Semiannual Report To The Congress

October 1, 2008 – March 31, 2009

OIG-CA-09-009

Office of Inspector General

DEPARTMENT OF THE TREASURY

HIGHLIGHTS

- The Office of Audit issued 40 products. These products included recommendations to put approximately $10.5 million in funds to better use and questioned costs of approximately $589,000.

- Work by the Office of Investigations resulted in 1 arrest, 1 case accepted for prosecution, and 6 convictions by plea agreement. Investigative activities also resulted in approximately $99,000 in court-ordered fines, restitution, and recoveries, as well as 9 personnel or administrative actions.

- We completed the material loss reviews of four financial institution failures: ANB Financial, N.A., IndyMac Bank, FSB, First National Bank of Nevada, and First Heritage Bank, N.A. These failures, together, resulted in a loss to the federal deposit insurance fund of almost $12 billion. Although the number of completed MLRs during the current crisis is small, we have seen several trends emerge. With respect to the causes of institutions' failures, we found overly aggressive growth strategies; heavy reliance on more costly wholesale funding, such as Federal Home Loan Bank loans and brokered deposits; inadequate risk management; and unsound underwriting of loans. In the area of supervision, we found that the Office of the Comptroller of the Currency (the regulator for ANB Financial, First National Bank of Nevada, and First Heritage Bank) and the Office of Thrift Supervision (the regulator for IndyMac Bank) conducted regular and timely examinations and identified operational problems, but were slow to take enforcement action to correct the problems. At the end of this semiannual reporting period, we have seven ongoing reviews. We expect additional national bank and thrift failures in the coming months.

- In conjunction with the aforementioned audit and a more recently initiated assignment, we issued memoranda to Secretary Paulson and Secretary Geithner about the involvement of OTS officials in capital contributions by two thrifts that were backdated to prior periods. In a December 2008 memorandum to Secretary Paulson, we reported that the OTS West Region Director approved IndyMac to backdate a capital contribution which, among other things, allowed the thrift to maintain its "well capitalized" status at March 31, 2008. OTS subsequently removed the regional director from that position and the individual later retired from federal service. In a March 2009 memorandum to Secretary Geithner, we reported that a senior OTS official directed that a thrift backdate a capital contribution. The official was placed on administrative leave pending a further review. We expect to complete our audit of OTS's involvement in backdated capital contributions by thrifts during the next semiannual reporting period.

- An independent public accountant, working under our supervision, issued an unqualified opinion on the Department's fiscal years 2008 and 2007 consolidated financial statements. The audit identified a material weakness related to financial systems and reporting at the Internal Revenue Service and two other significant deficiencies related to financial management practices at the departmental level and controls over foreign currency transactions. The auditor also reported that the Department's financial management systems are not in substantial compliance with the Federal Financial Management Improvement Act of 1996. In addition, the audit identified a reportable instance of noncompliance with laws and regulations related to section 6325 of the Internal Revenue Code and a potential violation of the Anti-deficiency Act.

MESSAGE FROM THE INSPECTOR GENERAL

Over the past 6 months, the United States has experienced a financial crisis of a magnitude not seen in decades. In response, the federal government has taken unprecedented measures to stabilize the financial markets, including (1) the financial rescues of Fannie Mae and Freddie Mac, Bear Sterns, and AIG; (2) enactment of the Emergency Economic Stabilization Act of 2008 (EESA); and (3) enactment of the American Recovery and Reinvestment Act of 2009 (the Recovery Act). EESA authorized establishment of the Troubled Asset Relief Program (TARP), which gave Treasury broad authority to spend up to $700 billion to purchase troubled assets and take other actions to help stabilize financial markets. The Recovery Act commits federal spending of almost $800 billion over the next 2 years to help maintain and create jobs. In March 2009, Secretary Geithner unveiled a new public-private partnership plan to purchase troubled assets in an effort to repair the balance sheets of financial institutions and ensure the availability of credit to households and businesses.

During this period, my office has been looking at how these initiatives are being carried out at the Department and whether effective controls and accountability are in place. For example, we provided limited oversight of TARP until the appointment of the Special Inspector General for TARP (SIGTARP). Specifically, we initiated a case study review of the process for TARP participation and gathered the data required for the SIGTARP's first mandated report. Upon the SIGTARP's appointment in December 2008, we worked with his office to transition that work, except for the case study review, which we are continuing.

In addition, I am one of the ten inspectors general who serve on the Recovery Accountability and Transparency Board. The Board, established under the Recovery Act, coordinates and conducts oversight of funds distributed under the act in order to prevent fraud, waste, and abuse. Toward this end, my staff is working in conjunction with the Treasury Inspector General for Tax Administration to advise the Department on setting up proper controls and safeguards for more than $4 billion dollars in new grant programs for low-income housing and energy properties.

Finally, over the past year we have been working to keep up with our growing workload of material loss reviews of failed financial institutions regulated by Treasury. During this semiannual reporting period, we completed three such reviews, including our review of the failure of IndyMac Bank. With an estimated loss to the federal deposit insurance fund of $10.7 billion, IndyMac represents the largest bank failure of the current economic crisis.

There has never been a more challenging or important time for us in the accountability community. I look forward to working with Secretary Geithner and his leadership team, as well as with my fellow inspectors general and the Government Accountability Office, to ensure the best possible outcome for American taxpayers.

Eric M. Thorson

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About the Treasury Office of Inspector General

The Department of the Treasury's Office of Inspector General (OIG) was established pursuant to the 1988 amendment to the Inspector General Act of 1978.[1] OIG is headed by an Inspector General appointed by the President of the United States with the advice and consent of the U.S. Senate. Serving with the Inspector General in the immediate office is a Deputy Inspector General. OIG performs independent, objective reviews of Treasury programs and operations, except for those of the Internal Revenue Service (IRS), 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 audit and investigative oversight related to IRS.

OIG has four divisions: (1) Office of Audit, (2) Office of Investigations, (3) Office of Counsel, and (4) Office of Management.

The **Office of 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; the other is primarily responsible for financial management and information technology audits. Office of Audit staff are located in Washington, DC, and Boston, Massachusetts.

The **Office of Investigations** performs investigations aimed at detecting and preventing fraud, waste, and abuse in Treasury programs and operations. The office also manages the Treasury OIG Hotline to facilitate reporting of allegations involving Treasury programs and activities. The Assistant Inspector General for Investigations is responsible for all investigations relating to the Department's programs and operations and integrity oversight reviews of select Treasury bureaus. The Office of Investigations is located in Washington, DC.

The **Office of Counsel** (1) processes all Freedom of Information Act/Privacy Act requests and administrative appeals on behalf of OIG; (2) processes all discovery requests for information held by OIG; (3) represents OIG in administrative Equal Employment Opportunity and Merit Systems Protection Board proceedings; (4) conducts ethics training and provides ethics advice to OIG employees and ensures OIG compliance with financial disclosure requirements; (5) reviews proposed legislation and regulations relating to the Department; (6) reviews and issues administrative subpoenas; (7) reviews and responds to all *Giglio* requests for information about Treasury personnel who may testify in trials; and (8) provides advice to all OIG components on procurement, personnel, and other management matters and on pending OIG audits and investigations.

The **Office of Management** provides services designed to maintain the OIG administrative infrastructure, including asset management; budget formulation and execution; financial management; information technology; and officewide policy

[1] 5 U.S.C. app. 3.

preparation, planning, emergency preparedness, and reporting. The Assistant Inspector General for Management is in charge of these functions.

As of March 31, 2009, OIG had 104 full-time staff. OIG's fiscal year 2009 appropriation is $26.125 million.

About Treasury

Treasury's mission is to serve the American people and strengthen national security by managing the U.S. government's finances effectively; promoting economic growth and stability; and ensuring the safety, soundness, and security of U.S. and international financial systems. Organized into bureaus and offices, Treasury encompasses a wide range of programs and operations. Currently, Treasury has approximately 110,000 full-time-equivalent staff. Of those, IRS employs about 94,000; the other Treasury bureaus and offices employ about 16,000.

Treasury Bureaus

The **Alcohol and Tobacco Tax and Trade Bureau (TTB)** is responsible for enforcing and administering laws covering the production, use, and distribution of alcohol and tobacco products. It collects alcohol, tobacco, firearms, and ammunition excise taxes totaling approximately $17 billion annually.

The **Bureau of Engraving and Printing (BEP)** designs and manufactures U.S. currency, securities, and other official certificates and awards.

The **Bureau of the Public Debt (BPD)** borrows the money needed to operate the federal government. It administers the public debt by issuing and servicing U.S. Treasury marketable, savings, and special securities.

The **Financial Crimes Enforcement Network (FinCEN)** supports law enforcement investigative efforts and fosters interagency and global cooperation against domestic and international financial crimes. It also provides U.S. policy makers with strategic analyses of domestic and worldwide trends and patterns.

The **Financial Management Service (FMS)** receives and disburses all public monies, maintains government accounts, and prepares daily and monthly reports on the status of U.S. government finances.

The **Internal Revenue Service (IRS)** is the nation's tax collection agency and administers the Internal Revenue Code.

The **U.S. Mint** designs and manufactures domestic, bullion, and foreign coins, as well as commemorative medals and other numismatic items. The Mint also distributes U.S. coins to the Federal Reserve Banks and maintains physical custody of and protects the nation's gold and silver assets.

