contains a number of system weaknesses.

The issue of unimplemented audit recommendations surfaced in the House Subcommittee on Treasury, Postal Service, and General Government's FY 1997 Questions for the Record regarding the OIG's budget. The Subcommittee noted that some of Treasury's unimplemented recommendations date back to 1992 and requested an explanation of the extended implementation period for those recommendations, along with data on the savings not realized from the unimplemented recommendations listed in the OIG's September 1995 Semiannual Report. The Secretary's July 1995 inquiry regarding an unimplemented recommendation from a 1985 IRS audit report, which involved a \$93 million revenue enhancement, and the Deputy Secretary's June 1996 request that bureau heads implement audit recommendations in a timely manner further emphasized the issue of audit follow-up within the Department.

The OIG made a number of recommendations to improve Treasury's audit follow-up systems. These included having the Assistant Secretary for Management/CFO institute a proactive audit resolution and follow-up process that provides for the periodic review of open recommendations; conduct an analysis of all unimplemented recommendations over 1 year old; and establish centralized entry of data from completed GAO audits. (As the Department's CFO, the Assistant Secretary for Management oversees corrective actions related to audit recommendations.) The OIG also recommended that the Assistant Secretary for

Management/CFO and the OIG emphasize their joint oversight responsibility with departmental management in the area of audit follow-up. (Report #OIG-96-E18)

ATF's Certified Explosives Specialist Program

An OIG review of ATF's Certified Explosives Specialist (CES) program identified several areas where ATF could enhance its planning for allocating resources and conducting training. For instance, the CES program could greatly benefit from: (1) gathering and maintaining data to assist management in the allocation and distribution of CES resources; (2) evaluating its performance; and (3) collecting and maintaining data to support the results of its response to requests for training and demonstrations, and for assistance during explosives incidents.

The overriding theme throughout the review was the CES special agents' dedication and commitment to ATF's explosives program and to the protection of the public. ATF's CES services are valued by those who receive them, including Federal, state, and local law enforcement officials, and private companies. However, the data necessary to make specific planning and resource allocation decisions are not collected systematically or comprehensively.

ATF needs to maintain an adequate level of special agents with CES training and certification to carry out its functional mission of assisting Federal, state, and local law enforcement agencies in investigating crimes involving explosives. In addition, due to the fact that providing training for public and private sector agencies is a high priority for CES agents, ATF should ensure adequate resources for the delivery of consistent, quality training, presentations, and explosives demonstrations. Finally, ATF should provide modern communications to CES agents at explosives incident scenes. In its response,

ATF management stated that the OIG had very accurately portrayed the CES program. (Report #OIG-96-E17)

ATF Inspections

During the 6-month period ending September 30, 1997, the ATF Office of Inspection conducted 6 inspections. The inspections, which involved the review of 53 separate field office locations, included areas such as personnel, training, office security, internal controls, and a qualitative and quantitative analysis of investigations and inspections. In addition, all employees were interviewed regarding morale, supervision, and work-related problems.

Deficiencies and/or variances identified during the inspections were discussed with affected managers at the closing conferences and documented in the final inspection reports, which were disseminated to all affected ATF managers. Inspection team leaders briefed the Director of ATF after each inspection. (ATF Inspection)

Customs Inspections

The Customs Office of Internal Affairs conducts various types of reviews, including comprehensive inspections, spot checks, assessments, and financial audits of undercover operations. The reviews gauge the effectiveness and efficiency of the offices involved and verify the implementation of strategic plans and compliance with policy and established operating procedures. During the 6-month period ending September 30, 1997, the Customs Office of Internal Affairs conducted ten comprehensive inspections, including six Special Agent in Charge offices and four port locations.

Office of Internal Affairs inspections are conducted by a multidisciplinary team of Internal Affairs staff and field managers from peer organizations, who also are known as field inspectors. Typically senior level personnel, the field inspectors participate in a training week prior to the inspection, during which the team reviews the results of research and analysis conducted on the location to be inspected. Based on the review, specific areas are targeted for on-site inspection. Having field inspectors, who possess current operational knowledge, review functions in which they have expertise enhances the credibility of the inspections. In addition, the field inspectors have an opportunity to observe a variety of management styles and operational procedures. This process has been mutually enriching and has broadened the perspective of those associated with it. A program of interim spot check inspections was initiated as a complement to the comprehensive inspections. (Customs Internal Affairs)

Secret Service Inspections

Established on July 1, 1950, the Secret Service Office of Inspection is charged with reviewing policies, procedures, and their implementation in the Secret Service. The Office of Inspection's programs include organizational analysis and cover areas such as personnel, office security, communications, training, management, and supervision. The Office of Inspection also serves as the "Internal Affairs" component within the Secret Service.

The Office of Inspection conducts inspections of Secret Service offices and divisions on a 3 year cycle. During these inspections, every employee is afforded a confidential interview to assess the quality of management and supervision within Secret Service. During the 6-month period ending September 30, 1997, the Office of Inspection conducted 32 inspections of field offices, resident offices, and resident agencies, including follow-up visits, re-inspections, and unannounced audits.

All of the field offices, divisions, and resident offices that were inspected are in compliance with Secret Service policies and procedures, with the exception of minor discrepancies that were brought to the attention of the agents in charge and corrected during the course of the inspections. Offices that previously had received recommendations were re-inspected and found to be in compliance. In addition, the unannounced audits did not reveal any misuse of Government funds or unauthorized transactions. (Secret Service Inspection)

Employee Tax Compliance Program

Public confidence in IRS' integrity and competence is vital to encouraging taxpayers to voluntarily file their returns in a timely and accurate manner and to fully pay all taxes when due without penalty. Recognizing the impact that adverse perceptions of IRS employees can have on the public, IRS has undertaken initiatives to improve methods for ensuring employee tax compliance. In July 1995, the redesigned Employee Tax Compliance (ETC) Program consolidated the review of potential employee noncompliance issues into a single centralized unit. The IRS Inspection Service conducted an audit of the ETC Program to determine whether it was achieving IRS' goals of improving efficiency and effectiveness, providing consistent treatment regarding employee tax delinquency issues, and protecting employee privacy.

The auditors determined that the recent changes generally resulted in the consistent treatment of employees identified as being potentially noncompliant. In addition, significant improvements have been made in protecting employee privacy, with approximately 76 percent of the potential noncompliance cases identified being closed without contacting the employee or his or her manager. However, the auditors also found that all similarly-situated noncompliance cases are not being identified, that not all of the potential noncompliance cases identified are being resolved, and that resources are not being utilized efficiently.

To ensure that the ETC Program operates in a more effective, efficient, and equitable manner, the auditors recommended that IRS management eliminate Estimated Tax Penalty cases involving amounts that are under IRS' administrative assessment tolerance; change case identification criteria to exclude certain types of unproductive cases; and modify program guidelines to enable ETC Program

technicians to work multiple tax year cases simultaneously. IRS management agreed with the findings and plans to implement the recommendations. (IRS Report #073604)

Controls Over IRS' Automated Data Processing Resources

IRS internal auditors conducted a review to determine whether IRS has effective controls to ensure Automated Data Processing (ADP) asset accountability and to provide reliable management and financial ADP asset information. IRS financial records for FY 1996 indicate that the bureau had approximately \$900 million in total ADP resources, including traditional data processing assets, as well as telecommunication equipment and software.

The Integrated Network and Operations Management System (INOMS) is IRS' automated system for maintaining accountability over the majority of its ADP resources. Accountability over capitalized property, including ADP resources, has been a long-term FMFIA material weakness for IRS. In an effort to enhance the overall accuracy of INOMS property management system records, IRS management began a series of on-site evaluations in February 1997 to assess site inventory accuracy and to make suggestions for improvements. In addition, an intensive cleanup of a portion of the INOMS inventory is being conducted as part of IRS' Century Date Conversion effort.

Despite the above efforts, the auditors determined that IRS needs to further improve controls in order to ensure ADP resource accountability and to provide for reliable management and financial ADP resource information, which is a crucial part of the accurate preparation of IRS' annual financial statements and necessary to help correct the FMFIA material weakness. The auditors recommended that IRS management identify and prevent duplicate records in INOMS; improve the reliability of telecommunications resource information by adding telecommunication assets to INOMS or by periodically updating INOMS with information from vendors' external systems; and institute periodic comparisons between IRS accounting records and INOMS in order to help ensure the reliability of the latter. IRS management agreed with the recommendations and the conditions cited in the report, and implemented or established plans for corrective action. (IRS Report #075008)

IRS Privacy And Security

The Commissioner of IRS requested a review of IRS' Office of Disclosure in response to publicity generated by the White House's use of FBI files and concerns that tax return information may have been improperly disclosed. While the IRS internal auditors did not identify any unauthorized disclosures, they found control weaknesses, poor records management, and numerous unexplained accesses to taxpayer accounts.

IRS' Office of Disclosure, which is responsible for handling internal and external requests for tax information, processes necessary tax checks. An analysis of tax check records for the 403 names associated with the FBI files indicated that the White House requested tax checks on only four of the individuals since November 1992 and that the tax checks on these individuals were for legitimate business reasons. However, a review of the program area indicated that the Office of Disclosure's current control structure did not provide sufficient assurance that taxpayer data were properly protected. Internal requests for tax checks were not adequately controlled and external requests for tax checks were not properly processed. In addition, the records management for completed tax checks was ineffective, and Office of Disclosure personnel's research of taxpayer accounts was not documented.

The auditors made several recommendations to address the cited control weaknesses. IRS management agreed with the facts included in the report and is taking appropriate corrective action. No tax checks will be performed without a valid, controlled waiver, and procedures have been established to ensure that no telephone requests are honored. In addition, several improvements have already been made to the inventory control system. IRS management has worked with both the internal auditors and IRS' National Office Integrated Data Retrieval System (IDRS) Security Coordinator to ensure that only necessary access is authorized, that all access is documented, and that ongoing management oversight procedures are established and followed. (IRS Report #075404)

n The confidentiality of taxpayer information is a primary tenet of tax administration, and IRS has committed to protecting tax information from unauthorized disclosure. However, IRS is simultaneously striving to improve customer service by moving from paper correspondence to telephone-based one-stop service. For example, IRS is providing Customer Service Representatives (CSRs) with computer access to account information so that the CSRs can resolve most problems while a taxpayer or representative is on the telephone. Such improvements bring increased risks, and IRS recognizes that the greatest potential for the unauthorized disclosure of tax information occurs when employees handle telephone inquiries. The key to minimizing these risks is the authentication procedures used to validate the callers' identities and their right to the tax information requested.

IRS internal auditors evaluated the controls protecting tax account information from unauthorized disclosures, and identified weaknesses in the way IRS discloses information over the telephone. The auditors recommended that IRS management more effectively use existing information to strengthen procedures for authenticating the identities of callers requesting account data; establish a clear policy to deal with disclosing tax account information to third parties under sanctions imposed by the Director of Practice; and provide CSRs with guidance on handling suspended or disbarred third parties. IRS management agreed with the findings and recommendations, and has planned or completed appropriate corrective action. (IRS Report #075202)

n A review of IRS' Multiple Virtual Storage Operating System for the Integrated Collection System, the Distributed Input System, and the Communications Replacement System found weaknesses in the operating system's security administration and overall data file management activities.

A potentially unstable, unreliable, or non-secure platform jeopardizes IRS' success and survivability, and is contrary to management's fiduciary responsibility to properly use and adequately protect IRS assets.

