



Semiannual Report to Congress

October 1, 2011–March 31, 2012
OIG-CA-12-005

Office of Inspector General
Department of the Treasury

Highlights

During this semiannual reporting period, our Office of Audit issued 47 products and our Office of Small Business Lending Fund (SBLF) Program Oversight issued 2. Work by our Office of Investigations resulted in 18 arrests and 21 convictions. Some of our more significant results for the period are described below.

- We identified deficiencies related to the Bureau of Engraving and Printing's planning and production oversight over the NexGen \$100 notes. The bureau did not (1) perform necessary and required testing to resolve technical problems before starting full production of the NexGen \$100 notes, (2) implement comprehensive project management over the \$100 note program, or (3) adequately complete a comprehensive cost-benefit analysis for the disposition of the approximately 1.4 billion finished NexGen \$100 notes already printed but not accepted by the Board of Governors of the Federal Reserve System.
- KPMG LLP, under contract with our office, issued an unqualified opinion on the Department of the Treasury's fiscal year 2011 financial statements. The auditors reported a material weakness related to financial systems and reporting at the Internal Revenue Service and significant deficiencies related to (1) financial reporting practices at the Departmental level, (2) financial accounting and reporting at the Office of Financial Stability, and (3) information systems controls at the Financial Management Service.
- Our Office of SBLF Program Oversight identified that certain approved financial institutions had significant supervisory issues. The issues could restrict these financial institutions from meeting their financial obligations to the SBLF program. Accordingly, these financial institutions require enhanced monitoring by Treasury.
- We reported that instead of costing taxpayers \$1.26 billion as originally estimated, Treasury projects that the SBLF program will generate a savings of \$0.08 billion, representing a \$1.34 billion decrease from the initial cost estimate. The decrease is due to lower-than-expected (1) participation volumes, (2) default rates, and (3) market interest rates. However, we noted that in revising the cost estimate Treasury did not adequately consider the impact that supervisory concerns and historical retained earnings may have on the ability of institutions to pay dividends and repay their investment to Treasury. We recommended additional considerations for future re-estimates.
- Our Office of Investigations conducted a joint investigation with the Federal Bureau of Investigation that resulted in the arrest of a computer programmer for stealing proprietary code from the Federal Reserve Bank of New York. The individual was a contract employee assigned to work on further developing a software system owned by Treasury.
- A Mint Police Officer arrested by Office of Inspector General special agents pled guilty and was sentenced in U.S. District Court to making false statements in connection to workers compensation claims by which he defrauded the federal government of over \$173,000.



Message From the Inspector General

I am pleased to provide our semiannual report for March 31, 2012. Over the past 6 months, my office continued to focus on Treasury programs and responsibilities under our jurisdiction that have been put in place to address the Nation's efforts to recover from the financial crisis and move forward. We have also completed a substantial body of mandated work related to the Department's financial reporting, efforts to reduce improper payments, and information security.

In past messages, I discussed how mandated work resulting from bank failures impacted my office's ability to undertake other work. As the rate of bank failures has dropped, we are now providing oversight to a broader range of Treasury programs and operations and have been able to respond to emerging issues. For example, we recently completed a review of Treasury's consultative role in the \$535 million loan guarantee made to Solyndra.

At Treasury's request, we also completed a review of manufacturing problems at the Bureau of Engraving and Printing. Those problems led to the halted production and delay in issuing the NexGen \$100 note originally planned for release in February 2011. While the bureau estimates that less than 1 percent of the 1.4 billion notes produced are flawed, neither an exact error rate nor the cost-benefit of various disposal options had been determined. We also reported that necessary testing was not done before starting full production and comprehensive project management had not been implemented.

Our Office of Small Business Lending Fund (SBLF) Program Oversight completed two reviews, one addressing the cost estimate for the SBLF program and the second addressing the soundness of early investment decisions. We found that Treasury did not adequately consider how supervisory concerns about participant management and historical retained earnings could impact repayment assumptions used to estimate the cost of the SBLF program. In regard to the soundness of early investment decisions, we noted weaknesses that raise questions about whether Treasury negotiated an effective supervisory consultative process, considered sufficient information, and consistently implemented its investment decision process. I noted in my last semiannual report that the Office was evaluating the \$1.5 billion State Small Business Credit Initiative, which provides federal funds to states for programs that support lending to small businesses. Since that time we have all but completed a review of one participating state where we have identified misuse of funds, and have reviews of three additional states in progress.

The Council of Inspectors General on Financial Oversight (CIGFO), established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which I chair, continues to serve as an important means for the Inspectors General of the financial regulatory agencies to share information. During the period, through its Dodd-Frank authority, CIGFO convened its first working group under the leadership of the Federal Deposit Insurance Corporation Inspector General. The working group is examining the controls and protocols that the Financial Stability Oversight Council (FSOC) and its member agencies have in place to ensure that FSOC-collected information, deliberations, and decisions

are properly safeguarded from unauthorized disclosures. This work is expected to be completed by June 2012. Through working groups, CIGFO provides an important source of independent oversight of FSOC.

With respect to examples of our mandated work, independent auditors under contract with our office completed the audit of the Department's fiscal year 2011 consolidated financial statements as well as audits of other Treasury components and issued clean audit opinions. While clean audit opinions have become seemingly routine at Treasury, the work required by the Department and the auditors to ensure accurate financial reporting to the public is anything but "routine." Also, as a new requirement, we issued our first report on Treasury's implementation of the Improper Payments Elimination and Recovery Act (IPERA). We found that Treasury was not in compliance with IPERA due to deficiencies with the Internal Revenue Service's improper payments reporting for the Earned Income Tax Credit program. These deficiencies were identified by the Treasury Inspector General of Tax Administration. Furthermore, we completed the first in a series of Congressionally directed reviews of the Financial Crimes Enforcement Network's efforts to modernize its Bank Secrecy Act database. We reported that the agency had made a good business case for the \$120 million program and was on schedule and within cost, but the effort will require continued attention to ensure successful completion.

The Office of Investigations continues to work significant criminal, civil, and administrative cases that protect the Department's programs and operations, with an emphasis on those that attempt to financially defraud Bureaus or Departmental Offices. My employees have focused on investigating and eradicating improper payments, bringing to justice those that selfishly defraud the banking system using their positions for personal gain, and recovery/prevention of those attempting to swindle funds from the Payments for Specified Energy Property in Lieu of Tax Credits Program.

On March 7, 2012, I testified before the Treasury's House Appropriations Subcommittee along with my colleague, the Honorable J. Russell George, the Treasury Inspector General for Tax Administration. I provided the Subcommittee members an overview of Treasury's program and operations that my office oversees and my perspective on the management and performance challenges in administering those programs and operations. Among other topics, my testimony stressed that a relatively small number of Treasury employees outside the Internal Revenue Service perform the widely diverse, and very complex functions that make up the responsibilities of the Department of the Treasury that are so critical to our Nation.

In closing, I would like to express my appreciation for the high level of cooperation and responsiveness by Treasury's senior leadership to my office and its work. I would also like to acknowledge the employees of the Treasury Office of Inspector General for their dedication, professionalism, and excellence in everything they do.



Eric M. Thorson
Inspector General

Contents

- Highlights i
- Message From the Inspector General ii
- Office of Inspector General Overview 1
- Treasury’s Management and Performance Challenges 2
- Office of Audit - Significant Audits and Other Products 8
 - Financial Management 8
 - Programs and Operations 11
 - Information Technology 11
 - Failed Bank Reviews 12
 - Other Banking-Related Work 16
 - Other Performance Audits 16
- Office of SBLF Program Oversight – Significant Audits and Other Products 21
- Office of Investigations - Significant Investigations 23
- Other OIG Accomplishments and Activity 27
- Statistical Summary 29
 - Summary of OIG Activity 29
 - Significant Unimplemented Recommendations 29
 - Summary of Instances Where Information Was Refused 31
 - Listing of Audit Products Issued 32
 - Audit Reports Issued With Questioned Costs 36
 - Audit Reports Issued With Recommendations That Funds Be Put to Better Use 36
 - Previously Issued Audit Reports Pending Management Decisions (Over 6 Months) 37
 - Significant Revised Management Decisions 37
 - Significant Disagreed Management Decisions 37
 - Peer Reviews 37
- Bank Failures and Nonmaterial Loss Reviews 39
- References to the Inspector General Act 41
- Abbreviations 42

This page intentionally left blank.

Office of Inspector General Overview

The Department of the Treasury's Office of Inspector General (OIG) was established pursuant to the 1988 amendments to the Inspector General Act of 1978. OIG is headed by an Inspector General appointed by the President, with the advice and consent of the Senate.

OIG performs independent, objective reviews of Treasury programs and operations, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and keeps the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action. The Treasury Inspector General for Tax Administration (TIGTA) performs oversight related to IRS. A Special Inspector General and the Government Accountability Office perform oversight related to TARP.

OIG has five components: (1) Office of Audit, (2) Office of Investigations, (3) Office of Small Business Lending Fund (SBLF) Program Oversight, (4) Office of Counsel, and (5) Office of Management. OIG is headquartered in Washington, D.C., and has an audit office in Boston, Massachusetts.

The Office of Audit, under the leadership of the Assistant Inspector General for Audit, performs and supervises audits, attestation engagements, and evaluations. The Assistant Inspector General for Audit has two deputies. One is primarily responsible for performance audits, and the other is primarily responsible for financial management, information technology (IT), and financial assistance audits.

The Office of Investigations, under the leadership of the Assistant Inspector General for Investigations, performs investigations and conducts initiatives to detect and prevent fraud, waste, and abuse in Treasury programs and operations under our jurisdiction. It also manages the Treasury OIG Hotline to facilitate reporting of allegations involving Treasury programs and activities.

The Office of SBLF Program Oversight, under the leadership of a Special Deputy Inspector General, conducts, supervises, and coordinates audits and investigations of the SBLF and State Small Business Credit Initiative (SSBCI).

The Office of Counsel, under the leadership of the Counsel to the Inspector General, provides legal advice to the Inspector General and all OIG components. The office represents the OIG in all legal proceedings and provides a variety of legal services including (1) processing all Freedom of Information Act and *Giglio* requests; (2) conducting ethics training; (3) ensuring compliance with financial disclosure requirements; (4) reviewing proposed legislation and regulations; (5) reviewing administrative subpoena requests; and (6) preparing for the Inspector General's signature, cease and desist letters to be sent to persons and entities misusing the Treasury seal and name.

The Office of Management, under the leadership of the Assistant Inspector General for Management, provides services to maintain the OIG administrative infrastructure.

As of March 31, 2012, OIG had 175 full-time staff. Eleven of those staff work for the Office of SBLF Program Oversight and are funded on a reimbursable basis. OIG's fiscal year 2012 appropriation is \$29.6 million.

Treasury's Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000, the Treasury Inspector General annually provides the Secretary of the Treasury with our perspective on the most serious management and performance challenges facing the Department. In a memorandum to Secretary Geithner dated October 24, 2011, Inspector General Thorson reported four management and performance challenges. The following is an abridged version of that memorandum.

Transformation of Financial Regulation

Enacted in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) established a number of new responsibilities for Treasury and the Secretary.

For example, Dodd-Frank created the Financial Stability Oversight Council (FSOC), chaired by the Treasury Secretary, whose mission is to identify risks to financial stability that could arise from the activities of large, interconnected financial companies; respond to any emerging threats to the financial system; and promote market discipline. As required, FSOC issued its first annual report in July 2011. The report contained recommendations to (1) heighten risk management and supervisory attention in specific areas, (2) further reforms to address structural vulnerabilities in key markets, (3) take steps to address reform of the housing finance market, and (4) ensure interagency coordination on financial regulatory reform. This is an important early step, but FSOC still has work ahead to meet all of its responsibilities. In this regard, Dodd-Frank calls for the consolidated supervision and heightened prudential standards for large, interconnected nonbank financial

companies. FSOC also has the authority to designate nonbank financial companies for consolidated supervision and to recommend heightened standards. As of the date of the Inspector General's memorandum, FSOC was still in the process of establishing the framework for identifying systemically significant nonbank financial institutions.¹

The Council of Inspectors General on Financial Oversight (CIGFO), chaired by the Treasury Inspector General, was also established by Dodd-Frank and is an important source of independent, unbiased analysis to FSOC. As required, CIGFO issued its first annual report in July 2011. That report discussed current and pending joint projects of CIGFO members and CIGFO's conclusion that FSOC had either met or is on target to meet all requirements to date. In the future, CIGFO anticipates establishing a working group to oversee the process of designating systemically important nonbank financial institutions for heightened prudential supervision.