The **Office of the Comptroller of the Currency (OCC)** charters, regulates, and supervises national banks to ensure a safe, sound, and competitive banking system that supports the citizens, communities, and economy of the United States.

The **Office of Thrift Supervision (OTS)** regulates all federal and many state-chartered thrift institutions, which include savings banks and savings and loan associations.

Treasury Offices

The **Departmental Offices (DO)** formulates policy and manages Treasury operations. Descriptions of certain component offices relevant to this semiannual reporting period appear below.

The **Office of Financial Stability** was established as a result of the Emergency Economic Stabilization Act of 2008. Under this legislation Congress authorized the Treasury Secretary to take such actions as necessary to build the operational and administrative infrastructure to support Troubled Asset Relief Program activities. Treasury has the authority to establish program vehicles, issue regulations, directly hire or appoint employees, enter into contracts, and designate financial institutions as financial agents of the federal government.

The **Office of Terrorism and Financial Intelligence (TFI)** uses Treasury's intelligence and enforcement functions to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, money launderers, drug kingpins, and other national security threats. This office is also responsible for integrating FinCEN, the Office of Foreign Assets Control (OFAC), and the Treasury Executive Office for Asset Forfeiture.

- OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

- The Treasury Executive Office for Asset Forfeiture administers the Treasury Forfeiture Fund, the receipt account for the deposit of nontax forfeitures made by IRS Criminal Investigation and the Department of Homeland Security.

The office is headed by an Under Secretary and includes two major components: the Office of Terrorist Financing and Financial Crimes and the Office of Intelligence and Analysis. An Assistant Secretary oversees each of these offices.

- The **Office of Terrorist Financing and Financial Crimes** works across all elements of the national security community—including the law enforcement, regulatory, policy, diplomatic and intelligence communities—and with the private sector and foreign governments to identify and address the threats presented by all forms of illicit finance to the international financial system.

- The **Office of Intelligence and Analysis** is responsible for the receipt, analysis, collation, and dissemination of foreign intelligence and foreign counterintelligence information related to the operation and responsibilities of Treasury.

The **Office of Management** is responsible for Treasury's internal management and policy in the areas of budget, planning, human resources, information and technology management, financial management and accounting, procurement, and administrative services to DO. It is headed by the Assistant Secretary for Management and Chief Financial Officer. The Office of DC Pensions, which is within the Office of Management, makes federal benefit payments associated with District of Columbia retirement programs for police officers, firefighters, teachers, and judges.

The **Office of International Affairs** advises on and assists in formulating and executing U.S. international economic and financial policy. Its responsibilities include developing policies and guidance in the areas of international financial, economic, monetary, trade, investment, bilateral aid, environment, debt, development, and energy programs, including U.S. participation in international financial institutions.

The **Office of Tax Policy** develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code, negotiates tax treaties, and provides economic and legal policy analysis for domestic and international tax policy decisions. It also provides estimates for the President's budget, fiscal policy decisions, and cash management decisions.

The **Exchange Stabilization Fund** is used to purchase or sell foreign currencies, hold U.S. foreign exchange and Special Drawing Rights assets, and provide financing to foreign governments.

The **Community Development Financial Institutions Fund** expands the availability of credit, investment capital, and financial services in distressed urban and rural communities.

The **Federal Financing Bank** provides federal and federally assisted borrowing, primarily to finance direct agency activities such as construction of federal buildings by the General Services Administration and meeting the financing requirements of the U.S. Postal Service.

(End of Overview of OIG and Treasury)

In accordance with the Reports Consolidation Act of 2000, the Inspector General annually provides the Secretary of the Treasury with his perspective on the most serious management and performance challenges facing the Department. The Secretary includes these challenges in the Department's annual performance and accountability report.

In a memorandum to Secretary Paulson dated October 30, 2008, Inspector General Thorson reported six challenges, which are summarized below.

Management of Treasury's New Authorities Related to Distressed Financial Markets (New Challenge)

Treasury, along with the Federal Reserve and the Federal Housing Finance Agency, has been dealing with multiple financial crises requiring unprecedented actions through the latter half of fiscal year 2008. In July 2008, Congress passed the Housing and Economic Recovery Act, which gave Treasury broad new authorities to address the distressed financial condition of Fannie Mae and Freddie Mac. The hope at the time was that Treasury would not need to exercise those authorities. Less than 6 weeks later, however, the Federal Housing Finance Agency put Fannie Mae and Freddie Mac into conservatorship and Treasury agreed to purchase senior preferred stock in the companies, established a new secured line of credit available to the companies, and initiated a temporary program to purchase new mortgage-backed securities issued by the companies.

As the turmoil in the financial markets increased, Treasury and the Federal Reserve took a number of additional unprecedented actions, including the rescue of Bear Stearns and American International Group. Eventually this led to a more systemic, comprehensive plan to stabilize the financial markets -- the Emergency Economic Stabilization Act (EESA), which gave the Treasury Secretary $700 billion in authority to, among other things, (1) purchase capital in qualifying U.S.-controlled financial institutions and (2) buy, maintain, and sell toxic mortgage-related assets from financial institutions.

Going forward, sound administration of the significant taxpayer dollars committed to this rescue effort will be Treasury's most significant management challenge. Furthermore, given the rapidly changing conditions in the financial markets and the coming change in administrations, the importance of establishing a sustainable leadership team as quickly as possible to manage this program cannot be overstated.

Regulation of National Banks and Thrifts (New Challenge)

Since September 2007, and as of March 31, 2009, 17 Treasury-regulated financial institutions have failed, with estimated losses to the deposit insurance fund exceeding $13 billion. Many more are expected to fail before the economy improves.

Although many factors contributed to the current turmoil in the financial markets, Treasury's two financial institution regulators, OCC and OTS, did not identify early or force timely correction of the unsafe and unsound practices by institutions they supervised. The irresponsible lending practices of many institutions, which contributed to the crisis, are now well-recognized, including degradation of underwriting standards and loan decisions based on factors other than the borrowers' ability to repay. At the same time, financial institutions engaged in other high-risk activities, including high asset concentrations in areas such as commercial real estate and overreliance on unpredictable brokered deposits to fund rapid growth. The banking industry will continue to be under pressure over the next several years.

Recognizing that the focus of EESA is the current crisis, another consideration is the need for Treasury to identify, monitor, and manage emerging domestic and global systemic economic risks. These emerging risks may go beyond the current U.S. regulatory structure. Treasury, in concert with its regulatory partners, needs to diligently monitor both regulated and unregulated products and markets for new systemic risks that may require action.

Corporate Management (Repeat Challenge)

As an overarching management challenge, Treasury needs to provide effective corporate leadership in order to improve performance as a whole. With nine bureaus and a number of program offices, Treasury is a highly decentralized organization. The Department has made progress in building up a sustainable corporate control structure. The challenge continues to be maintaining emphasis on corporate governance, particularly as the Department develops the infrastructure to carry out its vastly expanded role in addressing the current economic crisis.

Management of Capital Investments (Repeat Challenge)

Managing large capital investments, particularly information technology (IT) investments, is a difficult challenge facing any organization, public or private. In prior years we have reported on a number of capital investment projects that either failed or had serious problems. In light of this, with hundreds of millions of procurement dollars at risk, Treasury needs to exercise continuous vigilance in this area as it proceeds with its (1) transition to a new telecommunications contract, TNet, a transition that has already experienced delays; (2) implementation of enhanced information security requirements; (3) anticipated renovation of the Treasury Annex; and (4) other large capital investments. The Department reinstituted a governance board consisting of senior management officials to provide executive decision-making on, and oversight of, IT investment planning and management, and to ensure compliance with the related statutory and regulatory requirements.

Information Security (Repeat Challenge)

While improvements have been made, by its very nature, information security will continue to be a management challenge to the Department. Our fiscal year 2008 audit addressing the objectives of the Federal Information Security Management Act of 2002 (FISMA) and Office of Management and Budget (OMB) requirements found that

Treasury's non-IRS bureaus made progress in improving information security controls and practices.

During the past year Treasury strengthened its inventory reporting and Plan of Action and Milestones processes for tracking and correcting security weaknesses. However, our audit found that (1) minimum security control baselines were not sufficiently documented, tested, and/or implemented as required; (2) computer security incidents were not consistently reported timely or correctly categorized; (3) common security configuration baselines were not fully compliant; and (4) federal desktop core configurations were not fully implemented. Treasury management has indicated its commitment to address these issues.

Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement (Repeat Challenge)

Treasury faces unique challenges in carrying out its responsibilities under the Bank Secrecy Act (BSA) and USA PATRIOT Act to prevent and detect money laundering and terrorist financing. While FinCEN is the Treasury bureau responsible for administering BSA, a large number of federal and state entities participate in efforts to ensure financial institutions' compliance with BSA. These entities include the five federal banking regulators, the IRS, the Securities and Exchange Commission, the Department of Justice, and state regulators. Many of these entities also participate in efforts to ensure compliance with U.S. foreign sanction programs administered by OFAC.

The dynamics and challenges for Treasury of coordinating the efforts of multiple entities, many external to Treasury, are difficult. In this regard, FinCEN and OFAC entered into memoranda of understanding (MOU) with many federal and state regulators in an attempt to build a consistent and effective process. However, these MOUs are nonbinding (and without penalty), and their overall effectiveness has not been independently assessed.