The auditors found that a number of systems programmers had privileges to grant access capabilities that could circumvent system operations; excessive security privileges were granted to system users who did not require the privileges to perform their jobs; the audit trail was not being adequately collected or retained; and storage capacity could be considerably increased by removing unused and outdated files. IRS management agreed with the conditions and corresponding recommendations, and has planned or taken corrective action. (IRS Report #075805)

Follow-Up Review of the IDRS Audit Trail

The IDRS is the primary means for accessing IRS tax data on the Master File and the status of accounts in each service center. The IDRS audit trail file is designed to provide a historical record of employee accesses to taxpayer accounts, and is the primary means through which IRS management and the IRS Inspection Service identify potential system abuse. A September 1994 internal audit report on design deficiencies in the IDRS audit trail concluded that, while the audit trail captured most IDRS accesses, it was not always a complete or accurate historical record. IRS internal auditors conducted a follow-up review to determine whether corrective actions taken in response to the September 1994 report were adequately implemented and operating effectively. The auditors also evaluated whether IDRS meets the requirements for Controlled Access Protection and whether IDRS' audit trail adequately identifies all transactions.

The auditors found that IRS management has taken significant action to improve the overall effectiveness of the IDRS audit trail and related security reports. However, while all Taxpayer Identification Numbers (TINs) are now captured on the audit trail, other identifying information needed to trace IDRS accesses is not recorded for all command codes. In addition, procedures to ensure that bulk transcript information is captured were not implemented. The auditors also identified an issue not included in the prior report. Security certification and accreditation for IDRS had not been completed. IRS management agreed to ensure that all audit trail information is properly captured, to capture bulk transcript information on the audit trail, and to conduct appropriate certification and accreditation for any current or new system. (IRS Report #074204)

INFORMATION TECHNOLOGY OVERSIGHT

Tax Systems Modernization

The TSM is the centerpiece of IRS efforts to reengineer business processes, information systems, and organizational culture. Since 1988, IRS has invested between \$3 and \$4 billion to create an environment where taxpayer accounts are updated rapidly and taxpayer information is readily available to IRS employees in order to respond to taxpayer inquiries. The IRS Inspection Service and others have provided extensive audit coverage of the costs and difficulties associated with modernizing IRS information systems. The Inspection Service still considers TSM an FMFIA material weakness and categorizes TSM control weaknesses as “Program Management,” “Infrastructure,” and “Financial Management.”

Since FY 1991, the Inspection Service has issued 96 reports relating to TSM initiatives, including seven in the second half of FY 1997. Each of these reports has been made available to the Department for its use in facilitating oversight. In addition, IRS internal auditors have another four TSM reviews in various stages of completion. All reports issued in the 6 months ending September 30, 1997 are summarized below.

In August 1995, IRS entered into an Interagency Agreement with the Department of Commerce’s National Technical Information Service (NTIS) to develop Cyberfile, an estimated \$22 million effort to provide taxpayers with a direct, paperless method of filing Federal tax returns from home. IRS project management and oversight problems hindered the project from its inception, ultimately resulting in Cyberfile’s cancellation and IRS’ loss of accountability over expended funds. Specifically, NTIS did not deliver Cyberfile in time for the 1996 filing season, as required; diverted IRS-funded Cyberfile computer equipment for its own use; and erroneously charged IRS over \$674,000 for non-Cyberfile related expenses.

IRS internal auditors determined that there were multiple reasons for Cyberfile’s cancellation. IRS management neither adequately oversaw Cyberfile’s planning and development, nor effectively accounted for Cyberfile expenditures. Furthermore, IRS management did not heed warnings regarding Cyberfile’s planned approach and aggressive implementation schedule. Although Cyberfile’s implementation date changed as a result of NTIS-missed milestones, IRS was undeterred from its goal of having Cyberfile operational for the 1996 filing season. The project was stopped only after NTIS informed IRS in April 1996 that Cyberfile was not finished and all funds had been obligated. In addition, IRS failed to resolve major Cyberfile system security issues.

The auditors recommended that IRS systems development procedures be clearly defined and made mandatory, and that IRS guidelines be strengthened through the specification of project management procedures for vendor purchases and/or leases of IRS-funded equipment and for tracking funds paid to vendors for services. Essential security requirements also should be adhered to and properly tested before implementation, particularly with regard to systems that involve sensitive tax information and Internet and/or dial-up access. IRS management agreed with the recommendations and responded with corrective actions. (IRS Report #072303)

n IRS does not have reasonable assurance that it has adequate accountability over its software development resources. The data sources and management information systems employed by IS are not consistent or reliable, and do not capture the data IS needs to effectively manage its programming staff or improve the present development process. For example, if current data is relied upon, over 30 percent of the available staff days in the Inspection Service's sample of 14 sections cannot be accounted for within Applications Design and Development. Although IS has undertaken several efforts to develop new management information systems, none has been fully implemented.

The internal auditors recommended that the CIO and his senior executives identify the measures and define the data they will use to manage IS, and communicate this information throughout the organization. In addition, the CIO should assess current systems available within IRS, such as the Detroit Computing Center Work Planning and Control System, the Single Entry Time Reporting System, and the Work Development Planning System, to determine if any can be developed into a useable resource tracking system prior to implementing any system. Finally, software development staffing resources should be cross-trained and rotated, and productivity measures for monitoring the effective and efficient use of those resources should be established. IRS management generally agreed with the recommendations and has planned or taken implementing action. (IRS Report #073701)

n The Inventory Delivery System (IDS) was designed to assemble current taxpayer information and determine the appropriate disposition for Taxpayer Delinquency Accounts through the matching and analysis of computer-based data files. In March 1996, the Commissioner of IRS highlighted IDS in testimony before a Congressional Subcommittee; and IRS management expected IDS to increase revenue by \$457 million in FY 1997.

At the time of an audit of the IDS prototype, IRS' Government Program Management Office reviewed projects under development, which included the prototype. Although IRS management subsequently agreed to discontinue the prototype, it will develop IDS' essential features, including the Financial Analysis Program designed to increase Collection Division productivity, by May 1998. IRS' Investment Review Board approved funding for IDS in April 1997, and IRS management stated that it would use a disciplined methodology to control the development of IDS' essential features.

During their review of the IDS prototype, internal auditors informed IRS management of several areas where action was needed to ensure that IDS functioned as intended and was timely implemented. The auditors recommended that IRS management develop and implement an overall test plan and a configuration management plan; take steps to provide more effective management oversight; and use sample data from the Self-Monitoring Program to determine whether national implementation of IDS features is warranted. In addition, management should develop a policy on processing and posting actual taxpayer data to the Master File during the development and implementation of a prototype. Management agreed to take appropriate corrective action in response to each recommendation. (IRS Report #073804)

n The implementation of Telephone Routing Interactive System (TRIS) applications can assist IRS in its effort to increase the level of access provided to its customers. Furthermore, the uncertainty of Integrated Case Processing (ICP) Release 2.0 delivery, and limitations placed on TSM budgets in general, emphasize the critical need for TRIS to succeed. As a result, IRS accelerated the development and implementation of interactive applications.

In the aggressive pursuit of additional functionality, the TRIS project risks delivering a system that will not maximize IRS' investment. Since 1994, the volume and scope of TRIS applications have changed several times. System capacity testing was not performed during TRIS pilots, and the pilot results for three initial applications showed that over half of the potentially eligible taxpayers did not

finish the applications, and consequently did not have the opportunity to complete the Automated Customer Survey.

The internal auditors recommended that Customer Service and IS establish a methodology for costing and prioritizing TRIS applications; that required system stress/capacity testing be completed to help ensure that the TRIS architecture is cost effective, appropriately sized, and properly configured; and that taxpayers, who do not complete automated applications, be surveyed to better determine individuals' reasons for dropping out of an application, additional customer needs, and estimated demand volume. IRS management agreed with the recommendations and proposed corrective actions. (IRS Report #072703)

n The TeleFile Program is a major component of IRS' TSM strategy. TeleFile is an interactive voice response system that allows taxpayers to file their returns using touch-tone telephones. In 1997, IRS expanded TeleFile eligibility by allowing married taxpayers who file jointly on Form 1040EZ to use the system. IRS projected that approximately 6.2 million taxpayers would file their tax returns via TeleFile during the 1997 filing season.

Internal auditors conducted a review to advise IRS management of issues that could have a material impact on the 1997 TeleFile Program. For example, system testing delays that could adversely impact implementation were experienced, and mailing the 1996 TeleFile tax package via Bulk Third Class Mail, as originally proposed, may not have been in full accordance with postal regulations. IRS management generally agreed with the auditors' concerns and

the conditions cited in the report, and implemented or established plans for corrective actions. (IRS Report #073006)

■ The ICP was designed to provide automation capabilities to CSRs interacting with taxpayers who call IRS. The early detection of problems that could delay or prevent the timely implementation and full capabilities of ICP Release 2.0 was the focus of a review conducted by IRS internal auditors. The auditors found that the proposed hardware configuration was not expandable to meet the Customer Service requirement of a 1,500 user site, and that the pilot would test neither the hardware configuration that would be used in the field nor the system's expandability to meet the number of users for the larger sites. Under these conditions, the pilot might not provide adequate information to make a valid decision on whether to roll out ICP Release 2.0.

The auditors also found that, under ICP Release 2.0, the IDRS audit trial showed the ICP system performing an action rather than the individual user, a condition that would make it difficult to identify IDRS misuse using current security measures. After reviewing the internal audit report and an independent feasibility study, IRS management made a decision to terminate further development of ICP. (IRS Report #074302)

n The Electronic Management System (EMS) is a key component of TSM, serving as a focal point for electronic receipts into and transmissions from IRS' modernized tax processing system. After receiving electronic Forms 1040 and 941 from taxpayers, EMS validates the forms' data and coordinates its electronic delivery for further processing. As of April 15, 1997, over 3.1 million Forms 1040 and 91,000 Forms 941 had been accepted through EMS at the Memphis and Austin service centers during the 1997 filing season.

IRS internal auditors performed a review to determine whether the EMS Project Office implemented a secure automated information system and whether EMS programs for Forms 1040 and 941 functioned properly. Although reconciliation procedures and system processing controls ensured that the Forms 1040 and 941 received by EMS were timely and completely processed, management attention is needed to improve EMS security and to enhance system performance. The auditors recommended that EMS security be appropriately certified and accredited; that IRS management request clarification from IRS' Chief Counsel on whether electronic tax filing submissions and acknowledgments are considered to be sensitive, but unclassified, information; that IRS management ensure that stress testing simulates the production environment, including all system interfaces; and that emergency EMS program changes be tested prior to their installation in the production environment. IRS management agreed with the recommendations and initiated appropriate corrective action. (IRS Report #074502)

CONTRACT OVERSIGHT

\$30 Million in Contract Costs Questioned

All Treasury bureau requests for preaward, cost incurred, and other contract audits are referred to the OIG. The OIG either performs the audits, refers the audits to the Defense Contract Audit Agency (DCAA) and other cognizant Government audit agencies, or contracts with an IPA.

As shown on the following page, the OIG performed or contracted for a total of 45 contract audits which questioned \$30 million in Treasury contractor costs. Contracting officers agreed to savings and disallowed costs of \$5.4 million, including amounts which were questioned prior to March 31, 1997. An additional \$6.2 million in potential monetary benefits, including amounts which were questioned prior to March 31, 1997, are awaiting completion of negotiations with contractors.