Dodd-Frank also established two new offices within Treasury: the Office of Financial Research and the Federal Insurance Office. The Office of Financial Research is to be a data collection, research, and analysis arm of FSOC. The Federal Insurance Office is charged with monitoring the insurance industry, including identifying gaps or issues in the regulation of insurance that could contribute to a systemic crisis in the insurance industry or financial system. We are currently reviewing the Department's progress in standing up the Office of Financial Research and our future

¹ As an update, FSOC released its final regulation establishing a framework on April 3, 2012, (12 CFR Part 1310, Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies).

work plans include a review of the Federal Insurance Office.

Intended to streamline the supervision of depository institutions and holding companies, Dodd-Frank transferred the powers and duties of the Office of Thrift Supervision (OTS) to the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), and the Federal Deposit Insurance Corporation (FDIC) effective July 21, 2011. As was also required by the act, we and the OIGs of FDIC and FRB completed two reviews on the transfer during 2011. The first review reported on the planning for the transfer and the second review reported on the status of the transfer 6 months later. The reviews found that the planning was generally adequate and that transfer activities occurred as planned. However, we also reported on items that were still “works-in-progress.”

The other regulatory challenges that we discussed in the previous year's memorandum still remained. Specifically, since September 2007, 113 Treasury-regulated financial institutions failed, with estimated losses to the Deposit Insurance Fund (DIF) of about \$36.3 billion.² Although many factors contributed to the turmoil in the financial markets, our work found that OCC and the former OTS often did identify unsafe and unsound practices by numerous failed institutions under their respective supervision, but did not force timely correction. The irresponsible lending practices of many institutions are now well-recognized. At the same time, many of the failed banks also engaged in other high-risk activities, including

² As an update, as of March 31, 2012, 118 Treasury-regulated financial institutions have failed with about \$35 billion in estimated losses to the DIF.

high asset concentrations in commercial real estate and overreliance on unpredictable wholesale funding to fund growth.

Management of Treasury's Authorities Intended to Support and Improve the Economy

Congress provided Treasury with broad authorities to address the financial crisis under the Housing and Economic Recovery Act (HERA) and the Emergency Economic Stabilization Act (EESA) enacted in 2008, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010. Certain authorities in HERA and EESA have now expired but challenges remain in managing Treasury's outstanding investments. To a large extent, Treasury's program administration under these acts has matured. However, investment decisions involving the Small Business Jobs Act programs have only recently been completed.

Management of the SBLF and SSBCI

Enacted in September 2010, the Small Business Jobs Act of 2010 created the \$30 billion SBLF within Treasury and provided \$1.5 billion to be allocated by Treasury to eligible state programs through the SSBCI. Both programs were slow to disburse funds to intended recipients, with Treasury approving the majority of SBLF and SSBCI applications during the last quarter of fiscal year 2011. Now that Treasury has completed the approval process for these two programs, the challenge will be to exercise sufficient oversight to ensure that funds are used appropriately by participants, SBLF dividends owed Treasury are paid, and that the programs achieve intended results.

With regard to SBLF, Treasury disbursed more than \$4 billion to 332 financial institutions. Of the institutions funded, 42 percent were institutions that used their SBLF investment to refinance securities issued under the TARP Capital Purchase Program. Institutions receiving investments under the SBLF program are expected to pay dividends to Treasury at rates that will decrease as the amount of qualified small business lending the institution increases. The dividends are non-cumulative, meaning that institutions are under no obligation to make dividend payments as scheduled or to pay off previously missed payments before exiting the program. That said, there are provisions for increased restrictions as dividends are missed.

As of September 27, 2011, 53 states, territories, and eligible municipalities (participating states) had applied for \$1.5 billion in SSBCI funding. Of the participating states, 31 received their first funding allocations of approximately \$0.3 billion.³ Under SSBCI, participating states may obtain funding for programs that partner with private lenders to extend credit to small businesses. A key feature is that participating states receive their allocations in one-third increments. Treasury may withhold a successive increment to a state pending the results of an audit by our office. Primary oversight of the use of SSBCI funds is the responsibility of each participating state. Treasury will face challenges in holding states accountable for the proper use of funds as it has not, among other things, clearly defined the oversight obligations of states or specified minimum standards for

³ As an update, as of March 31, 2012, 58 states, territories, and eligible municipalities applied for \$1.5 billion in SSBCI funding. Of the 55 participating entities that have been approved to-date, 51 received their first and/or second funding allocations, totaling approximately \$477 million.

determining whether participating states have fulfilled their oversight responsibilities.

Management of Recovery Act Programs

Treasury is responsible for overseeing an estimated \$150 billion of Recovery Act funding and tax relief. Treasury's oversight responsibilities include programs that provide payments for specified energy property in lieu of tax credits, payments to states for low-income housing projects in lieu of tax credits, grants and tax credits through the Community Development Financial Institutions Fund (CDFI Fund), economic recovery payments to social security beneficiaries and others, and payments to U.S. territories for distribution to their citizens.

It is estimated that Treasury's Recovery Act payments in lieu of tax credit programs, for specified energy property and to states for low-income housing projects, will cost more than \$20 billion over their lives. To date, Treasury has awarded approximately \$13 billion under these programs.⁴ We conducted a number of audits of recipients of payments under the specified energy property program to determine whether funds were properly awarded to eligible applicants for eligible properties. We have found some questionable claims involving several million dollars in total. We plan to continue our work in this area and will report any major instances of program abuse as necessary.

Management of the HERA and EESA

Under HERA, Treasury continues to address the distressed financial condition of Fannie Mae

⁴ As an update, as of April 6, 2012, Treasury awarded approximately \$16.7 billion under these programs.

and Freddie Mac which are under the conservatorship of the Federal Housing Finance Agency. Among other things, in order to cover the continuing losses of the two entities and their ability to maintain a positive net worth, Treasury agreed to purchase senior preferred stock as necessary, and as of June 30, 2011, invested \$164 billion in the two entities.⁵ Even with Treasury's assistance, the future of both entities remains in question and prolonged assistance may be required. Additionally, the legislative process for housing finance reform is in an early stage and it is difficult to predict what lies ahead for winding down the Fannie Mae and Freddie Mac conservatorships and reforming housing finance in the long run.

TARP, established under EESA, gave Treasury the authorities necessary to bolster credit availability and address other serious problems in the domestic and world financial markets. Treasury's Office of Financial Stability administers TARP, and through several of its programs, made purchases of direct loans and equity investments in a number of financial institutions and other businesses, as well as guaranteed other troubled mortgage-related and financial assets. Authority to make new investments under the TARP program expired on October 3, 2010. Treasury, however, is continuing to make payments for programs which have existing contracts and commitments. Treasury's challenge in this area has changed from standing-up and running TARP programs to winding them down and recovering its investment. To date, Treasury has reported positive returns from the sale of its investments in the banking industry and has begun reducing its investment in American International Group.

⁵ As an update, as of December 31, 2011, \$187 billion was invested in the two entities.

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

Ensuring criminals and terrorists do not use our financial networks to sustain their operations and/or launch attacks against the U.S. continues to be a challenge. Treasury's Office of Terrorism and Financial Intelligence is dedicated to disrupting the ability of terrorist organizations to fund their operations. This office brings together intelligence gathering and analysis, economic sanctions, international cooperation, and private-sector cooperation to identify donors, financiers, and facilitators supporting terrorist organizations, and disrupts their ability to fund them. Treasury carries out its responsibilities to enhance financial transparency through the Bank Secrecy Act (BSA) and USA Patriot Act. The Financial Crimes Enforcement Network (FinCEN) is the Treasury bureau responsible for administering BSA.

Over the past decade, Treasury's Office of Terrorism and Financial Intelligence has made progress in closing the vulnerabilities that allowed money launderers and terrorists to use the financial system to support their activities. Nonetheless, significant challenges remain. One challenge is ensuring the continued cooperation and coordination of all the organizations involved in its anti-money laundering and combating terrorist financing efforts. Many of these entities also participate in efforts to ensure compliance with U.S. foreign sanction programs administered by Treasury's Office of Foreign Assets Control. Neither FinCEN nor the Office of Foreign Assets Control has the resources or capability to maintain compliance with their programs without significant help from these other organizations. To this end, Treasury has entered into memoranda of understanding with many federal and state regulators in an attempt

to build a consistent and effective process. While important to promote the cooperation and coordination needed, it should be noted that these instruments are nonbinding and carry no penalties for violations, and their overall effectiveness has not been independently assessed.

Last year, financial institutions filed approximately 15 million BSA reports, including over 1.3 million suspicious activity reports. While the number of suspicious activity reports has been increasing since 2001, FinCEN needs to continue its efforts to work with regulators and examining agencies to ensure that financial institutions establish effective BSA compliance programs and file accurate and complete BSA reports, as required. Furthermore, FinCEN still needs to complete work to issue anti-money laundering regulations as it determines appropriate for some non-bank financial institutions, such as vehicle dealers; pawnbrokers; travel agents; finance companies; real estate closing and settlement services; and financial services intermediaries, such as investment advisors.

BSA data is currently maintained by IRS and access to the database is generally handled through an IRS system. FinCEN's BSA IT Modernization Program, begun in 2008, is being built to ensure efficient management, safeguarding, and use of BSA information. This program, which we believe is needed, has yet to reach a point of broad-based integration testing and is highly dependent on continued funding, a challenge for many programs today.

FinCEN has a particularly difficult challenge in dealing with money services businesses (MSB). FinCEN has taken steps to improve MSB examination coverage and compliance. In the past year, FinCEN has finalized new rules and

increased enforcement designed to ensure MSBs comply with BSA requirements, including registration and report filing requirements. However, ensuring MSBs register with FinCEN has been a continuing challenge. Furthermore, IRS serves as the examining agency for MSBs but has limited resources to inspect MSBs or identify unregistered MSBs.

FinCEN has also been concerned with MSBs that use informal value transfer systems and with MSBs that issue, redeem, or sell prepaid access. MSBs using informal value transfers have been identified in a number of attempts to launder proceeds of criminal activity or finance terrorism. This past summer, FinCEN issued a final rule applying customer identification, recordkeeping, and reporting obligations to providers and sellers of prepaid access. Ensuring compliance with these rules will be a major challenge.

To detect possible illicit wire transfer use of the financial system, FinCEN also proposed a regulatory requirement for certain depository institutions and MSBs to report cross-border electronic transmittals of funds. However, such a system cannot be fully implemented until FinCEN completes its work on its BSA IT Modernization project, scheduled for 2014.

Management of Capital Investments

Managing large capital investments, particularly IT investments, is a difficult challenge for any organization, whether public or private. As a new development, after several years of attempting to centrally manage large infrastructure investments at the Department level, Treasury has announced that it will de-consolidate all infrastructure investments to the bureaus. This move is intended to improve

efficiency and transparency, cost savings and avoidance, and overall governance.

In prior years, we reported on a number of capital investment projects that either failed or had serious problems. This year, we continue to identify challenges with ongoing IT investments.

Replacement telecommunications platform

Treasury plans to spend \$3.7 billion on its IT Infrastructure Telecommunications Systems and Services investment. While the Treasury Network has become operational across Treasury, it is not yet fully compliant with Federal security requirements, among other things.

Common identity management system

The Treasury Enterprise Identity, Credential and Access Management is a \$147 million effort to implement requirements for a common identity standard. Treasury has reported that the system was \$40 million over planned costs.

Data center consolidation

The Office of Management and Budget (OMB) initiated the Federal Data Center Consolidation Initiative to reduce the number of federal data centers. Treasury had over 60 data centers around the country and during fiscal year 2011 closed 3. Treasury plans to close 12 more by 2015. Treasury's ability to successfully accomplish this is contingent on adapting shared infrastructure services.

FinCEN BSA IT Modernization

FinCEN's BSA IT Modernization is expected to cost about \$120 million and be completed in 2014. A prior attempt, from 2004 to 2006, to

develop a new BSA system ended in failure with over \$17 million wasted. However, early indications from our audit work are that project management is much improved for this effort.

