



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

May 11, 2018

OFFICE OF
INSPECTOR GENERAL

OIG-CA-18-019

The Honorable Joyce Beatty
Committee on Financial Services
House of Representatives
Washington, DC 20515

Dear Ms. Beatty:

This responds to your letter dated February 14, 2018, which requested our review of the Department of the Treasury's (Treasury) compliance with Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). Section 342 of the Dodd-Frank Act mandated the establishment of the Office of Minority and Women Inclusion (OMWI) at the Departmental Offices (DO) of Treasury¹, along with other federal financial regulators.² Among other duties, each OMWI Director is required to advise the agency administrator on the impact of the agency's policies and regulations on minority-owned and women-owned businesses. Additionally, each OMWI is required to submit an annual report to Congress on the actions taken by the agency and OMWI pursuant to Section 342.

In preparing our response, we (1) reviewed the Dodd-Frank Act; (2) reviewed relevant documentation related to Treasury's compliance with Section 342; and (3) interviewed the Director of DO OMWI. As a courtesy, we provided Treasury officials with a draft of this letter to review the information for accuracy.

Responses to your questions, as well as additional relevant information are provided below.

¹ Treasury is organized into the Departmental Offices, operating bureaus, and inspectors general. The Departmental Offices primarily formulate policy and oversee the bureaus, which manage major operations. <https://www.treasury.gov/about/organizational-structure/Pages/default.aspx>

² Federal Deposit Insurance Corporation, Federal Housing Finance Agency, each of the Federal Reserve banks, Board of Governors of the Federal Reserve System, National Credit Union Administration, Office of the Comptroller of the Currency, Securities and Exchange Commission, and the Bureau of Consumer Financial Protection

1. Is the Department of Treasury in compliance with Section 342(b)(3)?

Section 342(b)(3) of the Dodd-Frank Act states “Each Director shall advise the agency administrator on the impact of the policies and regulations of the agency on minority-owned and women-owned businesses.” The Dodd-Frank Act defines “agency”, relevant to Treasury, as DO and defines “agency administrator” as the head of the agency. The Director of OMWI told us she met regularly with the Assistant Secretary for Management (ASM) in 2017 to discuss OMWI matters and that the ASM met regularly with the Secretary. With the exception of one item, a statement on diversity that she drafted and the Secretary signed and issued in 2017, she does not know the extent to which the ASM discussed other OMWI matters with the Secretary.

As evidenced by two action memorandums signed on January 21, 2011 (one by the ASM, the other by the Secretary), Treasury’s OMWI Director reports to the ASM because the ASM is the delegated administrative operations head of DO and the Dodd-Frank Act mandated the establishment of OMWI within DO.

The Director told us she met with Secretary Mnuchin on March 6, 2018, to discuss OMWI matters and that he has requested to meet on a monthly basis going forward. The Director also met with the Secretary on April 24, 2018.

2. Does the OMWI Director report directly to the Secretary of the Treasury?

Organizationally, the Director of OMWI does not report directly to the Secretary. The Dodd-Frank Act mandated that OMWI be established within Treasury DO, therefore, the Director reports directly to the head of administrative operations within DO, the ASM. The Director reports indirectly to the Secretary through a “dotted line” reporting relationship. The January 21, 2011 action memorandum approved by the Secretary states:

Since the ASM/CFO is responsible for major administrative operations in the Department Offices, and is expressly treated as the “head” of Departmental Offices under existing delegations of authority, creating a direct reporting relationship between ASM/CFO and the Director of OMWI is appropriate. An indirect, dotted line relationship between you [Secretary] and the OMWI Director grants the Director access to you for policy guidance and updates on progress or challenges related to the Office’s initiatives.

3. Does the 2016 Annual Report to Congress exist? If so, why are the Department's OMWI reports not readily available online, like every other regulator's OMWI reports?

The 2015, 2016, and 2017 OMWI annual reports do exist. All three reports were issued to Congress on March 28, 2018, and are available online.³ The OMWI Director told us that the 2015 and 2016 reports were delayed because (1) since 2016, she has been the sole staff member of DO OMWI and, unlike the preparation of the 2011 through 2014 annual reports, she did not have the benefit of a staff team to work with her on developing the later reports; (2) the annual reports require extensive data mining and analysis that is both time and labor intensive and have a lengthy clearance and approval process; and (3) at one point Treasury considered not issuing the separate 2015 and 2016 reports but, instead, reporting the trends across all three years in the 2017 report. Later, the decision was made to issue the separate 2015 and 2016 reports in conjunction with the issuance of the 2017 report.

When we asked the Director of OMWI about being the only remaining staff member of OMWI since 2016, she told us that a series of events resulted in the loss of staff over the years. Specifically, legislative requirements⁴ affected her small business program staff, which had comprised DO OMWI's business diversity component, and shifted their reporting directly to the head or deputy head of the agency (the Secretary/Deputy Secretary, in this case). In addition, funding for salaries was transferred from OMWI positions to fill the staffing needs of other offices. Finally, there was normal staff attrition. Back-filling OMWI position vacancies was constrained by the government-wide hiring freeze (from January 23, 2017 through April 12, 2017), followed by an extension of the hiring freeze within Treasury after the government-wide freeze was lifted. Further, headcount limits were imposed within Treasury DO upon the lifting of the Treasury hiring freeze in early March 2018. Based on the established headcount limits, DO OMWI was recently approved for a total of two staff (including the Director). In earlier years, DO OMWI operated with a staff of eleven.

The Director told us that DO OMWI will not likely be able to fulfill its responsibilities per Dodd-Frank in the same way or at the same level as the other OMWIs in the financial regulatory agencies, which are more sufficiently staffed. We believe it would be prudent for Treasury to review the responsibilities of DO OMWI and determine if the current and planned staffing levels are adequate to meet those responsibilities.

³ <https://www.treasury.gov/about/organizational-structure/offices/Pages/omwi.aspx>

⁴ Section 15(k) of the Small Business Act

Page 4

We would be pleased to brief you or members of your staff on this response or any other work under our jurisdiction. If you have any questions you may contact me at (202) 622-1090 or Deborah Harker, Assistant Inspector General for Audit, at (202) 927-5400.

Sincerely,

/s/

Eric M. Thorson
Inspector General
Department of the Treasury