Furthermore, the PATRIOT Act has increased the types of financial institutions required to file BSA reports. Although these reports are critical to law enforcement, past audits have shown that many contain incomplete or erroneous data. Past audits have also shown only limited examination coverage by regulators of financial institutions' compliance with BSA.

For 2008, we removed one previously reported challenge, Linking Resources to Results, based on the progress the Department has made in implementing managerial cost accounting in its operations. As we have pointed out in the past, management and performance challenges do not always represent a deficiency in management or performance. Instead, they can represent inherent risks associated with Treasury's mission, organizational structure, or the environment in which it operates. In this regard, the Department can and should take steps to mitigate these challenges but may not be able to entirely eliminate them. As such, they require ongoing management attention.

(End of Treasury Management and Performance Challenges)

Financial Management

Financial Audits

Consolidated Financial Statements

An independent public accountant (IPA), working under our supervision, issued an unqualified opinion on the Department's fiscal years 2008 and 2007 consolidated financial statements. The audit identified three significant deficiencies related to (1) financial systems and reporting at IRS, (2) financial management practices at the departmental level, and (3) controls over foreign currency transactions. The significant deficiency related to financial systems and reporting at IRS is considered a material weakness. The IPA also reported that the Department's financial management systems are not in substantial compliance with the Federal Financial Management Improvement Act of 1996. In addition, the audit identified a reportable instance of noncompliance with laws and regulations related to section 6325 of the Internal Revenue Code and a potential violation of the Anti-deficiency Act. Treasury management concurred with the report findings. **(OIG-09-006)**

In connection with its audit of Treasury's consolidated financial statements, the IPA issued a management letter that identified other areas in which improvements could benefit the quality and efficiency of Treasury's financial reporting: (1) the process for preparing the President's Budget Reconciliation; (2) the consistency of financial reporting standards for the Department's component entities; (3) the mortgage-backed securities purchase reconciliation process; (4) establishment of disaster recovery plans for the Treasury Information Executive Repository (TIER) and the Chief Financial Officer Vision financial systems; and (5) configuration of the TIER Oracle database to log database-level access and actions. Treasury management concurred with the report findings. **(OIG-09-028)**

Other Financial Audits

The Chief Financial Officers Act of 1990 (CFO Act), as amended by the Government Management Reform Act of 1994 (GMRA), requires annual financial statement audits of Treasury and OMB-designated entities. In this regard, OMB has designated IRS for annual financial statement audits. The financial statements of certain other Treasury component entities are audited pursuant to other requirements or due to their materiality to Treasury's consolidated financial statements. The following table shows audit results for fiscal years 2008 and 2007.

Treasury-audited financial statements and related audits						
	Fiscal year 2008 audit results			Fiscal year 2007 audit results		
Entity	Opinion	Material weakness	Other significant deficiencies	Opinion	Material weakness	Other significant deficiencies
GMRA/CFO Act requirements						
Department of the Treasury	UQ	1	2	UQ	1	2
Internal Revenue Service (A)	UQ	3	1	UQ	4	1
Other required audits						
Bureau of Engraving and Printing	UQ	0	0	UQ	0	0
Community Development Financial Institutions Fund (B)	UQ	0	2	D	0	2
Office of DC Pensions	UQ	0	0	UQ	0	0
Exchange Stabilization Fund	UQ	1	1	UQ	0	0
Federal Financing Bank	UQ	0	0	UQ	0	0
Office of the Comptroller of the Currency	UQ	0	0	UQ	0	1
Office of Thrift Supervision	UQ	0	0	UQ	0	0
Treasury Forfeiture Fund	UQ	0	0	UQ	0	2
Mint						
Financial statements	UQ	0	2	UQ	1	0
Custodial gold and silver reserves	UQ	0	0	UQ	0	0
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	1	UQ	0	0
Financial Management Service						
Treasury-managed accounts	UQ	0	1	UQ	0	0
Operating cash of the federal government	UQ	0	0	UQ	0	1
Management-initiated audit						
FinCEN	UQ	0	0	UQ	1	0

UQ - Unqualified opinion
D - Disclaimer of opinion
(A) - Audited by Government Accountability Office (GAO)
(B) - Audit of the Statement of Financial Position only for fiscal year 2008, full-scope audit of all financial statements for fiscal year 2007

The fiscal year 2008 IPA audits of Treasury's component entities and its special-purpose financial statements, performed under our supervision, identified the following material weakness and other significant deficiencies:

Material Weaknesses

- The Exchange Stabilization Fund's (ESF) controls over foreign currency investment transactions **(OIG-09-034)**

Other Significant Deficiencies

- ESF's controls over the Temporary Money Market Insurance Program **(OIG-09-034)**
- The Financial Management Service's controls over estimating the Receivable on Deposit of Earnings, Federal Reserve **(OIG-09-012)**
- The Mint's (1) controls over inventory tracking and (2) review of open obligations
- **(OIG-09-015)**
- The Community Development Financial Institutions Fund's (1) management communication and (2) controls over awards monitoring **(OIG-09-007)**
- The Department's controls over the preparation of Treasury's special-purpose financial statements **(OIG-09-009)**

We also issued management letters that identified other matters that were not required to be included in the reports on the fiscal year 2008: (1) financial statements of the Community Development Financial Institutions Fund **(OIG-09-008)**, ESF **(OIG-09-035)**, the Federal Financing Bank **(OIG-09-011)**, the Mint **(OIG-09-016)**, the Treasury Forfeiture Fund **(OIG-09-022)**, OCC **(OIG-09-027**), and OTS **(OIG-09-020)** and (2) the FMS Schedule of Non-Entity Government-wide Cash **(OIG-09-017)** and the FMS Schedule of Non-Entity Assets, Non-Entity Costs and Custodial Revenue **(OIG-09-018).**

Federal Financial Management Improvement Act of 1996

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 2008 consolidated financial statements:

Condition	**Type of noncompliance**
Financial management systems do not provide timely and reliable information for financial reporting and preparation of financial statements. IRS had to rely on extensive compensating procedures to generate reliable financial statements. (first reported in fiscal year 1997.	Federal financial management systems requirements
Deficiencies were identified in information security controls, resulting in increased risk of unauthorized individuals accessing, altering, or abusing proprietary IRS programs and electronic data and taxpayer information. (first reported in fiscal year 1997)	Federal financial management systems requirements
Material weakness related to controls over unpaid tax assessments exists. (first reported in 1997)	Federal accounting standards
Financial management system cannot produce reliable, current information on the costs of IRS activities to support decision making on a routine basis, consistent with the requirements of Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Standards*. (first reported in 1998)	Federal accounting standards
IRS's core general ledger system for tax-related activities does not comply with the *U.S. Government Standard General Ledger* (SGL) at the transaction level and also does not post transactions in conformance with SGL posting models. (first reported in 1997)	U.S. Government Standard General Ledger

The current status of these noncompliances, including progress in implementing remediation plans, will be evaluated as part of the audit of Treasury's fiscal year 2009 financial statements.

Attestation Engagements

An IPA, working under our supervision, examined the general computer and trust fund management processing controls related to BPD's transaction processing of investment accounts of various federal and state government agencies. BPD's Trust Fund Management Branch maintained these accounts. The IPA found that BPD's description of these controls fairly presented, in all material respects, the controls that had been placed in operation as of July 31, 2008. The IPA also found that, except for a deficiency in the design and operation of one control objective related to receipts and investments, (1) the controls were suitably designed and (2) the controls tested were effective during the period August 1, 2007 to July 31, 2008. The IPA noted no instances of reportable noncompliance with laws and regulations tested. **(OIG-09-001)**

An IPA, working under our supervision, issued an unqualified opinion that the 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, 2008, are fairly stated. These schedules relate to the functions performed by 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 South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund. The attestation examination identified a significant deficiency in internal control related to recording tax adjustments that is not considered a material weakness. No instances of reportable noncompliance with laws and regulations were identified. **(OIG-09-004)**

Information Technology

Treasury Was Not Fully Compliant With Privacy Requirements

Section 522 of the Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005, Public Law 108-447, as amended, requires Treasury to (1) appoint a chief privacy officer to assume primary responsibility for privacy and data protection policy, (2) establish privacy and data protection procedures and policies, (3) prepare a written report of the use of information in an identifiable form and privacy and data protection procedures to be recorded with OIG to serve as a benchmark for the agency, and (4) perform an independent third party review of the use of information in an identifiable form. Additionally, section 522 requires our office to perform a periodic assessment of the implementation of this section. We contracted with an IPA to audit the

Department's compliance (excluding IRS) with section 522 as well as Office of Management and Budget Memorandum 07-16 (M-07-016), *Safeguarding Against and Responding to the Breach of Personally Identifiable Information*.

The IPA found that Treasury did not fully comply with section 522 and with M-07-016. Specifically, Treasury (1) did not report annually to Congress on Treasury activities that affect privacy; (2) did not record with OIG a written report on Treasury's use of information in identifiable form and its privacy and data protection policies and procedures; and (3) had not finalized two draft Treasury directives and policies related to collection, use, sharing, disclosure, transfer, and storage of personally identifiable information. **(OIG-09-014)**

Network Security at the Alcohol and Tobacco Tax and Trade Bureau Could Be Improved (OIG-CA-09-005)

We reported high-severity security vulnerabilities on some TTB systems resulting from ineffective security configurations, such as unnecessary or insecure services running on systems.