Preaward audits, which provide information on whether pricing proposals are fair and reasonable, are used by contracting officers in negotiating contracts. During the period, DCAA auditors questioned \$5,835,672 of costs included in a \$155,073,048 proposal submitted to BEP. Disposition of the questioned costs is pending future contract negotiations. The DCAA performed an audit of the proposal for distinctive, threaded and watermark currency paper.

The audit disclosed questioned direct material and material overhead, process costs, other direct costs, and general and administrative (G&A) expense. The questioned direct material cost was due to adjustments in allocated depreciation and labor costs, while the questioned other direct cost was attributed to unallowable legal expenses. The questioned G&A expense was primarily due to a variance between the proposed and the adjusted audit G&A rate. (Report #OIG-97-103)

During the period, DCAA conducted a preaward audit of a proposal submitted to Customs. The DCAA questioned \$13,537,625 of the total \$57,818,395 proposed and reported \$828,408 of unsupported costs. The majority of the questioned costs were attributed to questioned overhead, material related accounts, and cost of money. The questioned overhead was due to a variance between the proposed and the negotiated forward pricing overhead rates. The majority of the questioned material related accounts were attributed to questioned subcontract and intercompany work transfers, while the questioned cost of money was due to variances between the proposed and negotiated forward pricing cost of money factors. Unsupported costs consisted of costs for which the contractor was unable to provide sufficient documentation and costs for which a proposed subcontractor denied DCAA access to data needed to evaluate the subcontractor's proposal. (Report #OIG-97-130)

Equitable price adjustments result from changes made by the contracting officer that are within the general scope of the contract. Delay/disruption represents a unique type of equitable adjustment. Delay/disruption proposals or claims are requests to recoup costs as a result of Government caused delays/disruptions. During the period, DCAA auditors questioned the entire proposed equitable price adjustment of \$5,036,188 submitted by an IRS contractor. The disposition of the questioned costs is pending future contract negotiations. The DCAA performed an audit of the costs claimed for productivity loss during the Document Processing System software development.

The audit disclosed that the contractor was proposing the equitable price adjustment because the Government disrupted the use of a faulty code generation tool, which caused the disruption and, therefore, the loss in productivity. The DCAA questioned the entire amount because the contractor could not provide documentation to support the alleged productivity loss. (Report #OIG-97-120)

The OIG and the Offices of Internal Affairs and Inspection at ATF, Customs, IRS, and Secret Service carry out many activities designed to protect the integrity of the Department and its bureaus. These activities range from preventive measures such as integrity awareness programs to investigations of civil and criminal fraud. Because of the sensitive nature of much of the Department's work, this is a high priority area for the OIG and the Offices of Internal Affairs and Inspection.

INTEGRITY AWARENESS AND DETERRENCE

Integrity Awareness: A High Priority

Integrity awareness remains a high priority for Treasury internal investigators. During the last 6 months, the OIG and Offices of Internal Affairs and Inspection at ATF, Customs, IRS, and Secret Service gave 971 presentations to 23,110 employees. Highlights of these programs follow:

n IRS Inspection Service auditors and investigators routinely make presentations to IRS personnel that are designed to heighten their awareness of ethics and integrity. These presentations address various topics and are tailored to the particular needs of the audience. For the 6-month period ending September 30, 1997, 654 presentations were made to 18,809 employees.

n Customs' Office of Internal Affairs special agents conduct yearly integrity and bribery awareness presentations. In the past 6 months, Internal Affairs agents made 86 presentations to 2,588 employees.

■ ATF Inspection special agents and managers present integrity awareness briefings at bureau conferences, meetings, and training classes. During the 6-month period, Inspection made seven integrity awareness presentations to 220 employees.

n Secret Service's Office of Inspection works closely with all elements of the Secret Service to foster the highest standards of integrity and ethics. To this end, inspectors conducted 200 integrity and ethics briefings for 893 Secret Service employees, including criminal investigator recruits, experienced criminal investigators, special officers, Uniformed Division Officer recruits and officers, and administrative personnel.

n The OIG gave 24 briefings to approximately 600 employees. (OIG and Offices of Internal Affairs and Inspection)

IRS Internal Security's Investigation of an Alleged Improper Tax Disclosure

In response to a taxpayer's complaint that IRS' Internal Security Office improperly investigated an allegation of improper tax disclosure, the OIG initiated a review of the investigation. The review primarily focused on a follow-up investigation related to the taxpayer's complaint. Although the OIG determined that the investigator assigned to perform the follow-up investigation had the requisite knowledge and experience, the review indicated that the investigation was not conducted in an impartial manner, that investigative leads were not adequately pursued or properly documented, and that documentation to indicate the investigation was properly planned was not available.

The OIG found the quality of the investigation to be insufficient and recommended that additional investigative work be performed. The OIG also suggested that Internal Security evaluate its policies and procedures regarding field operations' actions to perform quality assurance for findings and recommendations. IRS' Office of the Chief Inspector agreed with the OIG's recommendation and has planned action to address the recommendation. (OIG)

IRS Compliance with Treasury Directive 40-01

Treasury Directive (TD) 40-01, "Responsibilities of and to the Inspector General," summarizes the authority of the Inspector General and sets forth reporting and other responsibilities of departmental officials to the Inspector General. For example, the Directive requires IRS' Chief Inspector to immediately report all significant allegations (i.e., those concerning senior level employees and flagrant, notorious conduct) to the Inspector General. The OIG conducted a review of IRS' compliance with TD 40-01 in order to assess the timeliness of (1) IRS referrals to the Inspector General for investigation and (2) IRS responses to management and investigative referrals from the Inspector General.

The review determined that both IRS and the OIG need to make improvements, particularly in the area of timely, prompt referrals, in order to fully comply with the requirements of TD 40-01. In addition, the review found that the Directive needs to be revised as some of the information it contains is outdated. IRS and OIG officials agreed to take actions to ensure that all of the reporting requirements specified by TD 40-01 are met. The OIG also will revise the Directive in the near future. (OIG)

IRS Southwest Region Internal Security Office's Compliance with Quality Standards for Investigations

The OIG reviewed a sample of closed investigations performed by IRS' Southwest Region Internal Security Office (now called the Midstates Region Internal Security Office) to determine if the office adhered to the professional investigative standards established by the PCIE and the IRS Inspector's Handbook. The review found no systemic problems in meeting the investigative standards concerning qualifications, independence, execution, reporting, and information management. However, exceptions were noted in the areas of due professional care and planning.

The Due Professional Care Standard, which provides for the use of due care in conducting investigations and preparing related reports in order to achieve quality professional performance, was not always met. The Southwest Region Internal Security Office did not routinely request and/or obtain affidavits during interviews with individuals who had a material impact on criminal investigations, and IRS inspectors did not routinely contact a representative from the United States Attorney's Office before interviewing subjects of criminal investigations.

The Planning Standard recognizes the general limitations of available resources and provides for the establishment of investigative priorities and development of objectives in order to ensure that individual case tasks are performed efficiently and effectively. To implement this standard, Internal Security suggests that investigative plans list the statutes involved and the elements of proof necessary to establish a violation. Internal Security also requires that supervisors approve planning documents within 10 days. Although the review found that investigative plans were routinely prepared, the plans did not always identify the applicable statutes or elements of proof and were not always approved in a timely manner.

In addition to making recommendations addressing the need to obtain affidavits from individuals having a material impact on criminal investigations, the OIG emphasized the necessity of speaking with a United States Attorney, or another appropriate Department of Justice official, before contacting the subject of a criminal investigation. IRS agreed to implement corrective actions that will appropriately address the OIG's recommendations. (OIG)

ATF Office of Inspection Internal Investigation

In response to allegations that an ATF Office of Inspection internal investigation was improperly conducted and contained inaccurate or inadequately supported information, the OIG reviewed the investigation. The complainant, a licensed gunsmith who is serving time in prison after pleading guilty to firearms violations, made numerous allegations about the criminal investigation, including that ATF failed to properly monitor an informant or control case evidence and attempted to improperly influence jurors. The Office of Inspection internal investigation concluded that no improprieties occurred with regard to the criminal investigation of the complainant.

The OIG's review of the Office of Inspection internal investigation determined that the case agent had the requisite knowledge, skills, and ability. However, the OIG questioned the quality of the internal investigation, and a supplemental investigation was conducted by the Office of Inspection at the request of the Inspector General. The supplemental investigation identified some statements in the initial report that were not adequately supported. ATF implemented the two recommendations made by the OIG. (OIG)

CRIMINAL INVESTIGATIONS

Criminal investigations by the OIG and the Offices of Internal Affairs and Inspection at ATF, Customs, IRS, and Secret Service include investigations of procurement fraud; assaults and threats against employees; bribery; allegations of criminal acts, such as embezzlement and theft, by employees; referrals from national integrity projects; and allegations of corruption against IRS by practitioners, such as attorneys and certified public accountants.

Community Development Financial Institutions Fund

In April 1997, Congressional staff discovered four undated evaluation memoranda in the files of the CDFI. The memoranda related to four grant recipients, who received nearly \$11 million of the approximately \$37.2 million awarded in CDFI grants, leading to the concern by the Chairman of the House Subcommittee on General Oversight and Investigations that the memoranda may have been created after the fact because a meaningful review was not performed before the grants were made to the institutions in 1996.

In a letter addressed to the Secretary of the Treasury, the Chairman of the House Subcommittee on General Oversight and Investigations requested that the Department review the matter, which was subsequently referred to the OIG for investigation. The OIG's investigation determined that the undated memoranda were created the night of April 17, 1997 and placed in the CDFI files the next morning prior to the arrival of Congressional staff later that day.

On August 20, 1997, a Report of Investigation (ROI) regarding the matter was referred to the United States Attorney for the District of Columbia for prosecution consideration. The United States Attorney subsequently declined prosecution of any individual for conduct surrounding the creation of the undated memoranda and their insertion into the CDFI files. Since that time the Director and the Deputy Director of CDFI resigned from their positions. The ROI also was provided to the Under Secretary for Domestic Finance, the Chairman of the House Subcommittee on General Oversight and Investigations, the Ranking Minority Member of the House Subcommittee on General Oversight and Investigations, and the OIG's Audit Directorate, which had initiated an audit of CDFI's application review and grant award process. (OIG)

IRS Contractor Debarred

On June 26, 1997, an IRS contractor was debarred from future contracting with any Executive Branch agency for a period not to exceed 3 years. As previously reported in the March 1997 Semiannual Report, the IRS contractor pled guilty to and was convicted of making false statements to the Government

regarding his ability to perform interpretation services for the hearing impaired. (OIG)

Former BEP Employees Sentenced for Currency Theft

As previously reported in the March 1996 Semiannual Report, the OIG, Secret Service, and the BEP Office of Security conducted a joint investigation into the theft of \$60,000 in Federal Reserve Notes from BEP. The investigation disclosed that four BEP employees were involved in the theft. All four employees were fired or resigned from BEP, and three pled guilty to conspiracy and theft. One employee, who pled guilty to conspiracy, received a split sentence of 4 months of incarceration and 4 months of home detention, and was ordered to pay \$20,500 in restitution. Of the three employees who pled guilty to conspiracy and theft, the first was sentenced to 100 hours of community service and 5 years of probation, and was ordered to pay \$17,500 in restitution; the second received a sentence of 50 hours of community service and 2 years of probation, and was ordered to pay \$1,500 in restitution; and the third was sentenced to 100 hours of community service and 5 years of probation, and was ordered to pay \$20,500 in restitution. (OIG and Secret Service Inspection)

FLETC Contractor Fired

An individual, who worked at FLETC's contract postal facility, was fired for stealing a postal money order. The OIG and the United States Postal Inspection Service worked the joint undercover operation that resulted in the termination of the FLETC contractor. (OIG)

ATF Employee Pleads Guilty to Fraudulently Using a Government Credit Card

An ATF administrative support aide, who pled guilty to access device fraud, was sentenced to 6 months of home detention, electronic monitoring while on home detention, and 5 years of probation. The administrative support aide also was ordered to repay ATF \$5,000 during the term of her probation. ATF's Office of Inspection initiated an investigation after a mail order company telephoned an ATF credit card holder regarding the delivery of a computer that she had not ordered. The investigation included mobile and video surveillance, a review of financial records and statements, and interviews with the administrative support aide's coworkers and supervisors.