It remains to be seen whether Treasury's decision to de-consolidate all infrastructure investments will improve efficiency and transparency, cost savings and avoidance, and overall governance as intended.

Matter of Concern

Our memorandum also highlighted an area of increasing concern – information security.

We reported information security as a serious management and performance challenge at Treasury for a number of years but removed the challenge in 2009. We did so because Treasury had made significant strides in improving and institutionalizing its information security controls. We believe that remains the case today. However, notwithstanding Treasury's strong security stance, cyber attacks against federal government systems by foreign governments and the hacker community are unrelenting and increasing. Treasury's information systems are critical to the Nation, and thus potential targets of those wishing to do grave harm. Accordingly, this is a very troubling situation that requires the highest level of continual attention to ensure that information security policies remain current and practices do not deteriorate.

Office of Audit – Significant Audits and Other Products

Financial Management

Financial Audits

Consolidated Financial Statements

KPMG LLP (KPMG), an independent public accounting firm, working under contract with our office, issued an unqualified opinion on the Department’s fiscal years 2011 and 2010 consolidated financial statements. The auditors reported a material weakness related to financial systems and reporting at the IRS and significant deficiencies related to (1) financial reporting practices at the Departmental level, (2) financial accounting and reporting at the Office of Financial Stability, and (3) information systems controls at the Financial Management Service (FMS). KPMG reported that the Department’s financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 related to federal financial management system requirements and applicable federal accounting standards. In addition, the audit identified a reportable instance of noncompliance with laws and regulations related to section 6325 of the Internal Revenue Code.⁶ **(OIG-12-015)**

⁶ The Internal Revenue Code grants IRS the power to file a lien against the property of any taxpayer who neglects or refuses to pay all assessed federal taxes. Section 6325 requires IRS to release a federal tax lien within 30 days after the date the tax liability is satisfied, or has become legally unenforceable, or the Secretary of the Treasury has accepted a bond for the assessed tax.

Other Financial Statement Audits

The Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, requires annual financial statement audits of Treasury and any component entities designated by OMB. In this regard, OMB designated IRS for annual financial statement audits. The financial statements of certain other Treasury component entities are audited pursuant to other requirements, their materiality to Treasury’s consolidated financial statements, or as a management initiative.

The table on the next page shows the results of the financial statement audits of the Department and those component entities where financial statement audits were performed for fiscal years 2011 and 2010.

Office of Audit – Significant Audits and Other Products

| Treasury-audited financial statements and related audits | | | | | | |
|---|--------------------------------|----------------------|--------------------------|--------------------------------|----------------------|--------------------------|
| | Fiscal year 2011 audit results | | | Fiscal year 2010 audit results | | |
| Entity | Opinion | Material weak-nesses | Significant deficiencies | Opinion | Material weak-nesses | Significant deficiencies |
| Government Management Reform Act/Chief Financial Officers Act requirements | | | | | | |
| Department of the Treasury | UQ | 1 | 3 | UQ | 1 | 3 |
| Internal Revenue Service (A) | UQ | 2 | 1 | UQ | 2 | 1 |
| Other required audits | | | | | | |
| Department of the Treasury's Special-Purpose Financial Statements | UQ | 0 | 0 | UQ | 0 | 0 |
| Office of Financial Stability (TARP) (A) | UQ | 0 | 1 | UQ | 0 | 1 |
| Bureau of Engraving and Printing | UQ | 0 | 1 | UQ | 0 | 0 |
| Community Development Financial Institutions Fund | UQ | 2 | 0 | UQ | 0 | 1 |
| Office of DC Pensions | UQ | 0 | 1 | UQ | 0 | 1 |
| Exchange Stabilization Fund | UQ | 0 | 0 | UQ | 0 | 1 |
| Federal Financing Bank | UQ | 0 | 0 | UQ | 0 | 0 |
| Office of the Comptroller of the Currency | UQ | 0 | 0 | UQ | 0 | 0 |
| Office of Thrift Supervision | UQ | 0 | 0 | UQ | 0 | 0 |
| Treasury Forfeiture Fund | UQ | 0 | 0 | UQ | 0 | 0 |
| Mint | | | | | | |
| Financial statements | UQ | 0 | 1 | UQ | 0 | 0 |
| Custodial gold and silver reserves | UQ | 0 | 0 | UQ | 0 | 0 |
| Other audited accounts that are material to Treasury financial statements | | | | | | |
| Bureau of the Public Debt | | | | | | |
| Schedule of Federal Debt (A) | UQ | 0 | 0 | UQ | 0 | 0 |
| Government trust funds | UQ | 0 | 0 | UQ | 0 | 0 |
| Financial Management Service | | | | | | |
| Treasury-managed accounts | UQ | 0 | 1 | UQ | 0 | 1 |
| Operating cash of the federal government | UQ | 0 | 1 | UQ | 0 | 1 |
| Management-initiated audit | | | | | | |
| Financial Crimes Enforcement Network | UQ | 0 | 0 | UQ | 0 | 0 |
| Alcohol and Tobacco Tax and Trade Bureau | UQ | 1 | 0 | UQ | 1 | 0 |
| UQ Unqualified opinion (A) Audited by the Government Accountability Office | | | | | | |

The following instances of noncompliance with the Federal Financial Management Improvement Act of 1996, which all relate to

IRS, were reported in connection with the audit of the Department's fiscal year 2011 consolidated financial statements.

| Condition | Type of noncompliance |
|--|---|
| Persistent deficiencies in internal control over unpaid tax assessment systems and information security remain uncorrected. As a result of these deficiencies, IRS was (1) unable to rely upon its systems or compensating and mitigating controls to provide reasonable assurance that its financial statements are fairly presented, (2) unable to ensure the reliability of other financial management information produced by its systems, and (3) at increased risk of compromising confidential IRS and taxpayer information. (first reported in fiscal year 1997) | Federal financial management systems requirements |
| Automated systems for tax related transactions did not support the net federal taxes receivable amount on the balance sheet and other required supplementary information related to uncollected taxes – compliance assessments and write-offs – as required by Statement of Federal Financial Accounting Standards No. 7, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i> . (first reported in fiscal year 1997) | Federal accounting standards |

The status of these instances of noncompliance, including progress in implementing remediation plans, will be evaluated as part of the audit of the Department’s fiscal year 2012 consolidated financial statements.

The fiscal year 2011 audits of Treasury’s component entities financial statements identified the following material weaknesses and other significant deficiencies. These audits were performed by KPMG or other independent public accountants working under contract with our office.

Material Weaknesses

- The CDFI Fund’s controls over (1) grant accruals and (2) grant disbursements. **(OIG-12-011)**
- The Alcohol and Tobacco Tax and Trade Bureau’s controls over the review of the allowance for doubtful accounts on tax and trade receivables. **(OIG-12-034)**

Other Significant Deficiencies

- The Bureau of Engraving and Printing’s (BEP) controls over year end liability accruals. **(OIG-12-030)**

- The Office of D.C. Pensions’ (1) supervisory review and monitoring controls over adding or modifying annuitant benefit payments in the System to Administer Retirement, and (2) System to Administer Retirement configuration and change management controls. **(OIG-12-029)**
- The Mint’s controls over inventory. **(OIG-12-019)**
- FMS’s IT controls over systems managed by FMS and third parties. **(OIG-12-012, OIG-12-014)**

In connection with the fiscal year 2011 financial statement audits, the auditors issued management letters on other matters involving internal control to BEP **(OIG-12-032)**, the Federal Financing Bank **(OIG-12-010)**, the Mint **(OIG-12-020)**, OCC **(OIG-12-028)**, the Office of D.C. Pensions **(OIG-12-031)** and the Treasury Forfeiture Fund **(OIG-12-022)**. In addition, the auditors issued two sensitive but unclassified management reports that detailed FMS’s significant deficiency related to IT controls over systems managed by it and third parties and recommended corrective actions. **(OIG-12-025, OIG-12-026)**

Attestation Engagement

KPMG, working under contract with our office, issued an unqualified opinion that the Bureau of the Public Debt (BPD) Trust Fund Management Branch's assertions pertaining to the schedule of assets and liabilities and related schedule of activity of selected trust funds, as of and for the year ended September 30, 2011, were fairly stated. These schedules relate to the functions of the Trust Fund Management Branch as custodian of the Federal Supplementary Medical Insurance Trust Fund, Federal Hospital Insurance Trust Fund, Highway Trust Fund, Airport and Airway Trust Fund, Hazardous Substance Superfund Trust Fund, Leaking Underground Storage Tank Trust Fund, Oil Spill Liability Trust Fund, Harbor Maintenance Trust Fund, Inland Waterways Trust Fund, and the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund. The attestation examination did not identify any material weaknesses or significant deficiencies in internal control or instances of reportable noncompliance with laws and regulations. **(OIG-12-003)**

Programs and Operations

Information Technology

Fiscal Year 2011 Audit of Treasury's Federal Information Security Management Act Unclassified Systems

The Federal Information Management Security Act (FISMA) requires each Inspector General to perform an annual, independent evaluation of their agency's information security program and practices. We contracted with KPMG to

perform an audit of FISMA compliance for the Department's unclassified systems, with the exception of the IRS. For IRS, TIGTA performed the annual FISMA evaluation and the Government Accountability Office (GAO) performed the financial statement audit of IRS and covered IRS information security for financial systems. Based on the results reported by KPMG, TIGTA, and GAO, we determined that Treasury's information security program was in place and was generally consistent with FISMA, OMB information security requirements, and the National Institutes of Standards (NIST) information security standards.

However, the KPMG audit of Treasury's unclassified systems (except for those of IRS) identified findings in a number of areas requiring improvement to make the program fully effective. Specifically, KPMG reported the following at one or more Treasury component entities

- logical account management activities were not fully documented or consistently performed (4 component entities)
- security incidents were not reported timely (4 component entities)
- system security plans did not fully adopt NIST-recommended security controls from NIST Special Publication 800-53, Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations* (3 component entities)
- sufficient audit log reviews were not performed in accordance with NIST and Treasury standards (1 component entity)
- media scheduled for sanitization was not properly inventoried in accordance with bureau procedures (1 component entity)

- plans of action and milestones were not tracked and remediated in accordance with NIST and Treasury requirements (2 component entities)
- vulnerability scanning and remediation were not performed in accordance with Treasury requirements (3 component entities)
- contingency planning and testing and backup controls were not fully implemented or operating as designed (4 component entities)
- outdated and unsupported software was utilized (1 component entity)
- risk management program was not consistent with NIST Special Publication 800-37, Revision 1, *Guide for Applying the Risk Management Framework to Federal Information Systems* (1 component entity)
- personnel termination procedures were not followed (1 component entity)
- system configuration management programs were not implemented correctly (3 component entities)

TIGTA also reported that IRS was generally consistent with FISMA requirements. However, TIGTA noted that the IRS information security program was not fully effective as a result of the conditions identified in configuration management, security training, plans of action and milestones, and identity and access management. In addition, GAO reported a continuing material weakness in IRS's internal control over information security that resulted in IRS's inability to rely on the controls embedded in its automated financial management systems. **(OIG-12-008)**

Fiscal Year 2011 Audit of Treasury's Federal Information Security Management Act Implementation for Its Collateral National Security Systems

We performed the fiscal year 2011 audit of FISMA implementation for the Department's collateral national security systems, excluding IRS systems. Based on our fiscal year 2011 audit, we found that Treasury's information security program and practices for its collateral national security systems still needs improvement. Specifically, we identified four findings, including one repeat finding for our last year audit, and made nine recommendations. Due to the sensitive nature of these systems, we designed this report Sensitive But Unclassified. **(OIG-12-006)**

Failed Bank Reviews

OCC regulates and supervises the nation's largest banks and thrifts.