We completed an evaluation of network security at TTB to determine whether sufficient protections exist to prevent intrusions. An unauthorized attack or system intrusion on TTB's network could be detrimental to its mission and undermine public faith in TTB's ability to safeguard the tax information it collects. We reported high-severity security vulnerabilities on some TTB systems resulting from ineffective security configurations, such as unnecessary or insecure services running on systems. In addition, we found the use of default passwords, granting of excessive database privileges, failure of some systems to display required warning banners, missing patches, and unsupported or obsolete software versions. Furthermore, several systems did not have the required Federal Desktop Core Configuration (FDCC) settings. TTB could also improve user awareness of workstation security and network shared-drive access. TTB concurred with our recommendations and has implemented or planned corrective actions that are responsive to our recommendations. **(OIG-CA-09-005)**

Treasury's Federal Desktop Core Configuration Deviation Tracking Process Is Inadequate

We determined that Treasury's FDCC deviation tracking policies and procedures need improvement. Specifically, while the Office of the Chief Information Officer tracks the number of deviations reported by the bureaus on a monthly basis, it does not track or evaluate the details associated with each deviation. For instance, the Office of the Chief Information Officer does not keep track of the name of the FDCC setting that will not be implemented, description of the FDCC setting, bureau justification for not implementing the FDCC setting, and estimated remediation date for each deviation. In addition, we found that the Treasury Chief Information Officer's policies provide inconsistent instructions on tracking security weaknesses. The Treasury Chief Information

While the Office of the Chief Information Officer tracks the number of deviations reported by the bureaus on a monthly basis, it does not track or evaluate the details associated with each deviation.

Officer concurred with our findings and recommendations and provided plans for corrective actions. **(OIG-CA-09-007)**

Programs and Operations

Bank Failures and Material Loss Reviews

Treasury's Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS) share responsibility with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve for regulating and supervising banks and thrifts in the United States. OCC regulates national chartered banks and OTS regulates thrifts, while FDIC and the Federal Reserve share regulation of state-chartered banks and thrifts. State regulatory authorities may also share responsibility for regulating and supervising banks and thrifts.

In 1991, Congress enacted the Federal Deposit Insurance Corporation Improvement Act (FDICIA) amending the Federal Deposit Insurance Act (FDIA) following the failures of about 1,000 banks and thrifts between 1986 and 1990 that resulted in billions of dollars in losses to the deposit insurance fund. The amendments require that banking regulators take specified supervisory actions when they identify unsafe or unsound practices or conditions.

Section 38 (k) of FDICIA requires that the inspectors general of Treasury, FDIC, and the Federal Reserve review the failures of depository institutions when the estimated loss to the deposit insurance fund becomes material (defined as a loss that exceeds the greater of $25 million or 2 percent of the institution's total assets). The inspector general for the appropriate federal banking agency is to prepare a report on the review, known as a material loss review (MLR), to the agency. The report is to (1) ascertain why the institution's problems resulted in a material loss to the insurance fund, (2) review the agency's supervision of the institution, including the implementation of the Prompt Corrective Action (PCA) provisions[2] in FDICIA, and (3) make recommendations for preventing any such loss in the future. The MLR must be completed within 6 months of the date when it becomes apparent that the loss meets the law's definition of "material."

Since 2007, FDIC and other regulators have closed 49 banks and thrifts. Seventeen of these institutions were regulated by Treasury. During the current financial crisis, the first Treasury-regulated institution to require an MLR was NetBank, which was closed by OTS in September 2007. We reported on this MLR in our September 2008 semi-annual report to Congress. During the current semi-annual reporting period, we are reporting on four MLRs—ANB Financial, N.A.; IndyMac Bank, FSB; First National Bank of Nevada, and First Heritage Bank, N.A. IndyMac Bank was regulated by OTS; the other three were regulated

[2] PCA is a framework of supervisory actions, set forth in 12 U.S.C. § 1831, for insured depository 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 severe as the institution falls into lower capital categories. The capital categories are well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

by OCC. As of March 31, 2009, we have seven ongoing MLRs, and we expect additional bank and thrift failures in the coming months.

Although we have completed only five MLRs during the current crisis, we have seen several trends emerge. With respect to the causes of institutions' failures, we found overly aggressive growth strategies; heavy reliance on more costly wholesale funding, such as Federal Home Loan Bank loans and brokered deposits; inadequate risk management; and unsound underwriting of loans. With respect to supervision, we found that regulators often conducted regular and timely examinations and identified operational problems, but were slow to take enforcement action to correct the problems. The following summaries describe in more detail our findings for the four MLRs we completed during this reporting period.

ANB Financial. OCC closed ANB Financial, of Bentonville, Arkansas, on May 9, 2008, with an estimated loss to the deposit insurance fund of $214 million. The primary causes of ANB's failure were the bank's strategy of aggressive growth without adequate controls; heavy reliance on wholesale funding, including brokered deposits; inadequate risk management of credit concentrations in commercial real estate; and unsound underwriting practices.

OCC identified most of ANB's problems in 2005, but took no forceful action until 2007.

We found that OCC conducted timely and regular examinations of ANB and provided oversight through off-site monitoring, appropriately used its PCA authority, and that OCC's Special Supervision Division took appropriate supervisory actions after assuming oversight of ANB. However, we believe that OCC did not issue a formal enforcement action in a timely manner and that its supervision of ANB was not sufficiently aggressive in light of the bank's rapid growth, high concentrations in commercial real estate loans, reliance on brokered deposits, and weak credit risk management practices. OCC identified most of ANB's problems in 2005, but took no forceful action until 2007.

We recommended that OCC (1) re-emphasize to examiners that they must closely investigate an institution's circumstances and alter supervisory plans if certain circumstances exist, as specified in OCC guidance; (2) re-emphasize to examiners that formal enforcement action is presumed warranted when certain circumstances exist and the need to document their reason for not taking formal enforcement action if such circumstances exist; (3) reassess guidance and examination procedures in the comptroller's handbook related to bank use of wholesale funding, with a focus on heavy reliance on brokered deposits and other nonretail deposit funding sources for growth; and (4) establish in policy a "lessons-learned" process to assess the causes of bank failures and the supervision exercised over failed institutions and to take appropriate action to address any significant weaknesses or concerns identified.

In its response, OCC agreed that execution of its supervisory process regarding ANB had shortcomings and that it was appropriate to take additional measures to reinforce this process to OCC examining staff. The steps taken and planned by OCC are generally responsive to our recommendations, although we believe that additional action is needed to institutionalize the lessons-learned process. OCC also needs to identify estimated dates for completing planned corrective actions. **(OIG-09-013)**

IndyMac often made loans without verification of the borrower's income or assets, and to borrowers with poor credit histories. Appraisals obtained by IndyMac on underlying collateral were often questionable as well.

IndyMac Bank. OTS closed IndyMac Bank, of Pasadena, California, on July 11, 2008, with an estimated loss to the deposit insurance fund of $10.7 billion. IndyMac's failure was largely associated with its business strategy of originating and securitizing Alt-A loans on a large scale. This strategy resulted in rapid growth and a high concentration of risky assets.

IndyMac's aggressive growth strategy, use of Alt-A and other nontraditional loan products, insufficient underwriting, credit concentrations in residential real estate in the California and Florida markets, and heavy reliance on costly funds borrowed from the Federal Home Loan Bank and from brokered deposits, led to its demise when the mortgage market declined in 2007. IndyMac often made loans without verification of the borrower's income or assets, and to borrowers with poor credit histories. Appraisals obtained by IndyMac on underlying collateral were often questionable as well. As an Alt-A lender, IndyMac's business model was to offer loan products to fit the borrower's needs, using an extensive array of risky option-adjustable-rate-mortgages, subprime loans, 80/20 loans, and other nontraditional products. Ultimately, loans were made to many borrowers who simply could not afford to make their payments. When home prices declined in the latter half of 2007 and the secondary mortgage market collapsed, IndyMac was forced to hold $10.7 billion of loans it could not sell in the secondary market. Its reduced liquidity was further exacerbated in late June 2008 when account holders withdrew $1.55 billion in deposits. This "run" on the thrift followed the public release of a letter from Senator Charles Schumer to the FDIC and OTS. The letter outlined the Senator's concerns with IndyMac. While the run was a contributing factor in the timing of IndyMac's demise, the underlying cause of the failure was the unsafe and unsound manner in which the thrift was operated.

Although OTS conducted timely and regular examinations of IndyMac and provided oversight through off-site monitoring, its supervision of the thrift failed to prevent a material loss to the Deposit Insurance Fund. The thrift's high-risk business strategy warranted more careful and much earlier attention. That said, OTS did identify numerous problems and risks, including the quantity and poor quality of nontraditional mortgage products, but did not take aggressive action to stop those practices from continuing to proliferate. OTS relied on the cooperation of IndyMac management to obtain needed improvements. However, IndyMac had a long history of not sufficiently addressing OTS examiner findings. From 2001 to 2007, OTS's composite CAMELS ratings of IndyMac consistently remained at 2.[3] It was not until 2008 that OTS dropped the composite

[3] The CAMELS rating system provides a general framework for assimilating and evaluating all significant financial, operational, and compliance factors inherent in a bank or thrift. It enables banking regulators to assign to each banking organization individual CAMELS component ratings and an overall performance rating that indicates the institution's overall condition. CAMELS is an acronym for the performance rating components: Capital adequacy, Asset Quality, Management

CAMELS rating to a 3 and then to a 5 for the institution. OTS did not issue any enforcement action, either informal or formal, until June 2008. In short, earlier enforcement action was warranted.