Between October 1995 and September 1996, the administrative support aide fraudulently purchased computers, televisions, telephones, camcorders, and other electronic equipment totaling approximately \$34,000. These items, which were acquired for the administrative support aide's own personal use or for resale to other individuals, were ordered using a credit card that the ATF credit card holder had reportedly turned in when she transferred to another division. The administrative support aide destroyed the resulting credit card statements when they arrived at the office. In addition, the administrative support aide used a

supervisor's credit card number to procure other items for personal use. (ATF Inspection)

Former Customs Import Specialist Sentenced

A former Customs import specialist, who pled guilty to false, fictitious, or fraudulent claims, was sentenced to 4 months of incarceration and ordered to pay over \$2,400 in restitution. A joint investigation by Customs and IRS substantiated the Customs import specialist's filing of false income tax returns in order to receive fraudulent tax refunds. Prior to his guilty plea and sentencing, the import specialist resigned from Customs. (Customs Internal Affairs)

Individual Arrested for Telemarketing Fraud

On July 18, 1997, the Royal Canadian Mounted Police arrested an individual who was not a Government employee, who had been implicated in an ongoing Customs Internal Affairs investigation of trans-national telemarketing fraud. The investigation disclosed that the individual and other subjects targeted elderly United States citizens, telling their victims that they were United States Customs officials in possession of funds that might be remitted to the victims if the victims sent a 7 percent duty remittance to a Canadian post office box. The arrested individual has been held in Canada as a flight risk and is expected to be extradited to the United States. (Customs Internal Affairs)

Customs Inspector Resigns

A joint Customs and Drug Enforcement Administration investigation of a Customs inspector, her husband, and her son substantiated that the inspector allowed cocaine shipments aboard pre-cleared conveyances into Florida in exchange for monetary bribes. The inspector's husband was convicted in United States District Court for the attempted importation of cocaine and for possession with the intent to distribute, while the inspector and her son were acquitted of all charges. A subsequent administrative investigation of the inspector resulted in a notice of proposed removal from Customs' employment. The inspector resigned from Customs on July 14, 1997. (Customs Internal Affairs)

Individuals Sentenced for Drug Related Offenses

On June 9, 1997, an individual who was not a Government employee, who had been convicted of 42 counts of narcotics smuggling and money laundering, was sentenced to life imprisonment with no possibility of parole. A Customs Internal Affairs investigation identified the individual as the source and "broker" of Mexico based shipments of over 5 tons of cocaine that had been smuggled into the United States by a corrupt Customs inspector and a corrupt Immigration and Naturalization Service inspector. A second individual, who was one of the individual's confederates, previously received a life sentence in 1994.

In April 1997, the corrupt Customs inspector, who had been found guilty of conspiring to import cocaine and marijuana, was sentenced to 24 1/3 years of confinement and 5 years of supervised release. The Customs inspector's co-defendant, a third individual who was not a Government employee, was found guilty of conspiring to import and distribute cocaine and was sentenced to 17 1/2 years of confinement and 5 years of supervised release. (Customs Internal Affairs)

Vessel Entry and Clearance Specialist Sentenced for Disclosing Confidential Information

A vessel entry and clearance specialist (VECS), who pled guilty to disclosing confidential information, was sentenced to 1 year of probation and a \$2,500 fine. A long-term Customs Internal Affairs investigation revealed that the VECS was engaged in an outside business that was in possible violation of conflict of interest statutes, was listed on a corporate loan document as the company's Secretary/Treasurer, and had a personal relationship with the president of a ship's chandler. The VECS, who had retired from Customs, subsequently admitted to providing Vehicle Export Examination Certificates (Customs Form 3171) to the president of the ship's chandler between January 1992 and November 1994. The forms, which came to the VECS during the course of his official duties, gave the president of the ship's chandler an economic advantage over her competitors by allowing her to solicit business from arriving ships. (Customs Internal Affairs)

Individual Sentenced for Bribing a Government Official

An individual, who was not a Government employee, pled guilty following a protracted Customs Internal Affairs investigation and was sentenced to 6 months of home confinement, 5 years of supervised release, and a \$10,000 fine. In August 1996, the individual paid an undercover senior customs inspector \$300 to release a shipment of betel nuts, which are a Food and Drug Administration prohibited item, into the commerce of the United States. The individual subsequently was arrested by Customs Internal Affairs and indicted for bribing a Government official. (Customs Internal Affairs)

Individuals Convicted of Conspiring to Obstruct IRS

Nine individuals associated with a tax protest group were convicted of a variety of charges, including conspiring to obstruct IRS and defraud the United States, impersonation, and interstate travel or transportation in aid of racketeering. The obstructionist activities were committed over a 3-year period, and included the planning and carrying out of an assault against a county recorder, preparing and using false warrants, and impersonating Government officials. The IRS Inspection Service and the FBI jointly conducted the investigation.

The county recorder was first approached by members of the tax protest group in 1993. When she refused to remove an IRS lien of over \$400,000, which had been imposed on property belonging to the group, the members warned her that she "would be sorry." Subsequently, group members demanded that they be allowed to file their own "lien" documents against certain IRS employees. The county recorder declined to do so after it was determined that the documents were not valid.

At trial, it was established that the county recorder was intimidated into complying with the group's demands after being assaulted with a knife, being struck about her head and body, and having an unloaded pistol placed to her head and fired several times. The group also attempted to obstruct IRS by issuing false monetary instruments called "warrants," which were intended to satisfy obligations owed to IRS by group members, and preparing fictitious arrest warrants for IRS employees. In addition, group members impersonated Government officials in an attempt to force car dealership employees to remove an IRS wage levy. (IRS Inspection)

Individuals Convicted for Filing False Liens Against IRS Employees

Two individuals, who filed Uniform Commercial Code (UCC) liens against IRS revenue officers, were found guilty of conspiring to impede or injure an officer and of attempting to interfere with the administration of internal revenue laws. Sentencing is pending. One of the two individuals was associated with the Montana Freeman, a known anti-government group which engaged in a 2½ month armed standoff with the FBI that was peacefully resolved. The second individual has entered a guilty plea in another district for filing similar types of liens. Sentencing also is pending in that case.

An investigation was initiated when a revenue officer informed the Inspection Service that a taxpayer had filed a UCC lien against him for \$20 million in silver, and that a second taxpayer was listed as the "assignee" on the UCC financial statement. The revenue officer had attempted to collect delinquent taxes owed by the first taxpayer. It subsequently was determined that an additional UCC lien for the same amount was filed against a second revenue officer. In order to have the liens ruled invalid and void, attorneys from the Department of Justice's Tax Division had to go to Federal court.

During the course of the investigation, IRS inspectors worked with numerous other Federal and state law enforcement organizations, including the FBI, the IRS Criminal Investigation Division, the United States Postal Inspection Service, the United States Marshals Service, and the Office of the Attorney General. In addition, IRS inspectors assisted the FBI and the United States Postal Inspection Service with several search warrants involving related group members, and traveled to Montana following the conclusion of the armed standoff to investigate possible connections.

Such cases involving the anti-tax movement have drawn widespread media attention. For example, major newspapers in two cities have run front page stories on previous related indictments and attended all court appearances. (IRS Inspection)

IRS Employee Pleads Guilty to Accessing Relatives' Tax Accounts

An IRS employee pled guilty to unlawfully accessing the tax accounts of her relatives more than 300 times. Sentencing is pending. The employee resigned from IRS during the investigation, which was initiated after the IDRS Security

Section at an IRS service center advised the Inspection Service that an Employee Audit Research Log (EARL) Report disclosed numerous unauthorized accesses by the employee.

A computer system for maintaining and retrieving tax records, IDRS enables IRS employees to obtain taxpayer return information through specialized command codes. The EARL is a program that uses IDRS tracking capabilities to cross-reference the social security numbers (SSNs) and family names of IRS employees with the corresponding SSNs and names of taxpayer accounts accessed by the employees.

The investigation revealed that the employee had accessed the accounts of her mother, father, father's business, stepmother, brother, grandfather, grandmother, father-in-law, mother-in-law, brother-in-law, husband, and other relatives. When interviewed, the employee admitted to accessing her brother-in-law's account in order to obtain a copy of his tax return. She also acknowledged accessing her brother's account, at his request, to check on the status of his refund. Although she initially claimed that she could not recall making any other unauthorized accesses, when confronted with the Inspection Service's evidence, the employee ultimately admitted to accessing the accounts of all of her relatives.

In addition to making the above mentioned unauthorized accesses, the employee input a transaction code to her mother's account, which declared a tax liability not collectible. The investigation determined that this action caused no monetary loss to the Government as subsequently filed tax returns negated the liability. A review of the employee's personnel folder revealed that she had acknowledged receipt of IDRS Security Rules five times between 1989 and 1995. (IRS Inspection)

IRS Employee Sentenced for Filing False Statements

An IRS employee, who was convicted of submitting false statements to the Department of Housing and Urban Development (HUD) in order to receive Federal rental assistance, received 14 months of incarceration and a 3-year alternate sentence. The employee failed to disclose her IRS income, which would have precluded her from receiving rental assistance, on the HUD forms and obtained over \$27,000 in HUD benefits.

An investigation was initiated when a HUD special agent advised the IRS Inspection Service that the employee had submitted false documentation to HUD for 5 years, during which time she was employed by IRS. The false documentation enabled the employee to receive entitlement benefits under the Lower-Income Rental Assistance Program, which is designed to assist low- and very low-income families in obtaining decent, safe, and sanitary housing in private accommodations.

The joint HUD-IRS investigation disclosed that, based on the false annual income reported to HUD by the employee, her rent was calculated at \$14 per month. Without HUD's assistance, the employee would have paid nearly \$800, resulting in the estimated loss to the Government of over \$27,000. A review of

personnel records showed that, during the time she received rental assistance, the employee had over \$100 from her bi-weekly paychecks automatically deposited into a savings account. Furthermore, the employee increased this allotment during the last year of the referenced period.

As a result of the investigation, the employee resigned from IRS. She has since left HUD housing without providing a forwarding address. The employee still owes the Government the over \$27,000 she fraudulently received. (IRS Inspection)

IRS Clerk Pleads Guilty to Using an Employer Identification Number to Improperly Obtain Credit

An IRS clerk, who pled guilty to using an IRS Employer Identification Number (EIN) to improperly obtain credit and establish a new credit identity, received a 5-year suspended sentence. As a result of the clerk's actions, creditors suffered losses totaling almost \$10,000.