In 1991, Congress enacted the Federal Deposit Insurance Corporation Improvement Act following the failures of about a thousand banks and thrifts from 1986 to 1990. Among other things, the act added Section 38, Prompt Corrective Action (PCA), to the Federal Deposit Insurance Act. PCA requires federal banking agencies to take specific supervisory actions in response to certain circumstances.⁷

⁷ PCA is a framework of supervisory actions for insured institutions that are not adequately capitalized. It was intended to ensure that action is taken when an institution becomes financially troubled in order to prevent a failure or minimize resulting losses. These actions become increasingly more severe as the institution falls into lower capital categories. The capital categories are well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

Section 38 also requires the inspector general for the primary federal regulator⁸ of a failed financial institution conduct a material loss review (MLR) when the estimated loss to the DIF is “material.” An MLR requires that we determine the causes of the failure and assess the supervision of the institution, including the implementation of the Section 38 PCA provisions. A material loss is defined as a loss to the DIF that exceeds \$200 million for 2010 and 2011, \$150 million for 2012 and 2013, and \$50 million in 2014 and thereafter, with a provision for increasing the threshold to \$75 million under certain circumstances. Section 38 also requires a review of all bank failures with losses under those threshold amounts for the purposes of (1) ascertaining the grounds identified by OCC for appointing FDIC as receiver, and (2) determining whether any unusual circumstances exist that might warrant a more in-depth review of the loss. This provision applies to bank failures from October 1, 2009, forward.⁹

From the beginning of the current economic crisis in 2007 through March 2012, FDIC and other banking regulators closed over 400 banks and thrifts. Treasury was responsible for regulating 118 of those institutions. Of the 118 failures, 54 resulted in a material loss to the DIF. There were no new failures of Treasury regulated banks that required an MLR during

⁸ Within Treasury, OCC is the regulator for national banks. Effective July 21, 2011, OCC assumed the regulatory responsibility for federal savings associations that were previously regulated by OTS.

⁹ Prior to 2010, Section 38 required an MLR if loss to the DIF from a bank failure exceeded the greater of \$25 million or 2 percent of the institution’s total assets. There was also no requirement for us to review bank failures with losses less than this threshold.

this semiannual reporting period. During this period, we completed 12 MLRs and 1 in-depth review. Since 2007, we have completed 53 MLRs and 2 in-depth reviews.

As previously reported, from the MLRs we have completed, we have seen a number of trends emerge. With respect to the causes of these institutions’ failures, we found significant losses in loan portfolios, poor underwriting and overly aggressive growth strategies fueled by volatile and costly wholesale funding (e.g., brokered deposits, Federal Home Loan Bank loans); risky lending products such as option adjustable rate mortgages; high asset concentrations; and inadequate risk management systems. In addition, the management and boards of these institutions were often ineffective. The economic recession and the decline in the real estate market were also factors in most of the failures.

With respect to OCC’s and the former OTS’s supervision, we found that both regulators conducted regular and timely examinations and identified operational problems, but were slow to take timely and effective enforcement action. We also found that in assessing these institutions, examiners regularly gave too much weight to profitability and performing loans and not enough to the amount of risk these institutions had taken on. We also noted that regulators took appropriate PCA when warranted but those actions did not prevent a material loss to the DIF.

Material Loss and In-depth Reviews

Between October 1, 2011, and March 31, 2012, we completed 12 MLRs of Treasury-regulated institutions whose failures resulted in material losses to the DIF. The most significant of these

failures in terms of FDIC-estimated losses were the national banks owned by First Bank of Oak Park Corporation (FBOP), with \$2 billion in estimated losses covering 4 national bank failures, and Corus Bank, with \$797.9 million in estimated losses. These failed national banks supervised by the OCC are summarized below. A list of the 12 MLRs completed during this semiannual period is provided in the Statistical Summary section.

Material Loss Reviews of Failed National Banks Owned by First Bank of Oak Park Corporation (Closed October 30, 2009; Estimated Loss to the DIF - \$2 billion)

The four FBOP banks (California, Park, San Diego, and Pacific) that were the subject of our MLR failed primarily due to significant losses associated with their concentrations in (1) investment securities, including government sponsored enterprise (GSE) securities and corporate bonds; and (2) high-risk commercial real estate loans. In addition, the FBOP banks did not maintain adequate capital levels to mitigate their increasing levels of risk, and were unsuccessful in efforts to obtain funds from either TARP or private sources to make up for the losses sustained by the banks.

With respect to the failure of Park, FDIC issued the bank a Notice of Assessment of Liability that required an immediately payable cross-guaranty liability in the amount of \$1.7 billion. Though adequately capitalized prior to the Notice of Assessment of Liability, Park was no longer viable after the assessment since it exceeded the bank's total capital. The resulting depletion of Park's capital levels caused the bank to become critically undercapitalized with no reasonable prospect of recapitalization. As a result, OCC placed Park

into receivership at the same time as the other FBOP banks.

Regarding supervision of the FBOP banks, we concluded that OCC had a reasonable basis at the time of its examinations for believing the banks could manage the risks of increased concentrations in commercial real estate. We noted, however, that OCC permitted the FBOP banks to risk-weight the banks' GSE equity securities at 20 percent for regulatory capital purposes. The capital regulations of the other federal banking agencies require risk-weighting these types of securities at 100 percent.

OCC granted temporary relief to the FBOP banks on the capital treatment of deferred tax assets that arose from the banks' GSE investment write-downs. We determined that OCC exercised reasonable supervisory judgment in providing this relief. As the FBOP banks' reported falling capital levels immediately following the expiration of the deferred tax asset relief, we concluded that OCC used its authority under Section 38, PCA in a timely manner.

We have referred certain capital-related transactions by Park and another FBOP national bank Citizens to our Office of Investigations.

We recommended that OCC re-evaluate whether its requirements for risk-weighting of GSE equity securities should be changed from 20 percent to 100 percent. In its management response, OCC agreed that a re-evaluation of its guidance for risk-weighting GSE equity securities is appropriate, and anticipates addressing this in the upcoming notice of

proposed rulemaking for Basel III¹⁰ to ensure consistency among all of the federal banking agencies. **(OIG-12-043)**

Material Loss Review of Corus Bank, N.A. (Closed February 11, 2009; Estimated Loss to the DIF - \$797.9 million)

Corus Bank, N.A.'s failure was caused by its business strategy that included high concentrations in commercial real estate lending and a substantial presence in volatile geographic markets. In addition, Corus's loan management procedures were not commensurate with its high-risk lending practices.

With regard to supervision, OCC examiners generally followed existing guidance with respect to Corus. However, we believe that guidance was not adequate for effectively dealing with high concentrations. OCC noted that Corus's (1) commercial real estate concentration posed significant risk to the bank; (2) risks to capital were high; (3) loan losses and credit risk were increasing; and (4) lending strategy, rapid portfolio growth, and deposit structure demanded strong liquidity. However, at the same time, examiners considered Corus's risks reasonable given the bank's risk mitigation systems, including (1) experienced management, (2) a large capital base, and (3) high-quality

¹⁰ The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. In this regard, the Committee is best known for its international standards on capital adequacy; the Core Principles for Effective Banking Supervision; and the Concordat on cross-border banking supervision. The Committee's members come from 27 countries, including the US. Basel III is a global regulatory standard on bank capital adequacy, stress testing and market liquidity risk agreed upon by the Committee in 2010-2011.

underwriting—all of which are examples of enhanced risk management practices that comply with interagency guidance.

We determined that OCC took the appropriate PCA in a timely manner as the bank's capital levels fell. Those actions, however, did not prevent Corus's failure.

We also identified several matters related to Corus's interaction with its holding company, Corus Bankshares. Specifically, (1) Corus Bankshares did not serve as a source of strength for Corus during 2009; (2) Corus's loan participations with its holding company, while allowed, did not diversify lending risk; and (3) Corus may have inappropriately amended two loan participations with its holding company. We referred certain matters related to Corus's transactions with its holding company to our Office of Investigations.

We reaffirmed a recommendation from previous MLRs that OCC work with its regulatory partners to determine whether a limit on risky concentrations should be established. We also recommended that OCC work with its regulatory partners to determine whether regulatory guidance should be changed, or legislation should be proposed to amend 12 USC, Section 84, *Lending Limits*, to prohibit or limit the sale of loan participations by a bank to its holding company for the purpose of complying with the legal lending limit. In a written response, OCC agreed to contact its regulatory partners to determine if there is an appetite to make a change. OCC also commented that it is common practice for banks to sell loan participations to their holding companies and affiliates. We considered OCC's planned actions to be responsive to our recommendation. **(OIG-12-037)**

Nonmaterial Loss Reviews

During this semiannual reporting period, five OCC-regulated financial institutions failed with losses below the threshold triggering an MLR. We determined that there were no unusual circumstances surrounding the failures or the supervision exercised by OCC that would warrant a more in-depth review of the failures by our office. Additional information on the five failures is provided in the “Bank Failures and Nonmaterial Loss Reviews” section of this report.

During the period, we issued four final audit reports on our nonmaterial loss reviews. A list of these final audit reports is provided in the Statistical Summary section.

Other Banking-Related Work

Status of the Transfer of Office of Thrift Supervision Functions

As required by Dodd-Frank, we and the OIGs of FRB and FDIC completed two reviews on the transfer of the former OTS functions to FRB, FDIC, and OCC during 2011. The first review, completed in March 2011, reported that the Joint Implementation Plan (Plan) by FRB, FDIC, OCC, and OTS for the transfer was generally adequate. The second review, completed in September 2011, reported that FRB, FDIC, OCC, and OTS had substantially implemented the actions in the Plan that were necessary to transfer OTS functions, employees, funds, and property to FRB, FDIC, and OCC, as appropriate.

The objective of our review this semiannual reporting period was to determine and report on the status of the implementation of the Plan

since our September 2011 report. We concluded that FRB, FDIC, OCC, and OTS implemented the actions in the Plan that were necessary to transfer OTS functions, employees, and funds to FRB, FDIC, and OCC. We also concluded that all OTS property was transferred to FRB, FDIC, and OCC; and procedures and safeguards are in place as outlined in the Plan to ensure transferred employees are not unfairly disadvantaged.

As required by Dodd-Frank, we will continue to report jointly with the OIGs of FRB and FDIC on the status of the Plan every 6 months until all aspects of the Plan have been implemented. **(OIG-12-046)**

Other Performance Audits

FinCEN’s BSA IT Modernization Program Is on Schedule and Within Cost, But Requires Continued Attention to Ensure Successful Completion

In November 2006, FinCEN began a system development effort, the BSA IT Modernization Program, to improve the collection, analysis, and sharing of BSA data. It is intended that BSA data will transition from IRS to FinCEN as part of this effort. The program is a \$120 million effort and is to be completed in 2014. It follows a previously failed system development effort known as BSA Direct Retrieval and Sharing, terminated in July 2006 when FinCEN concluded it had no guarantee of success.

We concluded that FinCEN prepared a credible business case for developing the BSA IT Modernization Program. FinCEN considered four alternatives, developed cost estimates and estimated benefits for each, and actively engaged stakeholders for input. FinCEN also

restructured to strengthen management and oversight of the project. Furthermore, the Treasury Office of the Chief Information Officer has been actively overseeing the program.

As of May 2011, FinCEN reported to OMB that the program is on schedule and within an acceptable 10 percent cost threshold. We found that the program is generally within scheduled milestones, though the development of certain projects has been delayed by more than 10 percent of scheduled milestones. We also found that FinCEN incurred planning costs of \$11.2 million that were not recorded in the IT Dashboard, an OMB website enabling federal agencies, industry, the general public and other stakeholders to view details of federal IT investments. According to FinCEN officials, the Treasury Office of the Chief Information Officer and OMB were aware of the planning costs and agreed that the costs did not have to be recorded in the IT Dashboard.

Successful and timely completion of the program is, in part, dependent on completion of the system of record. The system of record is the authoritative data store for all BSA data in the program. FinCEN is developing a new system of record and in early 2011 experienced delays. In March 2011, FinCEN extended some development of the system and testing milestones because of reported complexities, such as the additional time the contractor needed to ensure all business rules were configured correctly. As of November 2011, FinCEN had conducted initial systems integration testing of the system and government acceptance testing was continuing. In December 2011, we requested the results from FinCEN for any completed testing but because testing was still underway, FinCEN was

unable to provide those results. We plan to review the testing results as part of our ongoing oversight of the program.