As stated in our report, we believe that it is essential that OTS senior leadership reflect carefully on the supervision that was exercised over IndyMac and ensure that the correct lessons are taken away from this failure. We recommended that OTS (1) ensure that action is taken on the lessons learned and recommendations from the OTS internal review of the IndyMac failure and (2) caution examiners that assigning composite CAMELS ratings of 1 or 2 to thrifts with high-risk, aggressive growth business strategies need to be supported with compelling, verified mitigating factors (such as thrift corporate governance, and risk management and underwriting controls) that are likely to be sustainable. OTS management agreed with our overall findings and recommendations and outlined a number of corrective actions. Among the actions planned by OTS is establishing a large savings association unit in Washington, DC, that will be responsible for reviewing and concurring with regional office actions for savings associations with total assets above $10 billion. We noted that while the planned actions were significant, it will take time to assess their effectiveness and continuous senior management attention will be crucial to their success. **(OIG-09-032)**

First National Bank of Nevada and First Heritage Bank, N.A. OCC closed affiliated banks First National Bank of Nevada (FNB Nevada) of Reno, Nevada, and First Heritage Bank, N.A. (First Heritage Bank) of Newport Beach, California, on July 25, 2008. The estimated loss to the deposit insurance fund was $706 million for FNB Nevada and $33 million for First Heritage Bank. The primary cause of FNB Nevada's failure was significant losses in its commercial real estate portfolio and losses from the residential mortgage operations of the previously independent FNB Arizona, which merged with FNB Nevada on June 30, 2008. These losses resulted from inadequate management controls over credit underwriting and administrative practices and from inadequate risk management. The control deficiencies were exacerbated by unfavorable economic conditions. The primary cause of the failure of First Heritage Bank was FNB Nevada's inability to repay, at the time OCC closed the banks, a $74.4 million loan from First Heritage Bank. The resulting loss depleted First Heritage Bank's capital.

OCC conducted timely and regular examinations of FNB Nevada, the former FNB Arizona prior to its merger with FNB Nevada, and First Heritage Bank, and provided oversight through off-site monitoring. The scope of the examinations appeared comprehensive, although workpaper evidence supporting the examination procedures performed was limited. OCC also appropriately used its PCA authority. However, OCC did not issue timely formal enforcement action for any of the banks and was not sufficiently aggressive in its supervision of the banks in light of their weak

The primary cause of the failure of First Heritage Bank was FNB Nevada's inability to repay … a $74.4 million loan from First Heritage Bank…. The primary cause of FNB Nevada's failure was significant losses in its commercial real estate portfolio and losses from the residential mortgage operations of the previously independent FNB Arizona….

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administration, Earnings, Liquidity, and Sensitivity to market risk. Numerical values range from 1 to 5, with 1 being the highest rating and 5 the lowest.

management practices. OCC identified problems at FNB Nevada and the former FNB Arizona as early as 2002. OCC identified additional problems at FNB Nevada in 2005, 2006, and 2007.

In an internal assessment, OCC acknowledged that it did not effectively supervise FNB Arizona. While risks were identified, the internal assessment noted that follow-up to ensure that bank management took corrective action was not as aggressive as it should have been.

We recommended that OCC re-emphasize to examiners the need to ensure that banks take swift corrective actions in response to examination findings. We also recommended that OCC reiterate to examiners its policy that supervision workpapers are to be clear, concise, and readily understood by other examiners and reviewers. OCC's actions, both taken and planned, were responsive to our recommendations. **(OIG-09-033)**

Private Collection Agencies: Diversified Collection Services, Inc., Needs to Improve Compliance with FMS's Debt Compromise Requirements

We found that Diversified was not following some private collection agency contract requirements and FMS policy, including documentation provisions for debt compromise.

Diversified Collection Services, Inc. (Diversified), is a private collection agency under contract to FMS. We found that Diversified was not following some private collection agency contract requirements and FMS policy, including documentation provisions for debt compromise. To address these matters, we recommended that FMS take action to ensure that Diversified (1) conducts additional training or takes other corrective action to ensure that its employees properly document the steps taken prior to compromise, and (2) sends and retains copies of compromise agreement letters in each case where a compromise is reached. FMS concurred with our recommendations. **(OIG-09-025)**

General Management: Treasury Should Reactivate State-Held Federal Unclaimed Assets Recovery Program (Corrective Action Verification on OIG-02-105)

We estimated that Treasury could recover $10.5 million over the next 3 years by reactivating the program.

Our office reviewed corrective actions taken by Departmental Offices in response to our July 2002 report on its state-held federal unclaimed assets recovery program. Federal unclaimed assets are federally owned monetary assets that include savings and checking accounts, money orders, dividends, and royalties. This program became inactive in February 2005, following the departure of a Treasury employee who worked part-time on the program. We estimated that Treasury could recover $10.5 million over the next 3 years by reactivating the program and therefore recommended that Treasury reactivate the program with appropriate policies, procedures, and controls. Treasury management concurred and plans to complete corrective action by September 30, 2009. **(OIG-09-024)**

(End of Significant Audits and Evaluations)

Engraver's Proof on Online Web Site Found to Have Been Stolen From BEP

While conducting a routine check of the eBay auction Web site, the BEP Office of Security observed an engraver's proof for foreign currency listed for auction. At our request, the proof was removed from public auction pending further review and validation.

While conducting a routine check of the eBay auction Web site, the BEP Office of Security observed an engraver's proof for foreign currency listed for auction. At our request, the proof was removed from public auction pending further review and validation. In response to that notification, the consignor returned the note proof to BEP in August 2008.

In December 2008, BEP notified us of its official determination that the foreign currency proof was property exclusive to the U.S. government that had been removed by illegal or unauthorized means from BEP's Washington, DC, facility. The investigation was unable to determine how or when the proof was removed from BEP. The item was returned to BEP, and the investigation was completed and closed.

The following are updates of significant investigative activity that occurred in prior semiannual reporting periods.

Guilty Plea Entered by Treasury Employee on Narcotics Charges

As previously reported, a joint investigation by the Treasury OIG, Federal Bureau of Investigation, and Fairfax County Police Drug Task Force resulted in arrests of Joseph McRae, an OFAC senior compliance review officer, for purchasing illegal narcotics with the intent to distribute them. On May 19, 2008, McRae had been arrested by law enforcement officers from the Fairfax County Police Drug Task Force and charged locally with possession with intent to distribute methamphetamine and gamma-hydroxybutyrate. On June 18, 2008, McRae was arrested on federal charges pursuant to an arrest warrant issued in U.S. District Court. In addition, the investigation led to the identification of additional suspects, including another Treasury employee. Investigations involving the additional suspects are ongoing.

Update: On November 25, 2008, McRae filed a plea agreement in the U.S. District Court for the Eastern District of Virginia to a criminal information charging him with possession with intent to distribute methamphetamine. Prior to sentencing, McRae agreed to pay a mandatory special assessment of $100 per count of conviction. Scheduling of the sentencing hearing is pending.

Guilty Plea Entered in the District of Maryland

As previously reported, a joint investigation by the Treasury OIG, U.S. Secret Service, U.S. Postal Service OIG, U.S. Postal Inspection Service, and Department of Transportation OIG resulted in the June 25, 2008, 53-count indictment of 13 individuals in an alleged scheme to steal Treasury checks from the mail and cash the checks using false identification documents.

Update: On various dates between August 2008 and January 2009, Defendants Maurice Whitfield, Jamal Snead, Derrick Taylor, Theodore Terrell, Morris Pinkett, and Michael Hawkins pled guilty to conspiracy to commit mail fraud, forged endorsement of a Treasury check, and aggravated identity theft. According to the plea documents, the defendants were involved in a scheme to take Treasury checks from the mail and, using fraudulent identification documents, cash those checks at local check cashing establishments by posing as the check's intended recipient. As part of the scheme, these defendants cashed stolen Treasury checks intercepted from the U.S. mail and used fake Maryland drivers licenses bearing their photographs and the names and addresses of the checks' intended recipients. In return, each co-conspirator received a percentage of the money obtained by cashing the checks. During the course of the scheme, the participants cashed over $100,000 in stolen Treasury checks. Scheduling of the sentencing hearings is pending.

Florida Resident Sentenced for Submitting Fraudulent Claims to the Federal Emergency Management Agency and Identity Theft

As previously reported, a joint Treasury OIG, Department of Homeland Security OIG, and Social Security Administration OIG investigation resulted in the March 6, 2008, indictment of Janelle Green, of West Palm Beach, Florida, by a federal grand jury in the Southern District of Florida. According to the 34-count indictment, Green submitted fraudulent applications for aid to the Federal Emergency Management Agency (FEMA) in the wake of several hurricane disasters. It was determined that Green used several different personal identifiers, including false social security numbers and multiple addresses, when submitting the fraudulent claims to FEMA. The estimated loss was over $30,000 in federal assistance. Green entered a guilty plea on September 11, 2008, to the charges.