An Internal Audit integrity probe identified the clerk as having used an EIN to improperly obtain credit, and an Internal Security investigation disclosed that she had previously declared bankruptcy. IRS records showed the EIN was assigned to a commercial business in the clerk's name, but that no business tax returns had been filed on the account number. The Social Security Administration, the custodian of EIN applications, was unable to locate an application for the clerk's EIN; and further inquiry with the local revenue and license department revealed that no business license existed for the business.

When interviewed by IRS inspectors, the clerk initially stated that she had been unable to obtain the necessary funding to start her business and, therefore, had never filed any business tax returns. However, the clerk later admitted that she knew the difference between a SSN and an EIN, and had used the EIN in lieu of her SSN on numerous credit applications because she was unsure whether credit would be denied if she used her SSN. At the conclusion of the investigation, the clerk resigned from IRS. (IRS Inspection)

IRS Impersonation Cases

Every year, taxpayers and businesses are swindled out of thousands of dollars by individuals posing as IRS employees or misrepresenting IRS. The IRS Inspection Service is responsible for investigating these occurrences. Actions were taken or initiated on several significant cases during the last 6 months.

n Sentencing is pending for a telemarketer who pled guilty to wire fraud. Under the direction and consent of management, the telemarketer would telephonically contact victims and advise them that they had won a car, a trip, money, or other valuable prizes. However, to claim the prizes, the victims, who usually were elderly, were told that they must first remit money for the purported payment of taxes.

After the money was obtained, the victims would either receive nothing or a prize of minimal value, typically worth less than \$30. If a victim was perceived as being particularly vulnerable, he or she would be "reloaded" (i.e., re-contacted using a different company name and address) so that the scheme could be perpetuated. All of the companies involved in the scheme encouraged their employees to engage in fraudulent and deceptive telemarketing practices.

A retired FBI special agent recorded the telemarketer on tape as he was attempting to persuade the retired special agent to send redemption fees and taxes on a bogus home computer valued at \$1,600. The taped conversation and cooperating witnesses prompted the telemarketer to confess, enter into a plea agreement with the United States Attorney's Office, and assist the Government with its continuing investigation of telemarketing fraud. To date, ten employees, managers, and owners of various telemarketing companies have pled guilty to wire fraud or conspiracy violations and have been ordered to pay over \$200,000 in restitution. Several other individuals are in various stages of plea negotiation with the United States Attorney's Office or are currently under investigation by the IRS Inspection Service.

An illegal alien, who pled guilty to impersonating an employee of the United States and using a false SSN, was sentenced to 15 months of incarceration. The illegal alien also was ordered to pay \$25,000 in restitution to several credit card companies that were victims of his use of a false identity and bogus SSN.

The IRS Inspection Service had received information that a man identifying himself as an IRS special agent had attempted to obtain information from several banks and to recruit individuals for IRS employment. Subsequent investigation revealed that the man, who made several statements to local authorities and banks that he was an IRS employee, was using multiple SSNs and was involved with another individual in bank fraud.

After his indictment for impersonating an officer or employee of the United States and using a false SSN, the man was arrested without incident at his residence by the IRS Inspection Service and the FBI. During an interview, the man admitted to using an alias and a false SSN to mask the fact that he was an illegal alien. The man had no contacts within IRS and had used his supposed employment with IRS as a method of preventing further questioning of his real identity. (IRS Inspection)

IRS Employee Pleads Guilty to Embezzlement

An IRS employee pled guilty to embezzling a tax remittance check for over \$19,000 made payable to IRS. The IRS Inspection Service initiated an investigation after it was reported that an individual had attempted to open a bank account with a stolen cashier's check. The investigation determined that the cashier's check had been enclosed with a couple's joint Federal tax return, which was processed as a non-remittance return (i.e., as having no remittance attached).

It subsequently was revealed that the IRS employee had attempted to open a bank account under the initials "IRS," before requesting that the account be given another fictitious name. The IRS employee presented a forged certificate of naturalization, a forged paycheck stub, and a SSN that belonged to a deceased individual as identification. When she returned to the bank and attempted to withdraw funds from the account, the IRS employee was arrested on local check forgery charges, which were dropped after she was indicted by a Federal grand jury for embezzling public money, property, or records. Further judicial action is pending. (IRS Inspection)

Physical Security Specialist Suspended

Secret Service investigated a physical security specialist, who submitted ten advance of funds requests bearing the forged signatures of his supervisors. Although a review of the employee's travel vouchers revealed them to be true and accurate, his requests for travel advances far exceeded his voucher claims. In total, the employee received \$9,200 in Government funds through the forged advance of funds requests.

The facts of the case were presented to the United States Attorney for prosecutive opinion, and the employee was subsequently accepted into the Pre-trial Diversion Program. As a result of his plea agreement, the employee's security clearance was revoked. The employee then entered into a written agreement with Secret Service in which he would be placed on leave without pay pending his retirement in February 1998. In addition, the employee made full restitution to the Government. (Secret Service Inspection)

This chapter contains statistical analyses of OIG and Office of Inspection and Internal Affairs activities. Several of the analyses fulfill reporting requirements in the Inspector General Act, as amended.

Statistical Summary

STATISTICAL HIGHLIGHTS a/ OCTOBER 1996 - SEPTEMBER 1997			
	6 MONTHS ENDED		
	3/31/97	9/30/97	TOTAL
<u>AUDITS</u>			
Audit Reports	113	170	283
Recommended Monetary Benefits (in Thousands):			
Questioned Costs	\$925 5,725	\$6,120	\$7,045
Savings	<u>24,000</u>	26,046	31,771
Revenue Enhancements	\$30,650	<u>74,933</u>	<u>98,933</u>
Total		\$107,099	\$137,749
<u>EVALUATIONS</u>			
Evaluation Reports	3	4	7
<u>INVESTIGATIONS</u>			
Cases Opened	1,865	2,044	3,909
Cases Closed	1,847	2,049	3,896
Successful Prosecutions	151	197	348
Administrative Sanctions	436	551	987
Recoveries and Penalties (in Thousands)	\$6,059	\$5,332	\$11,391
<u>OVERSIGHT AND QUALITY ASSURANCE REVIEWS</u>			
Reviews and Analyses	2	4	6
a/ Includes statistics for the OIG and Treasury Offices of Internal Affairs and Inspection.			

Audit and Evaluation Reports Issued by Bureau

Appendix A of this report lists individual audit and evaluation reports issued during the 6 months ended September 30, 1997.

OIG Audits and Evaluations	Reports
Multi-Bureau	2
ATF	6
OCC	2
Customs	24
DO	8
BEP	6
FLETC	1
FMS	4
IRS*	18
Mint	2
BPD	1
Secret Service	1
OTS	1
Independent Entity	<u>1</u>
	77
Inspection Service Audits of IRS	<u>97</u>
Total	<u>174</u>
*Includes OIG contract audits.	

Audit Reports With Questioned Costs

The IRS Inspection Service did not issue any audit reports with questioned costs during this semiannual reporting period. The term "questioned cost" means a cost that is questioned because of (1) an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation ("unsupported cost"); or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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

OIG AUDIT REPORTS WITH QUESTIONED COSTS 6 MONTHS ENDED SEPTEMBER 30, 1997			
<u>Report Category</u>	<u>Number</u>	<u>Questioned Costs a/ (in Thousands)</u>	<u>Unsupported Costs a/ (in Thousands)</u>
1. For which no management decision had been made by the beginning of the reporting period	20	\$6,307	\$0
2. Which were issued during the reporting period	<u>14</u> b/	<u>6,120</u>	<u>0</u>
3. Subtotals (1 plus 2)	34	12,427	0
4. For which a management decision was made during the reporting period	6	999	0
n dollar value of disallowed costs	2 c/	158	0
n dollar value of costs not disallowed	5 c/	841	0
5. For which no management decision has been made by the end of the reporting period (3 minus 4)	<u>28</u>	<u>\$11,428</u>	<u>\$0</u>
6. Reports for which no management decision was made within six months of issuance	<u>16</u>	<u>\$5,705</u>	<u>\$0</u>
a/ "Questioned costs" includes "unsupported costs." b/ Thirteen audits were performed by DCAA. c/ One report was partially agreed to and partially not agreed to.			

Audit Reports With Recommendations That Funds Be Put To Better Use

The term "recommendation that funds be put to better use" means a recommendation that funds could be used more efficiently if management took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) deobligations of funds from programs or operations; (3) costs not incurred by implementing recommended improvements related to operations; (4) avoidance of unnecessary expenditures noted in pre-award reviews of contract agreements; (5) any other savings which are specifically identified; or (6) enhancements to revenues.

The term "management decision" means the evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision concerning its response to such findings and recommendations, including actions concluded to be necessary.

**OIG AUDIT REPORTS WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE
6 MONTHS ENDED SEPTEMBER 30, 1997**

<u>Report Category</u>	<u>Number</u>	<u>Total</u>	<u>Savings (in Thousands)</u>	<u>Revenue Enhancements (in Thousands)</u>
1. For which no management decision has been made by the commencement of the reporting period	17	\$59,820	\$11,260	\$48,560
2. Which were issued during the reporting period	7 a/	<u>24,132</u>	<u>24,118</u>	<u>14</u>
3. Subtotals (1 plus 2)	24	83,952	35,378	48,574
4. For which a management decision was made during the reporting period	9	13,926	13,926	0
n dollar value of recommendations that were agreed to by management	6 b/	9,322	9,322	0
n based on proposed management action	6 b/	9,322	9,322	0
n based on proposed legislative action	0	0	0	0
n dollar value of recommendations that were not agreed to by management	7	4,604	4,604	0
5. For which no management decision has been made by the end of the reporting period (3 minus 4)	<u>15</u>	<u>\$70,026</u>	<u>\$21,452</u>	<u>\$48,574</u>
6. Reports for which no management decision was made within six months of issuance	<u>9</u>	<u>\$51,730</u>	<u>\$3,169</u>	<u>\$48,560</u>

a/ Six audits were performed by DCAA.

b/ Four reports were partially agreed to and partially not agreed to.

**IRS AUDIT REPORTS WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE
6 MONTHS ENDED SEPTEMBER 30, 1997**

Report Category	Number	Total	Savings (in Thousands)	Revenue Enhancements (in Thousands)
1. For which no management decision has been made by the commencement of the reporting period	0	\$0	\$0	\$0
2. Which were issued during the reporting period	4	76,847	1,928	74,919
3. Subtotals (1 plus 2)	4	76,847	1,928	74,919
4. For which a management decision was made during the reporting period	4	76,847	1,928	74,919
n dollar value of recommendations that were agreed to by management	4	76,847	1,928	74,919
n based on proposed management action	4	76,847	1,928	74,919
n based on proposed legislative action	0	0	0	0
n dollar value of recommendations that were not agreed to by management	0	0	0	0
5. For which no management decision has been made by the end of the reporting period (3 minus 4)	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
6. Reports for which no management decision was made within six months of issuance	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Disputed Audit Recommendations

The Inspector General Act requires Inspectors General to provide information on significant management decisions in response to audit recommendations, with which the Inspectors General disagree. As of September 30, 1997, there were no disagreements to report.