IRS is a major user of BSA data. Certain IRS users have concerns about the system of record change because of its impact on IRS's Web-based Currency Banking and Retrieval System (WebCBRS),¹¹ and other IRS systems that depend on BSA data. WebCBRS is not able to use BSA data in the new system format. FinCEN agreed to provide BSA data from its E-filing system in the same format IRS currently uses and map back the data from the new BSA forms in the E-filing system to the old (current) form format in WebCBRS. This modification was not in FinCEN's original development plan as it was initially assumed all IRS users would transition to the new system. In this regard, there had been some contemplation that WebCBRS would be retired, but that proved not possible.

We recommended that FinCEN (1) in conjunction with IRS, ensure in the short term that IRS's WebCBRS data needs are met and, in the long term, assist IRS to ensure data requirements are incorporated into IRS's modernization efforts; and (2) ensure that, for future major capital investments, required submissions to OMB include full life-cycle cost estimates in accordance with OMB's Circular A-11¹² and that thorough documentation supporting estimates is maintained.

¹¹ WebCBRS is IRS's data warehouse and information retrieval system.

¹² OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," establishes policy for planning, budgeting, acquisition, and management of federal capital assets, and instructs on budget justification and reporting requirements for major IT investments.

In its management response, FinCEN concurred with the recommendations. FinCEN stated that it has mitigated challenges experienced during development of the system of record. In the short term, FinCEN will provide BSA data to WebCBRS via the current E-Filing system and formats. In support of the longer-term goal, FinCEN has been asked to participate on the IRS's Integrated Project Team to define the IRS BSA data end-state solution. FinCEN's involvement on the team includes providing the technical specifications for bulk data distribution, answering questions related to new BSA data structures, and providing support as requested.

Regarding future major capital investments, FinCEN stated in its response that it currently has none planned. However, when such a time comes, FinCEN will ensure that required submissions to OMB comply with OMB's Circular A-11 and required documentation supporting cost estimates are maintained. **(OIG-12-047)**

In light of the IRS's data mapping concerns, and consistent with a directive in the Conference Report on the Treasury fiscal year 2012 appropriations act (Pub. L. No. 112-74, House Report 112-331),¹³ we plan in 2012 to review FinCEN's system modification for WebCBRS. Additionally, as the program progresses through completion in 2014, we plan to continue to monitor and report every 6 months on FinCEN's development and

¹³ The Conference Report directed our office to focus resources, when practical, on audits of the BSA IT Modernization Program and to submit a report to the Senate and House Committees on Appropriations regarding this project, including contractor oversight and progress regarding budget and schedule, on March 31, 2012, and semiannually thereafter.

deployment of the BSA IT Modernization Program.

Improved Planning and Production Oversight Over NexGen \$100 Note Is Critical

As part of an audit of BEP production of the NexGen \$100 note, we issued a second report that discussed our findings with regard to project management.¹⁴ This audit was jointly performed by OIG's Office of Audit and Office of Investigations to address significant problems encountered by BEP in the production of the NexGen \$100 note and in response to a request from the Department. Production problems with the NexGen \$100 note led to BEP suspending manufacturing of the notes and a decision by FRB to delay the initial issuance, which had been planned for February 2011. In conjunction with FRB, BEP has been conducting tests to resolve problems before resuming full production. We also coordinated our audit work with FRB OIG, who was conducting a separate review of FRB.

In the second report, we considered the delayed introduction of the NexGen \$100 note to be a production failure that potentially could have been avoided and resulted in increased costs. We found that BEP did not (1) perform necessary and required testing to resolve the technical problems before starting full production of the NexGen \$100 note, (2) implement comprehensive project management for the NexGen \$100 note program, and (3) adequately complete a comprehensive cost-benefit analysis for the

¹⁴ Our first report *Bill Manufacturing: Improved Security Over the NexGen \$100 Notes Is Necessary*, OIG-11-068 (May 13, 2011), included three findings related to security over the NexGen \$100 note and was discussed in our last Semiannual Report to the Congress.

disposition of the approximately 1.4 billion finished NexGen \$100 notes already printed but not accepted by FRB.

We recommended that before resuming full production, BEP should complete production validation tests to ensure technical problems are resolved. BEP should also implement a comprehensive and integrated project management function for the NexGen \$100 note program, as well as for future note designs. In addition, we recommended that BEP, in coordination with FRB, complete a comprehensive cost-benefit analysis before making decisions related to the disposition of the NexGen \$100 notes that have not been accepted by FRB.

In a written response, BEP management provided their corrective actions taken and planned to implement the recommendations. We believe these actions were responsive to the intent of our recommendations. **(OIG-12-038)**

The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2011

As required by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), we performed an audit to determine whether the Department was in compliance with IPERA for fiscal year 2011. We concluded that the Department was not in compliance with IPERA for fiscal year 2011, due to the IRS's Earned Income Tax Credit improper payments reporting deficiencies identified by TIGTA. Specifically, IRS had not established annual improper payment reduction targets for the tax credit. IRS also did not report an improper payment rate of less than 10 percent

for the credit. Additionally, while the IRS's estimate of the tax credit improper payment rate provided a reasonable estimate of overclaims, the calculation did not include an estimate of underpayments. We also reported on other opportunities for Treasury to improve its payment recapture audits reporting.

(OIG-12-044)

The Mint's Coin Exchange Program Lacked Proper Controls

Referred to as the coin exchange program, the Mint installed coin machines in its Washington, D.C., headquarters building where the public and Mint employees can exchange bills and coins at face value for new circulating coins. After the Mint found financial discrepancies in the coin exchange program related to the John Quincy Adams Presidential \$1 coin, it conducted an internal review that identified a number of serious deficiencies in the program's controls and processes. Because of these serious internal control deficiencies, the Mint was not able to determine whether an over \$9,000 discrepancy in the John Quincy Adams Presidential \$1 coin program was caused by loss or theft. To provide more accountability over the coin exchange program, the internal review recommended, among other things, enhancing controls and security of the headquarters vault and coin machines and making timely deposits and reconciliations. The fact that the Mint operated the coin exchange program for several years with an absence of proper controls and no accountability was a very serious concern and we therefore undertook an audit to determine whether the Mint took appropriate actions in response to its internal review.

We found that the Mint had either not implemented certain recommendations

identified in the internal review or needed to otherwise enhance its standard operating procedures to (1) improve vault security, (2) ensure that unused coins are deposited in a timely manner, and (3) ensure coin exchange program reconciliations are performed on a regular and timely basis. We made three recommendations to address these matters and observed that given the prior history and losses associated with the coin exchange program, heightened management attention was warranted to fully address the recommendations in our report and the internal Mint report. The Mint concurred with our findings and its corrective actions were responsive to our recommendations.

(OIG-12-018)

Office of SBLF Program Oversight – Significant Audits and Other Products

Review of Cost Estimate for the Small Business Lending Fund Program

In October 2011, Treasury re-estimated the cost of the SBLF program for its financial statements. Instead of costing taxpayers \$1.26 billion as originally estimated, Treasury projected that the SBLF program will generate a savings of \$0.08 billion. The savings is primarily due to lower-than-expected participation volume. Other factors contributing to the difference in estimates included lower-than-projected participant default rates and market interest rates, and actual interest rates at the time of investments.

We determined that the metrics used by Treasury may not have been sufficient to project participant default rates affecting repayment ability, particularly for de novo¹⁵ banks. Further, while Treasury evaluated the ability of institutions to generate cash in the future based on their capital levels, asset quality, earnings, operating expenses, and liquidity, it did not consider supervisory concerns about bank controls and risk management practices. Treasury also did not consider historical retained earnings as an indicator of earnings performance.

We recommended that Treasury consider supervisory concerns about bank management and historical retained earnings in evaluating whether a participant's future cash flow will be

¹⁵ A newly chartered bank that has been in operation for less than 7 years.

sufficient to meet its obligations under the SBLF program for future cost re-estimates.

Treasury agreed to work with the OIG to enhance the accuracy of its cost model, but believed the recommended actions would not provide incremental predictive value in projecting expected defaults. Since the report was issued, Treasury has met with the OIG and resolved its differences over recommended improvements to the SBLF cost model.

(OIG-SBLF-12-001)

Soundness of Early SBLF Investment Decisions

Our review of 23 approved institutions disclosed that 52 percent had significant supervisory issues that could restrict their ability to meet their financial obligations to the SBLF program. Although the banks reviewed had CAMELS¹⁶ composite ratings of “2”, federal bank examiners and, in some cases, supervisory consultations noted multiple supervisory concerns about bank earnings, asset quality, and management. However, federal banking agencies did not always report concerns identified in bank examinations, leaving Treasury without sufficiently robust information about the financial condition of institutions seeking funding. This occurred because Treasury did not specify the types of supervisory information requiring disclosure in federal banking agency consultations as we had previously recommended.

¹⁶ CAMELS is an acronym for performance rating components for financial institutions: Capital adequacy, Asset quality, Management administration, Earnings, Liquidity, and Sensitivity to market risk. Numerical values range from 1 to 5, with 1 being the best rating and 5 being the worst. Each institution is also assigned a composite rating based on an assessment of its overall condition and level of supervisory concern.

In other cases where Treasury was fully aware of supervisory concerns prior to investment decisions, it approved institutions without a clear and documented rationale supporting its decisions. We noted instances where approved institutions had repayment probabilities below program thresholds, were restricted from paying dividends, or would have to use SBLF funds or borrow money to finance SBLF dividends or bank operations. Further, Treasury deviated from its credit analysis process, overriding repayment analysis results. In every case, the deviation appeared to be done to increase a bank's chances of approval. Finally, Treasury used a flawed and untested credit analysis methodology to predict applicant repayment ability.

The weaknesses identified raise questions about whether Treasury negotiated an effective supervisory consultative process, considered sufficient supervisory information, and consistently implemented its investment decision process. Also, without evidence of how supervisory concerns raised in the consultative process were addressed in Treasury's final decision, it is unclear whether some of the institutions approved in June 2011 will be able to consistently meet their dividend obligations and repay principal as the Small Business Jobs Act of 2010 intended.

Because the investment period for the SBLF program has passed, we did not recommend improvements to the investment decision process. However, we recommended that Treasury create an internal watch list and engage in enhanced monitoring of the 12 banks identified with supervisory issues. Management agreed to take the recommended action as part of its broader asset management process, which

we considered to be responsive to the recommendation. **(OIG-SBLF-12-002)**

Other Related Activity

During the semiannual period, we worked closely with the Department to develop and adopt a definition of "intentional and reckless" misuse of funds awarded under the SSBCI. Developing the definition was critical as the legislation authorizing the SSBCI program requires recoupment of such funds, but does not define what constitutes intentional and reckless misuse. The definition was distributed to SSBCI participants along with the remedies that would be proposed if an OIG audit were to identify such misuse.

Office of Investigations – Significant Investigations

Computer Programmer Arrested for Stealing Proprietary Code

In January 2012, an OIG joint investigation with the Federal Bureau of Investigation resulted in the arrest of a computer programmer who was charged with one count of violating 18 U.S.C. § 641, Theft of Government Property, for stealing proprietary code from the Federal Reserve Bank of New York. The individual was a contract employee assigned to work on further developing a specific portion of the Government-wide Accounting and Reporting software system owned by Treasury.

If convicted, the individual faces a maximum term of 10 years in prison, a maximum term of 3 years of supervised release, and a fine of the greater of \$250,000 thousand, or twice the gross monetary gain derived from the offense or twice the gross monetary loss to the victims.

Eighteen Arrested in Queens, New York in a \$1.9 Million Auto Loan Scheme

A multi-year joint investigation with the New York Police Department, Organized Crime Control Bureau, Auto Crime Division, resulted in the indictment and arrest of 18 individuals, including an OIG employee, for participating in a scheme wherein multiple financial institutions suffered financial losses of nearly \$2 million. Specifically, the alleged scheme involved the purchase of high-end vehicles and the use of “straw borrowers” with good credit scores to take out \$1.9 million in loans in exchange for kickbacks and other incentives. Once the vehicles were turned over to members of the criminal enterprise, the vehicles were then either

sold or rented out on the black market to individuals engaged in criminal activity, or the vehicles’ titles were “washed”¹⁷ out of state and the vehicles were sold to dealers or at auctions. The OIG employee was alleged to have taken out bank loans using fraudulent documents. In other instances, the employee allegedly laundered illegally obtained loan proceeds through the corporate bank accounts of the spouse’s auto sales and leasing company. The spouse of the employee was named as one of the main co-conspirators in the criminal enterprise.