Update: On December 12, 2008, Green appeared in the U.S. District Court for the Southern District of Florida for sentencing. She was sentenced to 6 months time served for conversion of government property and 24 months incarceration for the commission of aggravated identity theft. Green was also sentenced to 3 years of supervised probation and ordered to pay $5,698 in restitution to FEMA.

Treasury Employee Sentenced on Bribery Charges

As previously reported, a joint investigation by the Treasury OIG, the General Services Administration OIG, and the Federal Bureau of Investigation resulted in the arrest and conviction of Daniel Money, a former Treasury Facilities Management Division employee and resident of Shady Side, Maryland, on one count of bribery. The investigation revealed that Money, who owned and operated a private construction business in addition to his employment with Treasury, agreed to provide bribe payments totaling $55,000 to a facilities services officer of the U.S. Tax Court in exchange for the official's awarding of two contracts to Money's company, Daniel Construction. Of the negotiated bribe, Money provided $1,800 in two separate cash payments to the U.S. Tax Court official. Money entered into a plea agreement with the United States Attorney's Office and pled guilty to one count of bribery on October 6, 2008. As part of the plea agreement, Money acknowledged that he converted to his personal use approximately 600 gallons of diesel fuel that was Treasury property when he filled approximately 11 55-gallon drums on the back of his personally owned vehicle with diesel fuel from a Treasury-contracted fuel truck, resulting in an estimated loss to Treasury of approximately $2,250.

Update: On February 5, 2009, Money appeared in the U.S. District Court for the District of Columbia for sentencing. He was sentenced to 30 months incarceration and 36 months probation, ordered to pay a $100 special assessment fee and $2,250 in restitution, and fined $7,500.

Two Treasury Employees Suspended for Misuse of Authority

As previously reported, an OIG investigation revealed that two TTB investigators exceeded their authority while conducting a product integrity investigation. The investigators entered a private winery without authorization, searched the establishment, removed documents from the premises to photocopy at a different location, and then returned the documents to the winery without notifying the winery owner of their actions.

Update: Both employees served a 14-day suspension, and one of the employees resigned and accepted a position with another agency.

Guilty Plea Entered by Illinois Resident in Treasury Check Fraud Case

Our investigation revealed that Janise Collins, of Somonauk, Illinois, deposited and negotiated an altered Treasury check in the amount of $129,600 at a bank in September 2005. Upon the bank's release of the funds, Collins wired $100,000 to a bank account in Hong Kong, China, and made a cash withdrawal of $16,000. Collins was subsequently arrested by the Hinckley Police Department, Illinois, related to another scheme to negotiate counterfeit commercial checks. Collins was indicted by a grand jury in Kendall County, Illinois, on July 25, 2006, for forgery of the Treasury check.

Update: On October 1, 2008, Collins entered a guilty plea in Kendall County Circuit Court, Yorkville, Illinois, to one count of theft (Class 3 felony), related to her negotiation of this fraudulent instrument. Following her conviction, Collins was conditionally discharged and ordered to pay criminal monetary penalties in the amounts of $1,000 for restitution, $500 for a court fine, and $250 for court costs.

West Virginia Resident Sentenced for Unlawful Receipt of Federal Benefit Payments

A joint investigation by the Treasury OIG and the Railroad Retirement Board OIG resulted in the June 17, 2008, single-count indictment of Brenda Kay Newton by a federal grand jury in the Southern District of West Virginia. According to the indictment, Newton, a resident of Huntington, West Virginia, was charged with accepting and cashing Railroad Retirement Board annuity checks after the death of her mother, Addie Mills, in 2000. Newton kept $59,246 in benefits intended for her mother from 2000 to 2007. On September 15, 2008, Newton entered a guilty plea to the charges.

Update: On January 6, 2009, Newton appeared in the U.S. District Court for the Southern District of West Virginia for sentencing. She was sentenced to 60 months probation and ordered to pay a $100 assessment and $59,246 in restitution for the commission of theft of public monies.

Louisiana Resident Sentenced for Unlawful Receipt of Federal Benefit Payments

A joint investigation by the Treasury OIG and the Defense Criminal Investigative Services revealed that Rosalind Profit unlawfully received military benefits of a military annuitant, commencing from the annuitant's death in December 1995. In total, Treasury dispersed approximately $89,000 in unlawful benefits. Profit admitted via affidavit to unlawfully receiving the annuitant's benefits, and as a result was indicted in the U.S. District Court for the Middle District of Louisiana. On July 24, 2007, Profit pled guilty to one count of bank fraud.

Update: On October 3, 2008, Profit was sentenced to 12 months and 1 day of incarceration, to be followed by 5 years of supervised release. In addition, Profit was ordered to pay a $100 special assessment fee and $22,726 in restitution.

Misuse of Treasury Commuter Program Benefits

As previously reported, in response to various referrals from the GAO, Treasury OIG initiated multiple investigations involving the potential misuse of public transportation subsidies by DO employees. The investigations revealed that several of the identified Treasury employees received excessive transportation subsidy benefits and misused them by selling them for profit or giving them to friends and family members, in violation of the program policy. In addition, the employees provided inaccurate information when applying to the program. The results of the investigations were provided to DO management for administrative action. In April 2008, DO reported that four employees received proposed 14-day suspensions and one employee received a proposed removal from federal service.

Update: In October 2008, DO advised that the one employee previously proposed for removal had resigned voluntarily.

(End of Significant Investigations)

OIG Hosts Delegation from China

In October 2008, Inspector General Eric Thorson and OIG executives met with a delegation from the Supervision Department, Ministry of Finance of China, to discuss the mission of U.S. government inspectors general and Treasury OIG. The members of the delegation were Mr. Youliang Zhang, Deputy Director-General Supervision; Mr. Lihai Xu, Deputy Director-General, Finance, Department of Hebei Province; Mrs. Ruifang Li, Director, Finance Department of Gansu Province; Mr. Jianmin Zhang, Commissioner Assistant; Mr.Jidong Cui, Staff Member; and Mrs.Yanping Zhang, Staff Member.

Inspector General Thorson and visiting delegation from the Ministry of Finance of China

Information Provided to Secretary Paulson and Secretary Geithner Related to Backdated Capital Contributions by Certain Thrifts Regulated by OTS

During the period, we were requested by Secretary Paulson to review a backdated capital infusion by IndyMac Bank, F.S.B. In a memorandum dated December 18, 2008, we reported to the Secretary that the OTS Western Region Director approved a capital contribution received by IndyMac from its holding company after March 31, 2008, to be recorded as capital of the thrift as of March 31, 2008. We also reported that the impact of the OTS official's approval was that IndyMac was able to maintain its "well-capitalized" status, and among other things, avoid the requirement in law to obtain a waiver from FDIC to accept brokered deposits. We also informed the Secretary that during our inquiry, we discovered that OTS had allowed other thrifts to record capital contributions in an earlier period than received. Additionally, while there was some support in authoritative accounting literature for recording capital contributions in one period that were received in a later period, that support is limited. We advised that our review into the backdated capital contributions by IndyMac and other thrifts was ongoing and that we would be issuing an audit report on the matter. Within several days of our memorandum, OTS removed the Western Region Director from that position. The individual later retired from federal service.

It subsequently came to light that a senior OTS official directed that another thrift backdate a capital contribution. At the request of Secretary Geithner, we provided the details of this case in a sensitive but unclassified memorandum dated March 17, 2009. The senior OTS official was placed on administrative leave pending a further review into the matter.

We expect to complete our audit of OTS's involvement in backdated capital contributions by thrifts during the next semiannual reporting period.

Inquiry Into IRS Notice 2008-83

At the request of Senate Finance Committee Ranking Member Charles Grassley, we are conducting an inquiry into the development and issuance of IRS Notice 2008-83. This notice provides guidance on the application of section 382(h) of the Internal Revenue Code to losses by banks. We will determine if the notice was appropriately developed and issued, whether it appropriately interpreted the statute, whether there were conflicts of interest in its development and application, and whether reports of its potential impact on tax revenues have been overstated.

Treasury OIG Auditors and Investigators Attend Financial Institution Analysis and Supervision Training Conference

Members of the Office of Audit and Office of Investigations attended a training conference hosted at the FDIC's Seidman Center in Arlington, Virginia from February 23 to 27, 2009. Also participating in the training conference were the FDIC OIG, Federal Reserve Board OIG, National Credit Union Administration OIG and the GAO. The training covered regulatory oversight of banks by the federal banking regulators, the performance of material loss reviews, and FDIC's resolutions and receivership process. **Susan Barron**, Audit Director, for Banking Audits, assisted in the planning of the training conference. **Rich Delmar**, Counsel to the Inspector General, and **Jeff Dye**, Audit Manager for Banking Audits, gave presentations during the conference. In light of the increasing number of bank failures requiring material loss reviews, the training was both timely and very pertinent for the participating OIGs.

OIG Audit Leadership Roles

The Federal Audit Executive Council (FAEC) consists of audit executives from the OIG community and other federal audit organizations. Its purpose is to discuss and coordinate issues affecting the federal audit community with special emphasis on audit policy and operations of common interest to FAEC members. During the period, Treasury OIG continued to actively support a number of FAEC initiatives.

- **Marla Freedman**, Assistant Inspector General for Audit, serves on the executive board which coordinates the activities of FAEC's working committees.