Undecided Audit Recommendations

The Inspector General Act requires a summary of each audit report which has been undecided for over 6 months. There were 25 such reports.

<u>Report Title and Date</u>	<u>Report Number</u>	<u>Amounts</u>
1. ATF Administration of Cover Over Payments to Puerto Rico and the Virgin Islands, 3/28/94 c/	OIG-94-063	3,160,000
2. Defective Pricing Review of Cost or Pricing Data Submitted Under Contract TEP-88-205(TN), Option Year One, 5/26/94 a/	OIG-94-096	2,967,177
3. Defective Pricing Review of Cost or Pricing Data Submitted Under Contract TEP-91-38(TN) for Currency Ink and Varnish, 6/7/94 a/	OIG-94-099	1,900,461
4. Defective Pricing Review of Cost or Pricing Data Submitted Under Contract TEP-91-18(TN) Base Year Costs, 7/21/94 a/	OIG-94-116	163,499
5. Evaluation of Procurement Overhead Rates Under Contract TC-89-047, Review of Contractor's Accounts Payable Processing System, and Compliance with Cost Accounting Standard 412, 12/15/94 a/	OIG-95-029	10,234
6. Evaluation of Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Calendar Year Ending 12/31/92, 1/11/95 a/	OIG-95-033	69,284
7. Evaluation of Direct and Indirect Costs and Rates Claimed Under Contract TFTC 91-9 for the Periods October 1, 1992, through December 31, 1993, 2/2/95 a/	OIG-95-045	5,282
8. Follow-Up Audit of the Federal Workers' Compensation Program at the Bureau of Alcohol, Tobacco and Firearms, 8/24/95 f/	OIG-95-118	4,000,000
9. Final Report on the Executive Office for Asset Forfeiture's Investment of the Treasury Forfeiture Fund, 9/27/95 f/	OIG-95-126	2,200,000
10. Costs Incurred Under Contract TOS-92-71 for Audit Services, 10/12/95 a/	OIG-96-001	10,923
11. Follow-Up Audit of the Federal Worker's Compensation Program at the U.S. Customs Service, 10/19/95 f/	OIG-96-007	2,100,000

12. Use of Equitable Sharing Funds by the Philadelphia, Pennsylvania Police Department, 3/4/96 f/	OIG-96-038	304,373
13. Cost Incurred Under Contract TOS-91-31 for Calendar Year 1991, 3/12/96 a/	OIG-96-042	5,404
14. Incurred Costs Under Contract TEP-92-39(N) Covering Fiscal Years 1992 and 1993, 5/2/96 a/	OIG-96-065	12,998
15. Costs Incurred Under Contract TOS-92-70 for Contract Audit Services, 7/26/96 a/	OIG-96-086	14,198
16. Customs Officers Pay Reform, 9/13/96 e/	OIG-96-094	15,200,000
17. ATF and Customs Need to Better Regulate the Sale of Tax-Exempt Cigarettes to the Fishing Industry, 9/30/96 e/	OIG-96-099	210,000
18. Direct and Indirect Costs and Rates Claimed Under Contract TC-89-047 for Calendar Year Ended December 31, 1993, 10/10/96 a/	OIG-97-002	135,662
19. Direct and Indirect Costs and Rates Claimed Under Contract TFTC-91-9 for the Period December 29, 1993 Through December 31, 1995, 11/5/96 a/	OIG-97-012	179,091
20. Incurred Costs Under Contracts TC-90-049 and TC-95-018 for Fiscal Year 1995, 11/6/96 b/	OIG-97-013	12,084
21. Alcohol, Tobacco, and Firearms Special Occupational Tax Program, 12/27/96 e/	OIG-97-016	24,000,000
22. Application of Agreed-Upon Procedures on Proposal Submitted in Response to Solicitation IRS-96-0041 for Financial Support Services, 11/18/96 d/	OIG-97-017	577,385
23. Financial Management Service's Internal Controls Over Processing Refunds, 1/7/97 e/	OIG-97-025	0
24. Allegation on Internal Revenue Service Use of High Intensity Drug Trafficking Area Funds, 1/27/97 f/	OIG-97-035	68,000
25. Public Vouchers Submitted Under Contract TOS-96-23 for Building Repairs and Restoration Services, 3/26/97 a/	OIG-97-055	128,861
TOTAL		\$57,434,916
<p>a/ Contract negotiations have not yet been held or completed. b/ Contract negotiations held, OIG awaiting negotiation documentation. c/ Recommendation is awaiting decision from General Counsel. d/ The OIG is in the process of reviewing the negotiation documentation. e/ Corrective action not yet completed. f/ There is no corrective action plan in place.</p>		

Significant Unimplemented Recommendations

The Inspector General Act requires identification of significant recommendations described in previous semiannual reports on which corrective actions have not been completed. The following lists of such unimplemented recommendations in OIG and Inspection Service internal audit reports are based on information in the Department's automated tracking system, which is maintained by Treasury management officials. All of the recommendations are being implemented in accordance with currently established milestones.

<u>Report Number</u>	<u>Issue Date</u>	<u>Report Title/Potential Monetary Benefits and Recommendation Summary</u>
<u>OIG Audits</u>		
OIG-93-024	1/93	<i>Contract Administration at the Federal Law Enforcement Training Center</i> Consult with Legal Counsel to determine whether the Government can collect improper payments to contractors.
OIG-94-060	3/94	<i>U.S. Customs Service Antidumping and Countervailing (AD-CV) Duty Program</i> Implement a Performance Measurement System for the AD-CV Duty Program that includes measures of quality, timeliness, and efficiency, and will allow Customs to assess how well the program has been implemented.
OIG-94-063	3/94	<i>Alcohol, Tobacco, and Firearms Administration of Cover Over Payments to Puerto Rico and the Virgin Islands, \$3,160,000</i> Implement the decision of the Department of the Treasury, Office of the General Counsel, on the timing of cover over payments.
OIG-94-071	3/94	<i>U.S. Customs Service: Paperless Entry Program Entails Greater Risks Than Perceived</i> Establish a single audit program for districts to use in assessing the paperless program. (Two recommendations)
OIG-94-097	5/94	<i>FMS's Activities to Process and Monitor Agency Disbursements</i> Ensure that employees complete actions so that Regional Finance Center files contain only current Agency Head signatures. (Two recommendations)

OIG-95-118	8/95	<p><i>Follow-Up Audit of the Federal Worker's Compensation Program at the Bureau of Alcohol, Tobacco and Firearms, \$4,000,000</i></p> <p>There is no corrective action plan in place.</p>
OIG-95-126	9/95	<p><i>Final Report on the Executive Office for Asset Forfeiture's Investment of the Treasury Forfeiture Fund, \$2,200,000</i></p> <p>The Office of Asset Forfeiture should develop procedures to ensure that excess collections are invested throughout the year.</p>
OIG-96-099	9/96	<p><i>ATF and Customs Need to Better Regulate the Sale of Tax-Exempt Cigarettes to the Fishing Industry, \$210,000</i></p> <p>Coordinate efforts to prepare a legislative proposal seeking to abolish the fishing industry's tax exemption for tobacco products. (Two recommendations)</p>
<u>Inspection Service Audits</u>		
#035006	9/93	<p><i>Debtor Master File Processing, \$116,300,000</i></p> <p>Improve the debtor file validation process by implementing all recommended systemic changes and assess whether mismatch conditions could be resolved through the use of IRS data files. (Five recommendations)</p>
#041403	1/94	<p><i>Nonresident Alien Information Documents</i></p> <p>Identify noncompliance during processing.</p>
#043501	5/94	<p><i>Controls Over Access to Credit Bureau Databases</i></p> <p>Mandate nationwide implementation of interim computer security applications until IRS' modernization efforts develop standardized security programs for all locator services.</p>
#044301	8/94	<p><i>Local Telecommunications Expenses</i></p> <p>Ensure a Cost Management Information System is implemented IRS-wide.</p>
#051408	1/95	<p><i>Opportunities for Reducing the Collection Queue Inventory</i></p> <p>Coordinate with service center and Examination functions to prevent new assessments on deceased taxpayers.</p>

#051902	1/95	<p><i>Individual Retirement Arrangement (IRA) Excise Taxes, \$315,000,000</i></p> <p>Increase taxpayer awareness and ensure compliance by expanding systems and programs to identify taxpayers with retirement distributions in excess of stipulated amounts and advise elderly taxpayers of IRA minimum distribution requirements. (Two recommendations)</p>
#052106	2/95	<p><i>National Account Profile</i></p> <p>Develop requirements for cleanup processing of discrepancies between the National Account Profile and the Master File.</p>
#052903	2/95	<p><i>Controls Over the Issuance of EINs</i></p> <p>Modify processing procedures to ensure actions are taken to obtain all necessary data from taxpayers requesting EINs. (Three recommendations)</p>
#054406	5/95	<p><i>Interim Evaluation of the Service Center Recognition/Image Processing System (SCRIPS) Pilot</i></p> <p>Improve read accuracy rates on Form 1040EZ and Information Return Program documents to meet contract specifications. (Two recommendations)</p> <p>Develop the required test deck and system report for SCRIPS.</p>
#056703	9/95	<p><i>Implementation of Examination's FY 1995 Refund Strategy</i></p> <p>Track and assess the effectiveness of actions taken to change IRS computer systems to adjust taxpayer filing status and child care credits automatically when dependents are disallowed.</p>
#061509	1/96	<p><i>TAXLINK Processing and Related Programs</i></p> <p>Enhance TAXLINK design and programming, and develop a comprehensive marketing and enrollment methodology. (Two recommendations)</p>
#061610	1/96	<p><i>IRS' Efforts in Monitoring Trust Fund Recovery Penalty Assessments Need Improvement</i></p> <p>Automate the processing of adjustments resulting from payments or credits on related Trust Fund Recovery accounts and reevaluate the definition of accounts receivable related to Trust Fund Recovery assessments. (Two recommendations)</p>

#060402	1/96	<p><i>Early Intervention Contact Processing</i></p> <p>Consider alternate methods of obtaining current taxpayer locator information.</p>
#061714	2/96	<p><i>Electronic Fraud Detection System Rollout</i></p> <p>Develop and test a comprehensive Quality Assurance plan for Phase II to evaluate system functionality.</p>
#062403	3/96	<p><i>Selected Aspects of the Service's Methodology For Developing TSM</i></p> <p>Develop and integrate procedures to improve development coordination.</p> <p>Define the various uses of Business Area Analyses (BAAs) and delimit the objectives of the various types of BAAs.</p>
#063502	4/96	<p><i>Parent and Dependent Duplicate Exemption Claims, \$30,800</i></p> <p>Identify solutions to duplicate SSNs that minimize both taxpayer burden and impact to IRS.</p> <p>Segment the conditions of duplicate SSNs for control and aggressive management.</p>
#064102	5/96	<p><i>Preparer Program</i></p> <p>Associate the preparer TIN with each individual return in the audit stream.</p> <p>Enhance the Midwest Automated Compliance System (MACS) so that the preparer TIN can be matched on the Audit Information Management System.</p>
#064008	6/96	<p><i>The Financial Accounting and Reporting of Collection's Seized Assets Could be Improved</i></p> <p>Develop a strategy and implementation plan for the transmission of data between the Automated Work Control System seizure module and the Revenue Accounting Control System. (Two recommendations)</p> <p>Reclassify the reporting of seized assets.</p>