Twelve Indicted and Arrested for Money Laundering and Tobacco Smuggling Scheme

On January 18, 2006, our office received a letter from the U.S. Attorney’s Office for the District of South Carolina, requesting assistance with an investigation into apparent money laundering by subjects operating unlicensed and unregistered MSBs out of Subway restaurant franchises, a trucking company, and convenience stores in the Charleston, South Carolina, Metropolitan area. In June 2011, the investigation was merged with an ongoing Bureau of Alcohol, Tobacco, Firearms, and Explosives investigation involving illegal tobacco sales. The joint investigation targeted 12 individuals suspected of being involved with the scheme.

Subsequent law enforcement operations resulted in the purchase of 6,888 cases of untaxed cigarettes, worth approximately \$7.5 million, and the discovery of significant amounts of illegal monies.

¹⁷ Washing titles refers to the re-writing, cleaning, erasing, or deleting of the title so that research into the vehicle’s title doesn’t show an owner, which allows the vehicle to be sold in the legitimate market.

In November 2011, a federal Grand Jury issued indictments for the 12 individuals in connection with laws governing stolen property, conspiracy, transportation of counterfeit goods, and money laundering. The indictment resulted in the arrests of the 12 individuals in November 2011 in North Carolina, South Carolina, and New York.

U.S. Senior Advisor Repays Improper Allowance

Our office completed an investigation regarding an individual under contract with the Office of Technical Assistance to serve as the U.S. Senior Advisor to the Minister of Finance for Tanzania and who received an educational allowance to which he was not entitled. Specifically, the individual obtained approximately \$44,000 in educational allowances for a child to attend school in the U.S. without providing supporting documentation, and without meeting the educational allowance criteria. The individual admitted that he applied for and received the education allowance to which the employee was not entitled. The U.S. Attorney's Office declined the case for criminal and civil prosecution. The Office of Technical Assistance has entered into settlement with the individual to recoup the education allowance funds.

Individual Arrested for Second Degree Murder after the Office of Investigations Provided Investigative Assistance

In December 2011, the U.S. Secret Service, Tampa, Florida Field Office, requested investigative assistance from our office to obtain financial transaction information for a Social Security benefits recipient who was reported missing to the Hernando County Sheriff's Office.

We subsequently provided Treasury information and other investigative resources regarding benefit payments made to the missing benefits recipient. The assistance provided later led to the arrest of the benefit recipient's son on second degree murder charges after the son confessed to murdering his father.

Mint Police Officer Terminated

We completed an investigation concerning allegations received from the Department of Homeland Security OIG. A U.S. Mint Police Officer, at her previous job as a contract detention guard at an Immigration and Customs Enforcement detention facility, had possibly engaged in narcotics trafficking at the facility and had a number of potential suitability issues.

The Mint employee admitted that she transported a small amount of marijuana from inside the detention facility and delivered the marijuana to her then significant other. The Mint employee also admitted to suitability issues which involved the use of prescription drugs without a prescription, providing prescription drugs to another individual, and participating in an assault. As a result of the investigation, the Mint employee was terminated.

BPD Employee Suspended for Credit Card Misuse

We completed an investigation concerning allegations that a BPD Accounting Technician misused her assigned government credit card. Specifically, the BPD employee admitted to misusing her card to obtain cash advances and purchases, while not in a travel status. BPD suspended the employee for 14 days without

pay after the U.S. Attorney’s Office declined prosecution.

Following are updates to significant investigative activities reported in prior semiannual reports.

Improper Payments/Check Forgery Insurance Fund Initiative

In August 2011, our office embarked upon an initiative aimed at improper payments made by the Treasury Department which impact the Check Forgery Insurance Fund. Since inception of this initiative, 19 individuals have been convicted. During this semiannual reporting period, another 5 individuals were charged and arrested.

Recently, our office expanded its investigative efforts to include fraudulent payments made to payees through FMS using the Automated Clearing House, Electronic Fund Transfer payment system, and the Direct Express Program. We are currently working with the Social Security Administration OIG on a task force aimed at such improper payments.

Mint Police Officer Arrested for Workers’ Compensation Fraud

As discussed in our September 2011 semiannual report, a joint investigation with the Department of Labor OIG resulted in the arrest of a Mint Police Officer for making material false statements to obtain over \$173,000 in workers’ compensation payments. In November 2011, the Mint employee pled guilty to one count of 18 U.S.C. Section 1001, False Statements. In February 2012, he was sentenced to 8 months of home incarceration, 3 years

probation, restitution of \$169,000, a fine of \$1,000, and a special assessment of \$100.

Search Reveals \$2.3 Million in Potential Fraud

As discussed in our September 2011 semiannual report, an investigation in Atlanta, Georgia, led to the execution of a federal search and arrest warrant during which more than 6,000 victims of identity theft were identified along with an estimated \$2.3 million in fraud against the government.

On January 5, 2012, as the result of our investigation, an individual was sentenced to 65 months in a federal correctional institution, 3 years of supervised probation, and was ordered to pay approximately \$844,000 in restitution, after pleading guilty to charges of Conspiracy to Commit False Claims, Stealing Public Money, and Aggravated Identity Theft.

Fraudulent Tax Refund Scheme Utilizing Treasury Direct Accounts

As discussed in our March 2011 semiannual report, our office investigated a multi-million dollar fraud involving the use of false identities to obtain unwarranted tax refunds through the Treasury Direct Program. Since our last semiannual report, the subject was convicted by a jury trial on one count of conspiracy to commit mail fraud and wire fraud. The individual is facing a sentence of up to 20 years in prison, \$1.5 million in restitution, and \$250,000 in fines. Sentencing is scheduled for April 2012.

Management Implication Reports

Mint Security Policy and Procedural Issues

During this reporting period, we issued a Management Implication Report to the Mint regarding policy and procedure issues found by our office during a recent investigation involving alleged Mint Police Officer misconduct at Mint Headquarters. Specifically, our office found that the Mint has contradictory policy and procedures regarding the procedures to determine the metal source of a magnetometer alert. Mint management is currently reviewing the recommendations.

Treasury Executive Office for Asset Forfeiture Addressing Security Concerns

As discussed in our September 2011 semiannual report, our office issued a Management Implication Report to the Treasury Executive Office for Asset Forfeiture regarding security concerns found during a recent investigation involving a theft at one of its warehouses.

During this reporting period, Treasury Executive Office for Asset Forfeiture management responded that they immediately increased video recording capacity, increased cage awareness, and restricted vault access. The office also set aside additional funding to enhance security once the U.S. Customs and Border Protection completes a security assessment of the warehouses, and for the installation of Homeland Security Presidential Directive 12 badge access control system and reading devices.

Other OIG Accomplishments and Activity

Inspector General Testimony on Programs and Operations Under Treasury OIG



Inspector General Thorson testified before the U.S. House of Representatives Committee on Appropriations Subcommittee on Financial Services and General Government on March 7, 2012. He

provided Subcommittee an overview of Treasury's more significant programs and operations under Treasury OIG's jurisdiction as well as his perspective on the most serious management and performance challenges facing the Department. Inspector Thorson informed the Subcommittee that Treasury's fiscal year 2013 budget request, absent the IRS and those funds allocated for the three Inspectors General, is approximately \$35 million less than last year, but continues to support an expansive and critical level of responsibilities to be carried out by approximately 4,800 full-time equivalent employees. He described Treasury's responsibilities including, among other things, leading the Nation's fight against terrorist financing and money laundering; administering foreign sanction programs; managing the trillions of dollars in federal collections and payments; maintaining government-wide financial accounting records; managing and accounting for the public debt; collecting annual tax revenues of \$24 billion on alcohol, tobacco, and other products; providing domestic

assistance through the Community Development Financial Institutions Fund; as well as promoting national security and other U.S. interests through multilateral financial institutions. Mr. Thorson made the observation that these were an extremely diverse group of responsibilities performed by relatively few people. (*Pictured is the Honorable Eric M. Thorson, Inspector General, Department of the Treasury*)

OIG Audit Leadership Roles

Treasury OIG's audit professionals actively support and serve on various important public and private professional organizations supporting the federal audit community. Examples of participation in these organizations follow:

Marla Freedman, Assistant Inspector General for Audit, serves as co-chair of the Federal Audit Executive Council's (FAEC) Professional Development Committee which is actively involved in auditor training and development matters.

Bob Taylor, Deputy Assistant Inspector General for Performance Audits, and **Kieu Rubb**, Audit Director, are leading an FAEC project to update the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Audit Committee's external peer review guide. The update will incorporate changes in the 2011 Revision to the *Government Auditing Standards*. Mr. Taylor and Ms. Rubb also served as facilitators for a February 2012 training course on the external peer review guide held at the National Science Foundation.

Joel Grover, Deputy Assistant Inspector General for Financial Management and Information Technology Audits, serves as co-chair of the FAEC's Financial Statements

Committee which develops and coordinates the council's positions on a variety of accounting and auditing issues related to federal financial reporting. Additionally, Mr. Grover serves as a co-chair of the Maryland Association of Certified Public Accountants Members in Government Committee.

Jeff Dye, Audit Director, regularly taught modules of the Introductory Auditor Course sponsored by the CIGIE Training Institute's Audit, Inspection, and Evaluation Academy.

Statistical Summary

Summary of OIG Activity

For the 6 months ended March 31, 2012

| OIG Activity | Number or Dollar Value |
|---|------------------------|
| Office of Counsel Activity | |
| Regulation and legislation reviews | 1 |
| Instances where information was refused | 1 |
| Office of Audit Activities | |
| Reports issued and other products | 47 |
| Disputed audit recommendations | 0 |
| Significant revised management decisions | 0 |
| Management decision in which the Inspector General disagrees | 0 |
| Monetary benefits (Office of Audit) | |
| Questioned costs | 0 |
| Funds put to better use | 0 |
| Revenue enhancements | 0 |
| Total monetary benefits | 0 |
| Office of Small Business Lending Fund Program Oversight | |
| Reports issued and other products | 2 |
| Disputed audit recommendations | 0 |
| Significant revised management decisions | 1 |
| Management decision in which the Inspector General disagrees | 0 |
| Office of Investigations Activities | |
| Criminal and judicial actions (including joint investigations) | |
| Cases referred for prosecution and/or litigation | 45 |
| Cases accepted for prosecution and/or litigation | 24 |
| Arrests | 18 |
| Indictments/informations | 12 |
| Convictions (by trial and plea) | 21 |

Significant Unimplemented Recommendations

For reports issued prior to April 1, 2011

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

| Number | Date | Report Title and Recommendation Summary |
|------------|-------|--|
| OIG-06-030 | 05/06 | <p data-bbox="532 268 1482 348"><i>Terrorist Financing/Money Laundering: FinCEN Has Taken Steps to Better Analyze Bank Secrecy Act Data but Challenges Remain</i></p> <p data-bbox="532 352 1482 558">FinCEN should enhance the current FinCEN database system or acquire a new system. An improved system should provide for complete and accurate information on the case type, status, resources, and time expended in performing the analysis. This system should also have the proper security controls to maintain integrity of the data. (1 recommendation)</p> |
| OIG-09-027 | 1/09 | <p data-bbox="532 632 1482 711"><i>Management Letter for Fiscal Year 2008 Audit of the Office of the Comptroller of the Currency's Financial Statements</i></p> <p data-bbox="532 716 1482 921">OCC should continue to dedicate resources to fully implement the necessary System Management Server process automatically and promptly detect and remove unauthorized personal and public domain software from OCC systems (workstations) and implement controls to restrict users from downloading and installing unapproved software. (1 recommendation)</p> |
| OIG-10-001 | 10/09 | <p data-bbox="532 995 1482 1035"><i>Safety and Soundness: Material Loss Review of TeamBank, National Association</i></p> <p data-bbox="532 1039 1482 1161">OCC should emphasize to examiners the need to ensure that banks conduct transactional and portfolio stress testing when appropriate. (1 recommendation)</p> |
| OIG-10-025 | 12/09 | <p data-bbox="532 1255 1482 1335"><i>Management Letter for Fiscal Year 2009 Audit of the Office of the Comptroller of the Currency's Financial Statements</i></p> <p data-bbox="532 1339 1482 1455">OCC should continue with its plan to implement a software solution to restrict users from installing and executing unauthorized software on OCC workstations. (1 recommendation)</p> |
| OIG-10-035 | 2/10 | <p data-bbox="532 1535 1482 1614"><i>Management Letter for Fiscal Year 2009 Audit of the Department of the Treasury Financial Statements</i></p> <p data-bbox="532 1619 1482 1780">The Chief Information Officer, with input from the Office of the Deputy Chief Financial Officer (CFO), should implement the use of Secure Sockets Layer for the Treasury Department's Information Executive Repository and CFO Vision applications. (1 recommendation)</p> |