- **Joel Grover**, Deputy Assistant Inspector General for Financial Management and Information Technology Audits, serves as co-chair of the FAEC Financial Statements Committee and is actively involved in developing and coordinating FAEC positions on a variety of accounting and auditing issues related to federal financial reporting. The committee also jointly sponsors with GAO an annual federal financial statement audit update conference. This year's conference was held on March 24, 2009, and was attended by over 300 individuals from most federal agencies, the Office of Management and Budget, GAO, and independent public accounting firms.

- **Mr. Grover** is also a member of the Government Performance and Accountability Committee of the American Institute of Certified Public Accountants. The mission of this Committee is to (1) promote greater government accountability and integrity of government operations, information and information systems; (2) promote and encourage increased participation and involvement by Certified Public Accountants (CPA) in government within the Institute; (3) enhance the professional image and value of CPAs in government; (4) provide advice and counsel to the Institute on the needs of CPAs in government, and (5) serve as a conduit for communications among CPAs in government, the Institute, and other professional organizations. Furthermore, Mr. Grover serves as a co-chair of the Maryland Association of Certified Public Accountants Members in Government Committee. Among other activities, the Committee sponsors an annual training conference on government/not-for-profit accounting and auditing issues.

- **Bob Taylor**, Deputy Assistant Inspector General for Performance Audits, led a multi-agency effort to update the Council of the Inspectors General on Integrity and Efficiency guide for external peer reviews of federal audit organizations. External peer reviews are required every 3 years under *Government Auditing Standards.* In March 2009, the Council's Audit Committee approved the updated guide for issuance, and it now available on www.ignet.gov.

Fraud Alerts Issued Regarding Fraudulent Promissory Notes and Bonds Purported to be Official Treasury Documents

In February 2009, we sent fraud alerts to the National Association of Attorneys General, National Association of Secretaries of State, National Association for Court Management, and Conference of State Court Administrators regarding use by individuals of fraudulent promissory notes and bonds to purchase vehicles and real estate. The alert advised that we had been made aware of numerous occurrences of such fraud throughout the United States. We had previously sent fraud alerts to the National Automobile Dealers Association in October 2008 and the National Association of Realtors in December 2008.

After sending these alerts, we received several additional leads from banks, automobile dealerships, realtors, and private citizens that had seen or received fraudulent documents. We assisted these callers with information and guidance regarding these documents to prevent additional people and organizations from being victimized. We have also collected approximately 3,000 fictitious instruments, including bonds, promissory notes, bills of exchange, and tax forms, since January 2009, and we are creating a database of this information for future criminal prosecutions.

Finally, we coordinated with the Department of Justice Fraud Section, Criminal Division, the Department of Justice Tax Division, the Federal Bureau of Investigation, the Treasury Inspector General for Tax Administration, the IRS Criminal Investigation Division, and the U.S. Postal Inspection Service to initiate a nationwide investigation of the various parties involved in the fraudulent activities.

(End of Other OIG Accomplishments and Activity)

Summary of OIG Activity

For the 6 Months Ended March 31, 2009

OIG Activity	Number or Dollar Value
Office of Counsel Activity	
Regulation and legislation reviews	1
Instances where Information was refused	0
Office of Audit Activities	
Reports issued (audits and evaluations)	40
Disputed audit recommendations	0
Significant revised management decisions	0
Management decision in which the IG disagrees	0
Monetary benefits (audit)	
Questioned costs	$588,784
Funds put to better use	$10,500,000
Revenue enhancements	$11,088,784
Total monetary benefits	
Office of Investigations Activities	
Allegations	
Total allegations received and processed	1,035
Cases—investigations and inquiries (including joint investigations)	
Opened in the reporting period	15
Closed in the reporting period	77
Total cases in progress as of 3/31/2009	89
Criminal and judicial actions (including joint investigations)	
Cases referred for prosecution and/or litigation	4
Cases accepted for prosecution and/or litigation	1
Arrests	1
Indictments/informations	0
Convictions (by trial and plea)	6
Fines/restitution/recoveries (including joint investigations)	$98,919
Administrative sanctions	
Total adverse personnel actions taken	9
Oversight activities	
Prevention and detection briefings	35
Quality assessment reviews	0
Management implication reports	1

Significant Unimplemented Recommendations

For Reports Issued Prior to April 1, 2008

Number	Date	Report Title and Recommendation Summary
OIG-06-010	12/05	*Bill and Coin Manufacturing: The Bureau of Engraving and Printing Should Ensure That Its Currency Billing Rates Include All Costs and That Excess Working Capital Is Deposited in the General Fund* BEP should ensure that currency billing rates consider the full cost of operations, including imputed costs such as the imputed cost of employee benefits paid by the Office of Personnel Management. To the extent that the currency rates result in excess monies to the BEP revolving fund, they should be deposited as miscellaneous receipts to the Treasury general fund. (1 recommendation) Because this recommendation involves a policy issue with governmentwide implications, the Department referred the matter to OMB. Resolution is pending.
OIG-06-030	5/06	*Terrorist Financing/Money Laundering: FinCEN Has Taken Steps to Better Analyze Bank Secrecy Act Data but Challenges Remain* 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)
OIG-07-048	9/07	*Foreign Assets Control: Actions Have Been Taken to Better Ensure Financial Institution Compliance With OFAC Sanction Programs, But Their Effectiveness Cannot Yet Be Determined* The OFAC Director should determine whether MOUs should be established with self-regulatory organizations and IRS for sharing information on financial institutions for which they have OFAC oversight responsibility. (1 recommendation)
OIG-08-008	11/07	*Management Letter for Fiscal Year 2007 Audit of the Federal Financing Bank's Financial Statements* The Federal Financing Bank should do the following: (1) Continue its efforts in developing a system development methodology and a configuration management plan. The system development methodology should describe programming naming conventions, the system development phases and what is to be performed in each, procedures for handling emergency programming changes, application test procedures, and development, test and production of access control lists, etc., as documented in NIST SP 800-64. (2) Follow through with its plan to upgrade the LMCS Database Management System to a supported version of Oracle. (3) Configure LMCS to require users to use at least eight-character passwords as required by LMCS. (3 recommendations.)
OIG-08-013	12/07	*Management Report for Fiscal Year 2007 Audit of the Financial Management*

		Service's Schedule of Non-Entity Governmentwide Cash Due to the sensitive nature of the information contained in the finding, the recommendation was provided in a separate sensitive but unclassified management report (OIG-08-013) dated November 8, 2007. (1 recommendation)
OIG-08-018	12/07	*Management Letter for the Fiscal Year 2007 Audit of the United States Mint's Financial Statements* Mint management should (1) establish a policy and procedure related to partial shipping and receipting of inventory between Mint facilities, including the certification of the inventory weights, and (2) establish and implement policies and procedures for the retirement of assets to ensure that Excess Property forms are properly completed, filed, and available for examination for a reasonable time period after the retirement transaction. (2 recommendations.)
OIG-08-025	12/07	*Information Technology: Network Security at Financial Crimes Network Needs Improvement* Due to the sensitive nature of the findings and recommendations, this report was issued as sensitive but unclassified. One recommendation remains unimplemented.

This 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 officials. We also considered the results of the most recent financial audits, which include follow-up on matters reported in prior financial audits.

Summary of Instances Where Information Was Refused

October 1, 2008, through March 31, 2009

There were no such instances during this period.

Listing of Audit and Evaluation Reports Issued

October 1, 2008, through March 31, 2009

Financial Audits and Attestation Engagements

Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Bureau of the Public Debt's Trust Fund Management Branch for the Period August 1, 2007 to July 31, 2008, OIG-09-001, 10/09/08

Audit of the United States Mint's Schedule of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2008 and 2007, OIG-09-002, 10/21/08

Audit of the Bureau of Engraving and Printing's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-003, 11/03/08

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, 2008, OIG-09-004, 11/07/08

Audit of the Federal Financing Bank's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-005, 11/12/08

Audit of the Department of the Treasury's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-006, 11/17/08

Audit of the Community Development Financial Institutions Fund's Fiscal Year 2008 Statement of Financial Position, OIG-09-007, 11/17/08

Management Letter for Fiscal Year 2008 Audit of the Community Development Financial Institutions Fund's Statement of Financial Position, OIG-09-008,11/18/08

Audit of the Department of the Treasury's Special-Purpose Financial Statements for Fiscal Years 2008 and 2007, OIG-09-009, 11/19/08

Audit of the Financial Management Service's Fiscal Years 2008 and 2007 Schedules of Non-Entity Government-Wide Cash, OIG-09-010, 11/19/08

Management Letter for Fiscal Year 2008 Audit of the Federal Financial Bank's Financial Statements, OIG-09-011, 11/21/08

Audit of the Financial Management Service's Fiscal Years 2008 and 2007 Schedules of Non-Entity Assets, Non-Entity Costs and Custodial Revenue, OIG-09-012, 11/24/08

Audit of the United States Mint's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-015, 12/8/08

Management Letter for Fiscal Year 2008 Audit of the United States Mint's Financial Statements, OIG-09-016, 12/8/08

Management Letter for Fiscal Year 2008 Audit of the Financial Management Service's Schedule of Non-Entity Government-wide Cash, OIG-09-017, 12/18/08

Management Letter for Fiscal Year 2008 Audit of the Financial Management Service's Schedule of Non-Entity Assets, Non-Entity Costs and Custodial Revenue, OIG-09-018, 12/18/08, **$126,811 Q**

Audit of the Office of Thrift Supervision's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-019, 12/18/08