#064401	6/96	<p><i>1996 Telefile Program</i></p> <p>Ensure that the Telefile systems are adequately tested and that a Security Certification and Accreditation is completed as soon as possible.</p>
#065002	7/96	<p><i>Validity of Assessments</i></p> <p>Evaluate causes of unproductive cases and identify additional program improvements.</p> <p>Pursue the capability to access Social Security data via computer to enable quick, economical processing of cases.</p> <p>Develop instructions to Compliance employees on researching accounts for pending assessments.</p>
#065503	8/96	<p><i>Employment Tax Nonfiler Program</i></p> <p>Use Income and Tax Statements (Forms W-3) and Wage and Tax Statements (Forms W-2) information to activate filing requirements and identify nonfilers. (Three recommendations)</p>
#066401	9/96	<p><i>Follow-up Review of Information Security Over Small Scale Computer Systems</i></p> <p>Include in first-line managers' expectations a requirement that they test computer security in periodic reviews.</p> <p>Provide training to managers on conducting small scale system certification and self-assessment.</p>
#070905	1/97	<p><i>SCRS Consolidation in the Computing Center</i></p> <p>Re-evaluate the number of sites.</p> <p>Re-evaluate staffing assumptions contained in the consolidation plan.</p> <p>Disclose Central Processing Unit utilization estimates.</p> <p>Update cost and site constraints.</p> <p>Eliminate or strictly limit remote operations of partitions.</p> <p>Identify and justify staffing needed to operate partitioned Service Center Support System platforms.</p>

#071207	1/97	<i>Electronic Federal Tax Payment System (Version 1.5) Testing, Security, and Business Issues</i> Ensure that system programming will include a report informing management of all accesses to employee and employee spousal accounts.
#071404	2/97	<i>Productivity of the Underreporter Program</i> Calculate yield to cost ratio, determine productivity, and select inventory for the Underreporter Program using the Gross Assessment Method. Calculate productivity using actual site costs.
#071304	3/97	<i>Quality of Information Document Processing</i> Review IRS reports to determine whether large variances exist between processing years in the volume and dollars of information documents.
#071703	3/97	<i>ACS/ICS DB2 Database Management System</i> Determine the DB2 privileges required by systems support personnel; require periodic reviews of DB2 privileges; assign responsibility for DB2 data security administration; identify material security-related activities that can be captured in the audit trail; and determine the retention period for audit trail records. Develop guidelines for the administration of DB2 and include DB2 as a critical application in the service centers' disaster recovery plans. (Ten recommendations)
#072002	3/97	<i>National Office Examination Planning</i> Analyze the use of MACS and other operational data to help determine productive areas for utilization of Examination resources.

Revised Management Decisions

The Inspector General Act requires Inspectors General to provide a description and explanation of the reasons for any significant revised management decisions made during the reporting period. There were no such decisions during this reporting period.

Legislative and Regulatory Review

The Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the Department and to make recommendations concerning their impact. The OIG reviewed and commented on nine TDs and Treasury Orders in the 6 months ended September 30, 1997. In addition, the OIG reviewed and commented on two existing and proposed legislative items.

Hotline Allegations

The table below summarizes allegations of fraud, waste, misconduct, mismanagement, and assault received through "800" hotline numbers during the 6 months ended September 30, 1997. It does not include (1) allegations received by the OIG and Treasury Offices of Inspection and Internal Affairs through other sources; (2) inquiries on taxes and other matters which are referred informally to Treasury program managers and others for appropriate disposition; or (3) pending allegations for which dispositions have not been determined.

Organization				
<u>Disposition of Allegations</u>	<u>Total</u>	<u>OIG</u>	<u>USCS</u>	<u>IRS</u>
Referred for investigative or audit inquiry	38	22	2	14
Referred to program managers	9	0	0	9
Referred to other agencies	<u>39</u>	<u>37</u>	<u>2</u>	<u>0</u>
Totals	<u>86</u>	<u>59</u>	<u>4</u>	<u>23</u>
1-800-359-3898 OIG Hotline 1-800-BE-ALERT Customs Hotline 1-800-366-4484 IRS Hotline				

Caseload Accounting

This table accounts for the caseload of the OIG and Offices of Internal Affairs and Inspection for the 6 months ended September 30, 1997. The beginning balance of cases, plus the cases opened, minus the cases closed, equals the ending balance of open cases.

	Organization					
	<u>Total</u>	<u>OIG</u>	<u>ATF</u>	<u>USCS</u>	<u>IRS</u>	<u>USSS</u>
Number of open cases at the beginning of the period	2,234	171	112	363*	1,558*	30
Number of cases opened during the period	2,044	34	131	137	1,709	33
Number of cases closed during the period	2,049	39	110	209	1,670	21
Number of open cases at the end of the period	2,229	166	133	291	1,597	42
*Adjusted figures.						

Nature of Allegations

The table below classifies the nature of allegations for investigative cases opened during the period. The number of allegations equals the number of cases opened because only the most significant allegation per case was counted.

	Organization					
	<u>Total</u>	<u>OIG</u>	<u>ATF</u>	<u>USCS</u>	<u>IRS</u>	<u>USSS</u>
Bribes, graft, kickbacks	120	1	0	20	97	2
Procurement and contract irregularities	15	2	3	0	10	0
Assaults/threats	620	1	9	3	607	0
False statements and claims	122	6	7	4	103	2
Theft/misuse of funds/property	364	7	33	18	303	3
Drug abuse and control	20	0	7	1	12	0

Impersonating a Government official	79	0	0	2	77	0
Criminal – Other	319	6	6	6	294	7
Sexual Harassment	22	0	1	12	9	0
Improper conduct or disclosure	276	8	53	44	156	15
Non-Criminal – Other	<u>89</u>	<u>3</u>	<u>14</u>	<u>27</u>	<u>41</u>	<u>4</u>
Total Allegations	<u>2,046</u>	<u>34</u>	<u>133</u>	<u>137</u>	<u>1,709</u>	<u>33</u>

Prosecutive Actions

The chart below accounts for the prosecutive actions of the OIG and Offices of Internal Affairs and Inspection for the 6 months ended September 30, 1997. The number of pending cases at the beginning of the period, plus the cases referred to prosecutive authorities, less the cases accepted for prosecution, less the declinations, equals the pending cases at the end of the period.

	Organization					
	<u>Total</u>	<u>OIG</u>	<u>ATF</u>	<u>USCS</u>	<u>IRS</u>	<u>USSS</u>
Number of cases pending prosecutive decision at the beginning of the period	861*	14	4	17*	823	3*
Number of cases referred to prosecutive authorities during the period	851	13	8	9	816	5
Number of cases accepted for prosecution during the period	212	3	0	6	201	2
Number of declinations during the period	605	7	7	3	586	2
Number of cases pending prosecutive decision at the end of the period	895	17	5	17	852	4
*Adjusted figures.						

Successful Prosecutions

This chart shows the number of successful prosecutions involving the cases of the OIG and Offices of Internal Affairs and Inspection during the 6 months ended September 30, 1997. Successful prosecutions include the number of individuals who as a result of investigations (1) are found guilty by a Federal or state court, (2) are accepted for pretrial diversion agreements by the Department of Justice, or (3) are granted plea bargaining agreements.

<u>Organization</u>	<u>Prosecutions</u>
OIG	1
ATF	1
USCS	19
IRS	174
USSS	<u>2</u>
Total	<u>197</u>

Administrative Sanctions

This chart shows the number of personnel actions and the number of suspensions and debarments of contractors involving cases of the OIG and Offices of Internal Affairs and Inspection.

<u>Organization</u>	<u>Personnel Actions</u>	<u>Suspensions and Debarments</u>
OIG	5	1
ATF	42	0
USCS	41	0
IRS	457	0
USSS	<u>5</u>	<u>0</u>
Total	<u>550</u>	<u>1</u>

Investigative Monetary Benefits

This table summarizes monetary benefits relating to investigations of the OIG and Offices of Internal Affairs and Inspections.

<u>Organization</u>	<u>Total</u>	<u>Recoveries</u>	<u>Criminal Penalties</u>	<u>Administrative Penalties</u>	<u>Savings</u>
OIG	\$160,190	\$81,605	\$2,625	\$0	\$75,960
ATF	5,000	5,000	0	0	0
USCS	1,637,363	780,960	856,403	0	0
IRS	3,515,031	3,410,157	104,874	0	0
USSS	<u>14,742</u>	<u>14,287</u>	<u>455</u>	<u>0</u>	<u>0</u>
Total	<u>\$5,332,326</u>	<u>\$4,292,009</u>	<u>\$964,357</u>	<u>\$0</u>	<u>\$75,960</u>

Access to Information

The Inspector General Act requires Inspectors General to report on unreasonable refusals of information available to the agency which relate to programs and operations for which the Inspector General has responsibilities. There were no instances to report where information or assistance requested by the Inspector General or the Offices of Internal Affairs and Inspection were unreasonably refused.

April 1, 1997 Through September 30, 1997**OIG Audits and Evaluations****Multi-Bureau**

Department of the Treasury Fiscal Year 1996 Financial Statements, OIG-97-079, 4/30/97

Department of the Treasury Audit Follow-up Systems, OIG-96-E18, June 1997

Bureau of Alcohol, Tobacco and Firearms

ATF's Implementation of the 1994 Crime Bill, OIG-97-080, 5/16/97

Final Report on the Bureau of Alcohol, Tobacco and Firearms Use of Task Forces, OIG-97-085, 6/2/97

Alcohol, Tobacco and Firearm's Certified Explosives Specialist Program,
OIG-96-E17, July 1997

Bureau of Alcohol, Tobacco and Firearms Fiscal Years 1996 and 1995 Financial Statements, OIG-97-094, 7/9/97

Bureau of Alcohol, Tobacco and Firearms Controls Over Firearms Need Further Improvement, OIG-97-104,
6/26/97

Bureau of Alcohol, Tobacco and Firearms Gang Resistance Education and Training Program, OIG-97-128, 9/2/97

Office of the Comptroller of the Currency

Office of the Comptroller of the Currency Needs to Strengthen Conflict of Interest Controls Over Examiners
Resigning for Employment with Banks, OIG-97-068, 4/8/97

Incurred Costs for Contractor's Fiscal Year Ended September 30, 1995, Applicable to Contract TCC-94-C-0017,
OIG-97-122, 8/22/97

U.S. Customs Service

Direct and Indirect Costs and Rates for Fiscal Year Ended August 31, 1989, Applicable to Contract TC-87-048,
OIG-97-064, 4/2/97

1/ Amounts shown for some reports represent recommended monetary benefits.

Q = Questioned Costs; S = Savings; R = Revenue Enhancements.

Direct and Indirect Costs and Rates Claimed Under Contract TC-91-030 for Fiscal Year Ended December 31, 1991, OIG-97-069, 4/8/97

Incurred Costs Claimed Under Contracts TC-90-005 and TC-92-009 for Fiscal Year Ended July 31, 1992, and the Five Month Period Ended December 31, 1992, OIG-97-084, 4/29/97, **\$376,450 Q**

Computer Depreciation Billed Under Contract TC-86-028 for Fiscal Years 1986 Through 1992, OIG-97-087, 5/15/97

Public Vouchers Submitted Under Contract TC-91-022 for Development of the Treasury Enforcement Communication System, OIG-97-090, 5/27/97

Application of Agreed-Upon Procedures on Proposal Submitted in Response to Solicitation CS-96-014 for Data Base Administration and Software Support Services, OIG-97-091, 5/29/97, **\$368,300 S**

Public Voucher 1400-35 Submitted Under Contract TC-88-013 for Preventive and Corrective Maintenance of United States Customs Service's Boats, OIG-97-095, 6/4/97

Public Voucher 1400-17 Submitted Under Contract TC-88-013 for Preventive and Corrective Maintenance of United States Customs Service's Boats, OIG-97-096, 6/4/97

Contract Audit Closing Statement Submitted for Contract TC-88-013, OIG-97-097, 6/5/97

Public Vouchers Submitted Under Contract TC-91-003 For Fiscal Years 1991 Through 1996, OIG-97-099, 6/13/97, **\$52,700 Q**

Final Voucher No. 1420-07 Submitted Under Contract No. TC-88-013, OIG-97-101, 6/18/97

Procurement Determined Overhead Rates Claimed Under Contract TC-89-047 for Fiscal Year Ending December 31, 1991, OIG-97-102, 6/19/97

Weaknesses in Narcotics Interdiction Identified at the Port of Blaine, OIG-97-105, 7/1/97

United States Customs Service International Air Passenger Processing
Luis Munoz Marin International Airport San Juan, Puerto Rico, OIG-97-106, 7/1/97

United States Customs Service International Air Passenger Processing
Miami, Florida, OIG-97-107, 7/8/97

United States Customs Service International Air Passenger Processing
Nassau, Bahamas, OIG-97-108, 7/8/97

Proposal Submitted Under Solicitation CS-97-015 for the P-3 Airborne Early Warning Program, OIG-97-112, 7/23/97, **\$3,930,650 S**

Final Procurement Determined Indirect Cost Rates Claimed Under Contract TC-89-047 for Contractor Fiscal Year Ended December 31, 1992, OIG-97-113, 7/23/97, **\$33,770 Q**

Final Procurement Determined Indirect Cost Rates Claimed Under Contract TC-89-047 for Contractor Fiscal Year Ended December 31, 1993, OIG-97-114, 7/23/97, **\$112,880 Q**

Direct and Indirect Costs and Rates Claimed Under Contract TC-95-035 for Fiscal Year Ended December 31, 1995, OIG-97-119, 8/12/97

Direct and Indirect Costs and Rates for Fiscal Year Ended August 31, 1990 Through 1992 Applicable to Contract TC-87-048, OIG-97-124, 8/22/97

Benefits of U.S. Customs Service's Pre-Importation Review Program Have Not Been Fully Realized, OIG-97-126, 8/21/97

Proposal Submitted Under Solicitation CS-97-015 for the P-3 Airborne Early Warning Program, OIG-97-130, 9/4/97, **\$9,606,970 S**

Direct and Indirect Cost and Rates Claimed Under Contract TC-89-047 for Fiscal Year Ended December 31, 1994, OIG-97-132, 9/15/97, **\$37,700 Q**

Departmental Offices

Audited Fiscal Years 1996 and 1995 Financial Statements of the Exchange Stabilization Fund, OIG-97-067, 5/12/97

Incurred Costs for Contractor's Fiscal Year Ended March 31, 1993, Applicable to Contracts TOS-88-21 and TOS-92-33, OIG-97-072, 4/9/97

Incurred Costs for Contractor's Fiscal Year Ended March 31, 1994, Applicable to Contracts TOS-88-21 and TOS-92-33, OIG-97-073, 4/9/97

Incurred Costs for Contractor's Fiscal Year Ended March 31, 1995, Applicable to Contracts TOS-88-21 and TOS-92-33, OIG-97-075, 4/10/97

Audited Fiscal Year 1996 Financial Statements of the Departmental Offices, OIG-97-077, 4/10/97

Audited Fiscal Years 1996 and 1995 Financial Statements of the Treasury Forfeiture Fund, OIG-97-093, 5/28/97

FinCEN's Compliance with the Money Laundering Suppression Act Relating to Non-Bank Financial Institutions, OIG-97-098, 6/12/97

Office of Enforcement's Administrative Operations, OIG-CA-97-100, 6/11/97

Bureau of Engraving and Printing

Bureau of Engraving and Printing's Strategic Planning Process, OIG-96-E19, May 1997

Initial Pricing Proposal Submitted Under Anticipated Contract TEP-97-10(TN) for Distinctive Currency Paper, OIG-97-103, 6/23/97, **\$5,835,672 S**

Pricing Proposals Submitted Under Contract TEP-95-23 (TN) for Additional Costs of Security Assets and Excess Anti-Counterfeit Deterrent Thread and Substrate, OIG-97-109, 7/11/97

Adequacy of Disclosure Statement Dated May 1, 1995, Applicable to Contract TEP-97-10 (TN), OIG-97-115, 7/24/97

Bureau of Engraving and Printing's Strategic Plan, OIG-96-E20, September 1997

Proposal Submitted Under Contract TEP-95-06 for the Interim Currency Inspection Imaging System, OIG-97-131, 9/5/97

Federal Law Enforcement Training Center

Controls Over Firearms at the Federal Law Enforcement Training Center, OIG-97-092, 5/28/97

Financial Management Service

Airport and Airway Trust Fund Custodial Financial Statements for the Year Ended September 30, 1996, OIG-97-071, 4/8/97

Auditability Survey of Accounts Administered by the Financial Management Service Accounts Branch and Other Miscellaneous Custodial Accounts, OIG-97-076, 4/10/97

Audited Fiscal Year 1996 Financial Statements of the Financial Management Service Salaries and Expenses Appropriation, OIG-97-081, 4/23/97

Follow-up Review of Financial Management Service Activities to Process and Monitor Agency Disbursements, OIG-97-121, 8/18/97

Internal Revenue Service

Termination Voucher No. 2 Submitted Under Contract TIRNO-94-D-0028 for the Document Processing System, OIG-97-063, 4/2/97, **\$20,000 Q**

Equitable Adjustment Claim Proposal Submitted Under Contract TIR-94-0028, Modification No. 0090 for the Document Processing System, OIG-97-066, 4/8/97

Contractor's Forward Pricing Direct Labor and Indirect Rates and Factors, OIG-97-070, 4/8/97

Public Vouchers Submitted Under Contract TIR-95-0061 for Treasury Information Processing Support Services, OIG-97-074, 4/9/97

Equitable Adjustment Proposal Pursuant to Draft 100 (Rebaseline) Modification Authorization to Proceed Under Contract TIRNO-94-D-0028, OIG-97-078, 4/15/97

Proposal Submitted Under Contract TIRNO-94-D-0028 for Development of an Integrated Submission and Remittance Processing System, OIG-97-100, 6/27/97, **\$3,459,150 S**

Termination Voucher No. 1 Submitted Under Contract TIRNO-94-D-0028 for the Document Processing System, OIG-97-110, 7/22/97, **\$46,550 Q**

Termination Voucher No. 2 Submitted Under Contract TIRNO-94-D-0028 for the Document Processing System, OIG-97-111, 7/22/97, **\$30,600 Q**

Defective Pricing Review of Cost or Pricing Data Submitted Under Contract TIR-94-0114 for Maintenance Support, OIG-97-116, 7/24/97

Internal Revenue Service Office of the Chief Counsel Library's Deposit Accounts, OIG-97-117, 7/25/97, **\$190,000 Q, \$14,000 R**

Application of Agreed-Upon Procedures to Subcontract Firm-Fixed Price Proposal Submitted in Response to Solicitation TIR-94-00028, OIG-97-118, 8/8/97

Contractor's Equitable Adjustment Proposal Submitted Pursuant to Modification 113 Under Contract TIR-94-D-00028, OIG-97-120, 8/14/97, **\$5,036,200 Q**

Contract Termination Review Under Contract No. TIRNO-95-D-00059, Task Order IR-95-4515 for the Workflow Management Services, OIG-97-123, 8/22/97, **\$58,670 Q**

Contractor's Labor Floorcheck and Timekeeping Practices, OIG-97-125, 8/22/97

Subcontract Proposal Submitted Under Contract TIR-95-0065 for Treasury Information Processing Support Services, OIG-97-127, 9/2/97

Termination Voucher No. 3 Submitted Under Contract TIRNO-94-00028 for Treasury Document Processing System, OIG-97-129, 9/4/97, **\$69,300 Q**

Incurred Costs for Fiscal Years Ended December 31, 1992, and 1993 Applicable to Contracts TOS-92-34 and TIR-92-0104, OIG-97-135, 9/25/97

Verification of Voucher Costs, OIG-97-136, 9/24/97

U.S Mint

Audited Fiscal Year 1996 Financial Statements of the United States Mint, OIG-97-083, 4/25/97

Evaluation of Subcontractor Claim for Equitable Adjustment Under Prime Contract TM94-1080, OIG-97-089, 5/15/97, **\$51,800 Q**

Bureau of the Public Debt

Audited Fiscal Year 1996 Financial Statements of the Bureau of the Public Debt's Administrative Accounts, OIG-97-088, 5/12/97

U.S. Secret Service

United States Secret Service Fiscal Year 1996 Statement of Financial Position, OIG-97-133, 9/30/97

Office of Thrift Supervision

Office of Thrift Supervision's Processing of Home Mortgage Disclosure Act Data, OIG-97-086, 5/14/97

Independent Entity

Audited Fiscal Years 1996 and 1995 Financial Statements of the Federal Financing Bank, OIG-97-082, 4/23/97

Inspection Service Audits**Internal Revenue Service**

Administering the Collection of Installment Agreement User Fees, 072101, 4/1/97

Effectiveness of Examination Division Group Statute Controls - North-South Carolina District, 171100, 4/1/97

Procurement Activities - Detroit Computing Center, 670801, 4/1/97

Service Efforts to Ensure Compliance of Taxpayers Receiving Foreign Sourced Income, 072208, 4/2/97

Compliance Project Effectiveness, 072601, 4/4/97

Control Over Investigative Equipment - Manhattan District Criminal Investigation Division, 670900, 4/7/97

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2/ Although it was issued on April 18, 1997, the report is dated March 3, 1997.

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The Inspector General Act of 1978 (P.L. 95-452), as amended, sets forth specific requirements for Semiannual Reports to be made to the Secretary for transmittal to the Congress. Other statutory and administrative reporting and enforcement responsibilities and authorities are listed below:

AUDIT AND MANAGEMENT REVIEW RESPONSIBILITIES

P.L. 97-177	Prompt Payment Act
P.L. 97-255	FMFIA
P.L. 100-504	Inspector General Act Amendments of 1988
P.L. 101-576	CFO Act of 1990
P.L. 103-62	Results Act of 1993
P.L. 103-356	GMRA of 1994
P.L. 104-106	IT Management Reform Act of 1996 National Defense Authorization Act for FY 1996
P.L. 104-208	Federal Financial Management Improvement Act of 1996

CRIMINAL AND CIVIL INVESTIGATIVE AUTHORITIES

Title 5	U.S.C., section 552a(i)
Title 18	U.S.C., sections on crime and criminal procedures as they pertain to the OIG's oversight of departmental programs and employee misconduct
Title 31	U.S.C., section 3729 et seq., the Civil False Claims Act, and 3801 et seq., the Program Fraud Civil Remedies Act
Title 42	U.S.C., sections 1320a-7, 1320a-7a, 1320c-5, 1395l, 1395m, 1395u, 1395dd, and 1396b

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1/ As Amended