| | | |
|---|-------|---|
| OIG-11-036 | 11/10 | <i>Information Technology: Treasury is Generally in Compliance with Executive Order 13103</i> |
| <p>The Chief Information Officer should (1) Revise Treasury Directive (TD) 85-02 to define authorized software more specifically, require heads of bureaus and offices to ensure that software in their inventory is on the Treasury list of authorized software and remove it if it is not, require the Chief Information Officer to perform periodic audit checks to determine if the bureaus and offices are only using software on the Treasury list of authorized software, and require the bureaus and offices to reconcile their inventory with software license agreements rather than with software purchases; (2) develop procedures to create and manage a list of approved enterprise authorized software; (3) maintain an accurate inventory of installed software; (3) ensure that bureaus remove unauthorized software from Treasury systems; (5) establish and implement department-wide procedures for auditing and tracking software licenses; and (6) complete deployment of the software management tool. (6 recommendations)</p> | | |
| OIG-11-046 | 12/10 | <i>Management Letter for Fiscal Year 2010 Audit of the Office of the Comptroller of the Currency's Financial Statements</i> |
| <p>OCC should continue with its plan to implement a software solution to restrict users from installing and executing unauthorized software on OCC workstations. (1 recommendation)</p> | | |
| OIG-11-057 | 1/11 | <i>The Failed and Costly BSA Direct R&S System Development Effort Provides Important Lessons for FinCEN's BSA Modernization Project</i> |
| <p>FinCEN should ensure that adequate contract and financial records are maintained for the current BSA modernization projects to allow for audit as well as accurate reporting to FinCEN management, Treasury's Office of the Chief Information Officer, and the Congress. (1 recommendation)</p> | | |

Summary of Instances Where Information Was Refused

October 1, 2011, through March 31, 2012

There is one matter where we believe that we are being denied the assistance and cooperation of a federal banking regulator in connection with our audit responsibilities. Specifically, the FRB has denied us access to information needed for the audit of Treasury's SBLF investment and withdrawal decisions. As part of its mandated oversight responsibilities for the SBLF program, the OIG requested bank

examinations from FRB to help it determine whether the regulator had fully disclosed all relevant supervisory information for FRB-regulated institutions seeking SBLF funding. The requested information was to be used for an ongoing audit of late-entry institutions into the SBLF program. FRB had provided examination reports requested for our prior audit, *Small Business Lending Fund: Soundness of Investment Decisions Regarding Early-Entry Institutions into the SBLF Program*, OIG-SBLF-12-002 (Feb. 17, 2012), in which we found that federal banking regulators, including the FRB, had failed to fully disclose confidential supervisory information set forth in examination reports about SBLF applicants during Treasury's evaluation process. However, in response to our current audit request, and citing 12 C.F.R. § 261.21(d), FRB stated that we had not demonstrated the requisite need for FRB to disclose confidential supervisory information. FRB's argument in denying the information was that since it had not provided the reports of examination to Treasury, it did not need to provide them to OIG. We have since made another request for the information, asking that the examination reports be made available under FRB's discretionary disclosure authority outlined in 12 C.F.R. § 261.20(e), as FRB had directed should be done for all SBLF program requests. FRB has not responded to our second request. Our inability to obtain the examination reports has created a major scope limitation for the audit, preventing us from determining whether FRB had fully disclosed all supervisory information to Treasury for FRB-banks applying for SBLF funding.

Listing of Audit Products Issued

October 1, 2011, through March 31, 2012

Office of Audit

Financial Audits and Attestation Engagement

Audit of the Office of Thrift Supervision's Financial Statement for the Periods October 1, 2010 through July 20, 2011 and October 1, 2009 through September 30, 2010, OIG-12-001, 10/17/2011

Audit of the United States Mint's Schedule of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2011 and 2010, OIG-12-002, 10/21/2011

Financial Management: Report on the Bureau of the Public Debt Trust Fund Management Branch Schedules for Selected Trust Funds as of and for the Year Ended September 30, 2011, OIG-12-003, 11/5/2011

Audit of the Federal Financing Bank's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-009, 11/15/11

Management Letter for the Audit of the Federal Financing Bank's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-010, 11/15/11

Audit of the Community Development Financial Institutions Fund's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-011, 11/15/11

Audit of the Financial Management Service's Fiscal Years 2011 and 2010 Schedules of Non-Entity Government-Wide Cash, OIG-12-012, 11/15/11

Audit of the Financial Management Service's Fiscal Years 2011 and 2010 Schedules of Non-Entity Assets, Non-Entity Costs and Custodial Revenue, OIG-12-014, 11/15/11

Audit of the Department of the Treasury's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-015, 11/15/11

Audit of the Department of the Treasury's Special-Purpose Financial Statements for Fiscal Years 2011 and 2010, OIG-12-016, 11/15/11

Audit of the United States Mint's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-019, 12/5/11

Management Letter for the Audit of the United States Mint's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-020, 12/5/11

Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-021, 12/6/11

Management Letter for the Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-022, 12/6/11

Audit of the Exchange Stabilizations Fund's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-023, 12/7/11

Audit of the Financial Crimes Enforcement Network's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-024, 12/8/11

Management Report for the Audit of the Financial Management Service's Fiscal Years 2011 and 2010 Schedules of Non-Entity Government-wide Cash, OIG-12-025, 12/9/11

Management Report for the Audit of the Financial Management Service's Fiscal Years 2011 and 2010 Schedules of Non-Entity Assets, Non-Entity Costs and Custodial Revenue, OIG-12-026, 12/13/11

Audit of the Office of the Comptroller of the Currency's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-027, 12/16/11

Management Letter for the Audit of the Office of the Comptroller of the Currency's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-028, 12/16/11

Audit of the Office D.C. Pensions' Fiscal Years 2011 and 2010 Financial Statements, OIG-12-029, 12/16/11

Audit of the Bureau of Engraving and Printing's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-030, 12/16/11

Management Letter for the Audit of the Office D.C. Pensions' Fiscal Years 2011 and 2010 Financial Statements, OIG-12-031, 12/16/11

Management Letter for the Audit of the Bureau of Engraving and Printing's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-032, 12/19/11

Audit of the Alcohol and Tobacco Tax & Trade Bureau's Fiscal Years 2011 and 2010 Financial Statements, OIG-12-034, 12/21/11

Information Technology Audits and Evaluations

Information Technology: Fiscal Year 2011 Audit of Treasury's Federal Information Security Management Act Implementation for its Collateral National Security Systems, OIG-12-006, 11/9/11

Information Technology: The Department of the Treasury Federal Information Security Management Act Fiscal Year 2011 Audit, OIG-12-008, 11/10/11

Performance Audits – Material Loss and In-depth Reviews of Failed Banks

Safety and Soundness: Material Loss Review of Superior Bank, OIG-12-017, 11/16/11 (closed April 15, 2011; estimated loss to the DIF - \$290 million)

Safety and Soundness: Material Loss Review of Amcore Bank, N.A., OIG-12-035, 12/28/11 (closed April 23, 2010; estimated loss to the DIF - \$154.5 million)

Safety and Soundness: In-Depth Review of Unity National Bank, OIG-12-036, 1/10/12 (closed March 26, 2010; estimated loss to the DIF - \$71 million)

Safety and Soundness: Material Loss Review of Corus Bank, N.A., OIG-12-037, 1/24/12 (closed February 11, 2009; estimated loss to the DIF - \$797.9 million)

Safety and Soundness: Material Loss Review of Riverside National Bank of Florida, OIG-12-039, 1/30/12 (closed April 16, 2010, estimated loss to the DIF - \$240.9 million)

Safety and Soundness: Material Loss Review of Republic Federal Bank, N.A., OIG-12-040, 2/7/12 (closed December 11, 2009; estimated loss to the DIF - \$120.6 million)

Safety and Soundness: Material Loss Review of First National Bank of Georgia, OIG-12-041, 2/14/12 (closed January 29, 2010; estimated loss to the DIF - \$240.2 million)

Safety and Soundness: Material Loss Review of Pacific Coast National Bank, San Clemente, California, OIG-12-042, 2/27/12 (closed November 13, 2009; estimated loss to the DIF - \$29.8 million)

Safety and Soundness: Reviews of Failed National Banks Owned by First Bank of Oak Park Corporation, OIG-12-043, 3/1/12 (closed October 30, 2009; estimated loss to the DIF \$2 billion)

Safety and Soundness: Material Loss Review of Lydian Private Bank, OIG-12-045, 3/21/12 (closed August 19, 2011; estimated loss to the DIF \$292.1 million)

Performance Audits – Reviews of Failed Banks Pursuant to Section 987 of the Dodd-Frank Act

Safety and Soundness: Failed Bank Review of the First National Bank of Florida, OIG-12-004, 11/9/11 (closed September 9, 2011; estimated loss to the DIF - \$48.4 million)

Safety and Soundness: Failed Bank Review of First Southern National Bank, OIG-12-005, 11/9/11 (closed August 19, 2011; estimated loss to the DIF - \$39.6 million)

Safety and Soundness: Failed Bank Review of BankMeridian, National Association, OIG-12-007, 11/9/11 (closed July 29, 2011; estimated loss to the DIF - \$65.4 million)

Safety and Soundness: Failed Bank Review of First National Bank of Olathe, Olathe, Kansas, OIG-12-033, 12/20/2011 (closed August 12, 2011; estimated loss to the DIF - \$118.6 million)

Other Performance Audits

Coin Manufacturing: Mint's Coin Exchange Program Lacked Proper Controls, OIG-12-018, 11/22/11

Bill Manufacturing: Improved Planning and Production Oversight Over NexGen \$100 Note Is Critical, OIG-12-038, 1/24/12

The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2011, OIG-12-044, 3/15/12

Status of the Transfer of Office of Thrift Supervision Functions, OIG-12-046, 3/21/12

Terrorist Financing/Money Laundering: FinCEN's BSA IT Modernization Program Is on Schedule and Within Cost, But Requires Continued Attention to Ensure Successful Completion, OIG-12-047, 3/26/12

Evaluations and Other Products

Statement of the Honorable Eric M. Thorson, Inspector General, Department of the Treasury, Before the House Committee on Appropriations, Subcommittee on Financial Services and General Government (Budget Hearing: Treasury OIG and TIGTA), OIG-CA-12-004, 3/7/2012

Office of SBLF Program Oversight

Small Business Lending Fund: Treasury Should Consider Supervisory Concerns Regarding Participant Management and Historical Retained Earnings When Estimating the Cost of the SBLF Program, OIG-SBLF-12-001, 12/22/11

Small Business Lending Fund: Soundness of Investment Decisions Regarding Early-Entry Institution into the SBLF Program, OIG-SBLF-12-002, 2/17/12

Audit Reports Issued With Questioned Costs

October 1, 2011, through March 31, 2012

| Category | Total No. of Reports | Total Questioned Costs | Total Unsupported Costs |
|---|----------------------|------------------------|-------------------------|
| For which no management decision had been made by beginning of reporting period | 3 | \$2,088,340 | 0 |
| Which were issued during the reporting period | 0 | \$0 | 0 |
| Subtotals | 3 | \$2,088,340 | 0 |
| For which a management decision was made during the reporting period | 2 | \$7,888 | 0 |
| Dollar value of disallowed costs | 2 | \$7,888 | 0 |
| Dollar value of costs not disallowed | 0 | \$0 | 0 |
| For which no management decision was made by the end of the reporting period | 1 | \$2,080,452 | 0 |
| For which no management decision was made within 6 months of issuance | 0 | 0 | 0 |

Audit Reports Issued With Recommendations That Funds Be Put to Better Use

October 1, 2011, through March 31, 2012

At the beginning of the period, there were no audit reports from prior periods pending a management decision on recommendations that funds be put to better use. There were also no audit reports issued during this period with recommendations that funds be put to better use.