Management Letter for Fiscal Year 2008 Audit of the Office of Thrift Supervision's Financial Statements, OIG-09-020, 12/18/08

Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-021, 12/22/08

Management Letter for Fiscal Year 2008 Audit of the Department of the Treasury Forfeiture Fund's Financial Statements, OIG-09-022, 12/22/08

Audit of the Financial Crimes Enforcement Network's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-023, 1/6/09

Audit of the Office of the Comptroller of the Currency's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-026, 1/8/09

Management Letter for Fiscal Year 2008 Audit of the Office of the Comptroller of the Currency's Financial Statements, OIG-09-027, 1/8/09

Management Letter for the Fiscal Year 2008 Audit of the Department of the Treasury's Financial Statements, OIG-09-028, 1/8/09

Audit of the Office of D.C. Pensions' Fiscal Years 2008 and 2007 Financial Statements, OIG-09-029, 1/12/09

Audit of the Exchange Stabilization Fund's Fiscal Years 2008 and 2007 Financial Statements, OIG-09-034, 3/11/09

Management Letter for Fiscal Year 2008 Audit of the Exchange Stabilization Fund's Financial Statements, OIG-09-035, 3/11/09

Information Technology Audits and Evaluations

Information Technology: United States Department of the Treasury's Compliance With Section 522 of the Consolidated Appropriations Act of 2005, OIG-09-014, 12/3/08

Information Technology: Network Security at the Alcohol and Tobacco Tax and Trade Bureau Could Be Improved, OIG-CA-09-005, 12/18/08

Information Technology: Treasury's Federal Desktop Core Configuration Deviation Tracking Process Is Inadequate, OIG-CA-09-007, 2/19/09

Performance Audits

Safety and Soundness: Material Loss Review of ANB Financial, National Association, OIG-09-013, 11/25/08

General Management: Treasury Should Reactivate State-Held Federal Unclaimed Assets Recovery Program (Corrective Action Verification on OIG-02-105), OIG-09-024, 1/7/09 **$10,500,000 R**

Private Collection Agencies: Diversified Collection Services, Inc., Needs to Improve Compliance with FMS's Debt Compromise Requirements, OIG-09-025, 1/8/09

Safety and Soundness: Material Loss Review of IndyMac Bank, FSB, OIG-09-032, 2/26/09

Safety and Soundness: Material Loss Review of First National Bank of Nevada and First Heritage Bank, National Association, OIG-09-033, 2/27/09

Supervised Contract Audits

Contract Audit: VSE Corporation's Incurred and Billed Costs Through September 30, 2007 under Contract TOS-06-052 (SBU), OIG-09-030, 1/29/09, **$426,331 Q**

Contract Audit: VSE Corporation's Certified Indirect Cost Rate Proposal for Fiscal Year 2006 under Contract TOS-06-052 (SBU), OIG-09-031, 2/12/09, **$35,642, Q**

Other

Memorandum for Secretary Paulson, *Management and Performance Challenges Facing the Department of the Treasury*, OIG-CA-09-001, 10/30/08

Memorandum for Secretary Paulson, *Information Requested Relating to a Capital Infusion to IndyMac Bank, F.S.B,* OIG-CA-09-004, 12/18/08

Memorandum for Secretary Geithner, *Information Requested Regarding the Office of Thrift Supervision (SBU)*, OIG-CA-09-008, 3/17/09

Audit Reports Issued with Questioned Costs

October 1, 2008, through March 31, 2009

Category	No. of Reports	Total Questioned Costs a/	Unsupported Costs a/
For which no management decision had been made by beginning of reporting period	0	0	0
Which were issued during the reporting period	3	588,784	0
Subtotals	3 b/	588,784	0
For which a management decision was made during the reporting period	1	126,811	0
dollar value of disallowed costs	1	126,811	0
dollar value of costs not disallowed	0	0	0
For which no management decision has been made by the end of the reporting period	2	461,973	0
For which no management decision was made within six months of issuance	0	0	0

a/ “Questioned costs” include “unsupported costs.”
b/ Two audits were performed by DCAA and one by an IPA.

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

October 1, 2008, through March 31, 2009

Category	No. of Reports	Total	Savings	Revenue Enhancement
For which no management decision has been made by the beginning of the reporting period	0	0	0	0
Which were issued during the reporting period	1	1	0	10,500,000
Subtotals	1	1	0	10,500,000
For which a management decision was made during the reporting period	1	1	0	10,500,000
dollar value of recommendations agreed to by management	1	1	0	10,500,000
based on proposed management action	1	1	0	10,500,000
based on proposed legislative action	0	0	0	0
dollar value of recommendations not agreed to by management	0	0	0	0
For which no management decision has been made by the end of the reporting period	0	0	0	0
For which no management decision was made within six months of issuance	0	0	0	0
A recommendation that funds be put to better use denotes funds could be used more efficiently if management took actions to implement and complete the recommendation including (1) reduction in outlays, (2) de-obligations of funds from programs or operations, (3) costs not incurred by implementing recommending improvements related to operations, (4) avoidance of unnecessary expenditures noted in pre-award review of contract agreements, (5) any other savings which are specifically identified, or (6) enhancements to revenues.				

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

as of March 31, 2009

There were no audit reports issued before this semiannual reporting period that are pending a management decision.

Significant Revised Management Decisions

October 1, 2008, through March 31, 2009

There were no significant revised management decisions during the period.

Significant Disagreed Management Decisions
October 1, 2008, through March 31, 2009

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

	Requirement	Page
Section 4(a)(2)	Review of legislation and regulations	26
Section 5(a)(1)	Significant problems, abuses, and deficiencies	8-21
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	8-21
Section 5(a)(3)	Significant unimplemented recommendations described in previous semi-annual reports	27-28
Section 5(a)(4)	Matters referred to prosecutive authorities	26
Section 5(a)(5)	Summary of instances where information was refused	28
Section 5(a)(6)	List of audit reports	28-31
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Section 5(a)(10)	Summary of audit reports issued before the beginning of the reporting period for which no management decision has been made	32
Section 5(a)(11)	Significant revised management decisions made during the reporting period	32
Section 5(a)(12)	Management decisions with which the Inspector General is in disagreement	33
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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	N/A

ABBREVIATIONS

BEP	Bureau of Engraving and Printing
BPD	Bureau of the Public Debt
BSA	Bank Secrecy Act
CFO Act	Chief Financial Officers Act of 1990
CPA	Certified Public Accountant
DO	Departmental Offices
EESA	Emergency Economic Stabilization Act
ESF	Exchange Stabilization Fund
FAEC	Federal Audit Executive Council
FDCC	Federal Desktop Core Configuration
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act
FEMA	Federal Emergency Management Agency
FinCEN	Financial Crimes Enforcement Network
FISMA	Federal Information Security Management Act of 2002
FMS	Financial Management Service
GAO	Government Accountability Office
GMRA	Government Management Reform Act of 1994
IRS	Internal Revenue Service
IPA	Independent Public Accountant
IT	information technology
MLR	material loss review
MOU	memoranda of understanding
OIG	Office of Inspector General
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Assets Control
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision
PCA	Prompt Corrective Action
TFI	Office of Terrorism and Financial Intelligence
TIER	Treasury Information Executive Repository
TIGTA	Treasury Inspector General for Tax Administration
TTB	Alcohol and Tobacco Tax and Trade Bureau

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Facts About Dollar Bills

Many of the basic face and back design features of United States paper currency were adopted in 1928.

Faceplate Numbers and Letters are the small numbers and letters that can be found in the lower right and upper left corners of a bill. In the left corner is the Note Position Number. This consists of the Note Position Letter and a quadrant number. The combination indicates the position of the note on the plate from which it was printed. In the lower right corner, the Note Position Letter is followed by the Plate Serial Number. This identifies the plate from which the note was printed. The Plate Serial Number for the reverse (back) side of the note is in the lower-right corner, just inside the ornamental border on the reverse of the bill.

A popular and often asked question about design is the one that appears on the back of the $1 note, the Great Seal of the United States. The front of the seal shows an American bald eagle behind our national shield. The eagle holds an olive branch, which symbolizes peace, with 13 berries and 13 leaves. In the left talon, the eagle holds 13 arrows, which represents war. The 13 leaves represent the original colonies. The eagle's head is turned toward the olive branch, showing a desire for peace. The top of the shield represents the Congress, the head of the eagle the Executive branch, and the nine tail feathers the Judiciary branch of our government. The 13-letter motto, "E Pluribus Unum," on the ribbon held in the eagle's beak means "Out of Many, One."

On the reverse of the seal is a pyramid with 1776 in Roman numerals at the base. The pyramid stands for permanence and strength. The pyramid is unfinished, signifying the United States' future growth and goal of perfection. A sunburst and an eye are above the pyramid, representing the overseeing eye of a deity. The 13-letter motto, "Annuit Coeptis" means "He has favored our undertakings." Below the pyramid the motto, "Novus Ordo Seclorum" means "A new order of the ages," standing for the new American era.

The motto "In God We Trust" first appeared on U.S. coins in 1864. However, it was not until 1955 that a law was passed which stated that thereafter all new designs for coins and currency would bear that inscription.

Source: Bureau of Engraving and Printing Website

contact us

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

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

Office of Investigations
740 15th Street, N.W., Suite 500
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

Eastern Field 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

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