Previously Issued Audit Reports Pending Management Decisions (Over 6 Months)

We have one previously issued audit report pending a management decision: *Audit of EcoGrove Wind LLC Payment Under 1603 Program*, OIG-11-103, dated September 19, 2011, with \$2,080,452 in questioned costs. The Office of the Fiscal Assistant Secretary is exploring the issues to determine if the reimbursement is warranted.

Significant Revised Management Decisions

October 1, 2011, through March 31, 2012

The Office of Small Business Lending Fund Program Oversight issued a report, *State Small Business Credit Initiative: Treasury Needs to Strengthen State Accountability for Use of Funds* (OIG-SBLF-11-002), which recommended that Treasury require participating states to disclose oversight efforts taken to provide Treasury with the required program compliance assurances. At the time the report was issued, management disagreed that additional steps were needed, believing that state certifications accompanying quarterly reports provided sufficient assurance that states were providing the required oversight. However, management revised its decision and recently published national compliance standards to clarify its expectations for state oversight of program funds. We find these efforts to be responsive to our recommendation and believe they will enhance participating states' overall compliance with program requirements.

Significant Disagreed Management Decisions

October 1, 2011, through March 31, 2012

There were no management decisions this period with which the IG was in disagreement.

Peer Reviews

October 1, 2011, through March 31, 2012

Office of Audit

Audit organizations that perform audits and attestation engagements of federal government programs and operations are required by *Government Auditing Standards* to undergo an external peer review every 3 years. The objective of an external peer review is to determine whether, during the period under review, the audit organization's system of quality control was suitably designed and whether the audit

organization was complying with its quality control system in order to provide the audit organization with reasonable assurance that it was conforming to applicable professional standards.

No external peer reviews were conducted of the Treasury OIG Office of Audit during this semiannual period. The date of the last external peer review of the Treasury OIG was November 19, 2009, and was conducted by the Department of State OIG. Treasury OIG received a peer review rating of pass. There are no outstanding recommendations from this external peer review. A copy of the Department of State OIG's external peer review report is available on our website at www.treasury.gov/about/organizational-structure/ig/Documents/Treasury%20OIG%20Peer%20Review%20Final%202009.pdf.

No external peer reviews of another federal audit organization were conducted by our office during this semiannual reporting period. There are no outstanding recommendations from the previous peer review conducted by our office. That peer review was conducted on the National Aeronautics and Space Administration OIG's audit organization and was completed June 30, 2010.

Office of Investigations

CIGIE has directed that the investigative law enforcement operations of all OIG undergo peer reviews every 3 years in order to ensure compliance both with (1) the CIGIE *Quality Standards for Investigations* and with (2) the relevant guidelines established by the Office of the Attorney General for the U.S. In March 2011, the Small Business Administration's OIG conducted a peer review of our office and found our office to be in compliance with all relevant guidelines. There are no unaddressed recommendations outstanding from this review.

In January 2011, Treasury OIG conducted a peer review of the OIG for the Department of the Interior. Our review found the Department of the Interior's Office of Investigations to be in compliance with all relevant guidelines. There are no unaddressed recommendations outstanding from our January 2011 review.

Bank Failures and Nonmaterial Loss Reviews

We conducted reviews of 5 failed banks with losses to the DIF that did not meet the definition of a material loss in the Federal Deposit Insurance Act. These reviews were performed to fulfill the requirements found in Section 987 of Dodd-Frank. As redefined in Dodd-Frank, the term “material” loss which, in turn, triggers a material loss review to be performed is, for 2010 and 2011, a loss to the DIF that exceeds \$200 million; for 2012 and 2013, a loss to the DIF that exceeds \$150 million; and, for 2014 going forward, a loss to the DIF that exceeds \$50 million (with provisions to increase that trigger to a loss that exceeds \$75 million under certain circumstances).

For losses that are not material, Section 987 requires that each 6-month period, the OIG of the federal banking agency to (1) identify the estimated losses that have been incurred by the DIF during that 6-month period and (2) determine the grounds identified by the failed institution’s regulator for appointing the FDIC as receiver, and whether any unusual circumstances exist that might warrant an in-depth review of the loss. For each 6-month period, we are also required to prepare a report to the failed institution’s regulator and the Congress that identifies (1) any loss that warrants an in-depth review, together with the reasons why such a review is warranted and when the review will be completed; and (2) any losses where we determine no in-depth review is warranted, together with an explanation of how we came to that determination. The table below fulfills this reporting requirement to the Congress for the 6-month period ended March 31, 2012. We issue separate audit reports on each review.

| Bank Failures and Nonmaterial Loss Reviews | | | | |
|--|--|--|-------------------------------|---|
| Bank Name/Location | Date Closed/Loss to the Deposit Insurance Fund | OIG Summary of Regulator’s Grounds for Receivership | In-Depth Review Determination | Reason/Anticipated Completion Date of the In-Depth Review |
| Regulator – Office of the Comptroller of the Currency | | | | |
| Western National Bank Phoenix, Arizona | December 16, 2011 \$37.6 million | <ul style="list-style-type: none"> • Dissipation of assets and earnings due to unsafe and unsound practices • Capital impaired • Failed to submit acceptable capital restoration plan | No | No unusual circumstances noted. However, our review revealed certain questionable practices by Western National management that were referred by our auditors to the OIG Office of Investigations |
| American Eagle Savings Bank Boothwyn, Pennsylvania | January 20, 2012 \$3.2 million | <ul style="list-style-type: none"> • Dissipation of assets and earnings due to unsafe and unsound practices • Capital impaired • Failed to submit acceptable capital restoration plan | No | No unusual circumstances noted |
| Charter National Bank and Trust Hoffman Estates, Illinois | February 10, 2012 \$17.4 million | <ul style="list-style-type: none"> • Dissipation of assets and earnings due to unsafe and unsound practices • Capital impaired • Failed to submit acceptable capital restoration plan | No | No unusual circumstances noted |

Bank Failures and Nonmaterial Loss Reviews

| Bank Failures and Nonmaterial Loss Reviews | | | | |
|--|--|---|-------------------------------|---|
| Bank Name/Location | Date Closed/Loss to the Deposit Insurance Fund | OIG Summary of Regulator's Grounds for Receivership | In-Depth Review Determination | Reason/Anticipated Completion Date of the In-Depth Review |
| SBC Bank Shelbyville, Indiana | February 10, 2012 \$33.9 million | <ul style="list-style-type: none"> • Dissipation of assets and earnings due to unsafe and unsound practices • Capital impaired • Failed to submit acceptable capital restoration plan | No | No unusual circumstances noted |
| Home Savings of America Little Falls, Minnesota | February 24, 2012 \$38.8 million | <ul style="list-style-type: none"> • Assets are less than its obligations to its creditors • Dissipation of assets and earnings due to unsafe and unsound practices • Capital impaired • Failed to submit acceptable capital restoration plan | No | No unusual circumstances noted |

References to the Inspector General Act

| | Requirement | Page(s) |
|------------------|---|---------|
| Section 4(a)(2) | Review of legislation and regulations | 29 |
| Section 5(a)(1) | Significant problems, abuses, and deficiencies | 8-26 |
| Section 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | 8-26 |
| Section 5(a)(3) | Significant unimplemented recommendations described in previous semiannual reports | 29-31 |
| Section 5(a)(4) | Matters referred to prosecutive authorities | 29 |
| Section 5(a)(5) | Summary of instances where information was refused | 31-32 |
| Section 5(a)(6) | List of audit reports | 32-36 |
| Section 5(a)(7) | Summary of significant reports | 8-26 |
| Section 5(a)(8) | Audit reports with questioned costs | 36 |
| Section 5(a)(9) | Recommendations that funds be put to better use | 36 |
| Section 5(a)(10) | Summary of audit reports issued before the beginning of the reporting period for which no management decision had been made | 37 |
| Section 5(a)(11) | Significant revised management decisions made during the reporting period | 37 |
| Section 5(a)(12) | Management decisions with which the Inspector General is in disagreement | 37 |
| Section 5(a)(13) | Instances of unresolved Federal Financial Management Improvement Act noncompliance | 10 |
| Section 5(a)(14) | Results of peer reviews conducted of Treasury OIG by another OIG | 37-38 |
| Section 5(a)(15) | List of outstanding recommendations from peer reviews | 37-38 |
| Section 5(a)(16) | List of peer reviews conducted by Treasury OIG, including a list of outstanding recommendations from those peer reviews | 37-38 |
| Section 5(d) | Serious or flagrant problems, abuses, or deficiencies | N/A |
| Section 6(b)(2) | Report to Secretary when information or assistance is unreasonably refused | 31-32 |

Abbreviations

| | |
|--------------|---|
| BEP | Bureau of Engraving and Printing |
| BPD | Bureau of the Public Debt |
| BSA | Bank Secrecy Act |
| CDFI Fund | Community Development Financial Institutions Fund |
| CIGFO | Council of Inspectors General on Financial Oversight |
| CIGIE | Council of the Inspectors General on Integrity and Efficiency |
| DIF | Deposit Insurance Fund |
| Dodd-Frank | Dodd-Frank Wall Street Reform and Consumer Protection Act |
| EESA | Emergency Economic Stabilization Act |
| FAEC | Federal Audit Executive Council |
| FBOP | First Bank of Oak Park Corporation |
| FDIC | Federal Deposit Insurance Corporation |
| FinCEN | Financial Crimes Enforcement Network |
| FISMA | Federal Information Security Management Act |
| FMS | Financial Management Service |
| FRB | Board of Governors of the Federal Reserve System |
| FSOC | Financial Stability Oversight Council |
| GAO | Government Accountability Office |
| GSE | government sponsored enterprise |
| HERA | Housing and Economic Recovery Act |
| IPERA | Improper Payments Elimination and Recovery Act |
| IRS | Internal Revenue Service |
| IT | information technology |
| KPMG | KPMG LLP |
| MLR | material loss review |
| MSB | money services businesses |
| NIST | National Institutes of Standards |
| OCC | Office of the Comptroller of the Currency |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| OTS | Office of Thrift Supervision |
| PCA | Prompt Corrective Action |
| Plan | Joint Implementation Plan |
| Recovery Act | American Recovery and Reinvestment Act of 2009 |
| SBLF | Small Business Lending Fund |
| SSBCI | State Small Business Credit Initiative |
| TARP | Troubled Asset Relief Program |
| TIGTA | Treasury Inspector General for Tax Administration |
| WebCBRS | Web-based Currency Banking & Retrieval System |



View of Albert Gallatin statue from north side of the Treasury building in Washington, D.C.

Born to an aristocratic Swiss family, Albert Gallatin (1761 - 1849) emigrated from Switzerland to America in 1780. Elected to the House of Representatives in 1795 and served until 1801,

Gallatin fought constantly with the independent minded first Secretary of the Treasury Alexander Hamilton. He was responsible for the law of 1801 requiring an annual report by the Secretary of the Treasury, and he submitted the first one later that year as Secretary. He also helped create the powerful House Ways and Means Committee to assure Treasury's accountability to Congress by reviewing the Department's annual report concerning revenues, debts, loans, and expenditures. Appointed Secretary of the Treasury in 1801 by President Jefferson and continued under President James Madison until 1814, Gallatin was in office nearly 13 years, the longest term of any Secretary in the Department's history.

(Source: www.treasury.gov/about/history/Pages/agallatin.aspx)

contact us

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

**Office of Small Business Lending
Fund Program Oversight**
1425 New York Avenue, Suite 5041
Washington, D.C. 20220
Phone: (202) 622-1090;
Fax: (202) 927-5421

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

Office of Investigations
1425 New York Avenue, Suite 5041
Washington, D.C. 20220
Phone: (202) 927-5260;
Fax: (202) 927-5421

Office of Counsel
740 15th Street, N.W., Suite 510
Washington, D.C. 20220
Phone: (202) 927-0650;
Fax: (202) 927-5418

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

Boston Audit Office
408 Atlantic Avenue, Room 330
Boston, Massachusetts 02110-3350
Phone: (617) 223-8640;
Fax: (617) 223-8651



Treasury OIG Hotline
Call Toll Free: 1.800.359.3898

Treasury OIG Web Page

OIG reports and other information are now available via the Internet. The address is
<http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx>