

Semiannual Report to Congress

April 1, 2014 – September 30, 2014
OIG-CA-15-002

Office of Inspector General
Department of the Treasury



Highlights

During this semiannual reporting period, the Office of Audit issued 29 products and the Office of Small Business Lending Fund (SBLF) Program Oversight issued 4 products. The two offices also identified \$544,894 in monetary benefits. Work by the Office of Investigations resulted in 9 arrests and 11 convictions. Some of the more significant results for the period are described below.

- Prompted by media attention and Congressional hearings that focused on the 2012 trading losses at the Chief Investment Office of JPMorgan Chase Bank, National Association, the Office of Audit performed an audit of the Office of the Comptroller of the Currency's (OCC) supervision of the bank's trading activities. We found that OCC had many opportunities to address weaknesses in the Chief Investment Office's risk management, but did not act strongly or timely enough to address those weaknesses. In some cases, OCC failed to act at all. OCC's planned corrective actions were responsive to our recommendations, which included (1) ensuring that examiners obtain satisfactory explanations when bank reports show significant signs of increasing risk in trading activities and (2) amending OCC policies and procedures to clarify when examiners should follow up on examination findings.
- The Office of Audit also found that \$44,908 of awards made to MSL Development, LLC (MSL), a recipient of Treasury's Recovery Act 1603 Program—Payments for Specified Energy Property in Lieu of Tax Credits—were ineligible because MSL did not meet the ownership requirement for 5 solar properties and claimed ineligible and unsupported costs for another solar property. We also recommended that another \$59,644 should be recaptured from MSL for failure to submit the required annual performance reports and certifications related to its properties, and that Treasury review the eligibility of MSL's other 11 solar properties based on the results of its audit.
- The Office of SBLF Program Oversight reported that a \$499,986 investment made by Indiana constituted an intentional misuse of funds because the State Small Business Credit Initiative funding was provided to a related party. Based on the audit results, Treasury agreed to recoup the \$499,986 of funds misused.
- The Office of Investigations determined that two subjects conspired to forge and negotiate approximately \$450,000 in monetary instruments, including U.S. Treasury checks, through Columbia Check Cashing in Augusta, Georgia. One subject received a sentence of 148 months of incarceration and restitution of \$450,466. The other subject received a sentence of 54 months in prison and restitution of \$455,113.

The Council of Inspectors General on Financial Oversight convened a working group, led by the Treasury Inspector General, to audit the Financial Stability Oversight Council's (FSOC) compliance with its transparency policy. While the audit concluded that FSOC operated in a manner consistent with the expectations outlined in its policy, it also identified certain practices that FSOC could implement in the future to improve or increase its transparency. During the audit, FSOC incorporated many of these practices into a revised transparency policy adopted unanimously by FSOC in May 2014. FSOC also agreed with the audit recommendations to provide greater detail in the meeting minutes for closed meetings and identify datasets and information that could be made publicly available.



Message from the Inspector General

I am pleased to present the Treasury Office of Inspector General's Semiannual Report to Congress for the 6-month period ending September 30, 2014. The audits, reviews, and investigations described in this report illustrate our office's commitment to promoting the integrity, efficiency, and effectiveness of Treasury programs and operations under our jurisdictional oversight.

This message highlights our office's efforts and plans to oversee the Department's implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act), Public Law 113-101. Signed into law in May 2014, the main objectives of the DATA Act are to establish Government-wide standards for financial data and provide consistent, reliable, and searchable Government-wide spending data for citizens and policy makers.

The DATA Act places major responsibilities squarely on Treasury, or Treasury working in conjunction with the Office of Management and Budget. Implementing the act will be a complex undertaking involving significant interagency coordination and cooperation. In addition, the act requires the Inspector General of each Federal agency to conduct three biennial reviews beginning in 2016 of statistically valid samples of spending data submitted by their respective agencies. The reviews are to be submitted to Congress and be made publically available. Each review is to assess the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the agency.

Beginning this year and going forward, our Office of Audit has and will need to continue to provide significant resources to oversee Treasury's responsibilities under the DATA Act. The Office of Audit also plans to work with the Inspector General community to develop a comprehensive audit methodology which allows the Federal audit community to comply with its responsibilities under the act, while promoting the efficient use of resources.

In closing, I would like to acknowledge the employees of Treasury's Office of Inspector General for their continued commitment and professionalism. In particular, I would like to express my appreciation to Debra Ritt, the Special Deputy Inspector General for the Office of Small Business Lending Fund Program Oversight. Debra retired in September 2014 after 41 years of dedicated service to the Federal Government, including nearly 4 years during which time she made significant contributions to Treasury. On behalf of the entire office, I wish her much happiness in retirement.

A handwritten signature in black ink, appearing to read "Eric M. Thorson".

Eric M. Thorson
Inspector General

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Office of Inspector General Overview

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

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

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

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

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

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

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

¹ *Giglio* is information that refers to material that may call into question the character or testimony of a prosecution witness in a criminal trial.

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

OIG's fiscal year 2014 appropriation is \$34.8 million. As of September 30, 2014, OIG had 169 full-time staff, of which 17 of those staff work for the Office of SBLF Program Oversight and are funded on a reimbursable basis.

Treasury's Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000, the Treasury Inspector General annually provides the Secretary of the Treasury with his perspective on the most serious management and performance challenges facing the Department. In a memorandum to Secretary Lew dated October 23, 2014, Inspector General Thorson reported six challenges. Four challenges are repeat challenges from last year and two challenges are new. The following is a synopsis of the matters included in that memorandum. The Inspector General's annual Management and Performance Challenges Memoranda are available, in their entirety, on the Treasury OIG [website](#).

Cyber Threats (New Challenge)

For the last several years, we have reported on our growing concern with cybersecurity. This year, we elevated cyber threats to the Department's top management challenge. Cybersecurity represents one of the most serious problems facing the Nation and depends on a reliable critical infrastructure, including information systems and networks, to manage national security and economic threats. It is a persistent area of concern as Treasury's information systems are critical to the core functions of government and the Nation's financial infrastructure. As cyber threats continue to grow and become more sophisticated and subtle, they pose an ongoing challenge for Treasury to safeguard its internal systems and operations and the financial sector it oversees.

Continued Implementation of Dodd-Frank (Repeat Challenge)

This challenge focuses on the responsibilities of Treasury and the Secretary under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), enacted in 2010.

Management of Treasury's Authorities Intended to Support and Improve the Economy (Repeat Challenge)

This challenge focuses on the administration of broad authorities given to Treasury by the Congress to address the financial crisis under the Housing and Economic Recovery Act of 2008, the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010.

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

This challenge focuses on the difficulties Treasury faces to ensure criminals and terrorists do not use our financial networks to sustain their operations and/or launch attacks against the U.S.

Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments (New Challenge)

Over the past several years, Congress and the Administration have taken steps to increase and improve the public availability of information about Federal spending. Transparency initiatives are intended to allow citizens to better understand how tax dollars are used and, by making spending information more easily available, help to identify and prevent fraud and waste; facilitate better decision making; and improve operational efficiency. The Digital Accountability and Transparency Act of 2014 (DATA Act), signed into law in May 2014, furthers the effort to ensure that the Federal Government provides consistent, reliable, and useful online data about how it spends taxpayer dollars. To fulfill its purpose, the DATA Act imposes certain requirements on the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), the inspectors general of each Federal agency, and the Comptroller General of the United States. Given the critical nature of the roles assigned to Treasury by the DATA Act, we consider this a high-risk implementation project.

In light of the continuing problem of improper payments (estimated at \$106 billion, or 3.5 percent of all Federal payments, for fiscal year 2013) and the extreme pressures on the budget, the Federal Government has intensified efforts to reduce improper payments in major Federal programs. Treasury's Do Not Pay Initiative, established by executive order and codified by the Improper Payments Elimination and Recovery Improvement Act of 2012, is a major part of those efforts. With its potential to significantly reduce improper payments, the Do Not Pay Program is a major and important undertaking by the Bureau of the Fiscal Service (Fiscal Service) and Treasury.

Gulf Coast Restoration Trust Fund Administration (Repeat Challenge)

This challenge focuses on Treasury's administration of the Gulf Coast Restoration Trust Fund, established by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) in response to the April 2010 *Deepwater Horizon* oil spill.

Matters of Concern

Our memorandum also highlighted two matters of concern—challenges with currency and coin production and lapses by the Department in maintaining a complete and concurrent record of key activities and decisions.

Office of Audit – Significant Audits and Other Products

Programs and Operations

Dodd-Frank Oversight

Treasury Made Progress to Stand Up the Federal Insurance Office, But Missed Reporting Deadlines

Dodd-Frank created the Federal Insurance Office within Treasury and authorized the office to perform a range of functions, including monitoring all aspects of the insurance sector, coordinating and developing Federal policy on international insurance regulatory matters, and assisting the Secretary of the Treasury in negotiating certain international agreements. We evaluated the status and effectiveness of Treasury's process to establish the office in a manner that enables it to perform its functions.

We found that since its establishment in July 2010, the Federal Insurance Office had engaged in numerous activities. For example, it represented U.S. interests related to international insurance matters, worked to establish strategic relationships within the insurance sector, staffed the office, and drafted legislatively required reports. However, the office completed four of the five reports required by Dodd-Frank well after their due dates and the remaining report was past due as of the end of our fieldwork. In addition, the office had not documented a strategy for accomplishing its legislative functions, or developed a comprehensive implementation plan to direct the development of operational processes and ensure critical deliverables are met. Moreover, the office was unable to provide us with formal documentation evidencing the extent of its insurance industry activities and had not developed performance measures.

We recommended that the Federal Insurance Office (1) ensure that the legislatively required report that is past due is issued with deliberate speed; (2) finalize a plan for achieving its functions, and develop a comprehensive plan to direct the development of its operational processes; (3) provide for maintaining a record of all significant activities performed, decisions made, and actions taken; and (4) determine appropriate performance measures to communicate and demonstrate its accomplishments. The office's planned corrective actions meet the intent of our recommendations, but lack specificity with respect to timeframes for implementation. **(OIG-14-036)**

Failed Bank Reviews

In 1991, Congress enacted the Federal Deposit Insurance Corporation Improvement Act following the failures of about a thousand banks and thrifts from 1986 to 1990. Among other things, the act added Section 38, Prompt Corrective Action, to the Federal Deposit Insurance Act. Section 38 requires

Federal banking agencies to take specific supervisory actions in response to certain circumstances.² Within Treasury, the Office of the Comptroller of the Currency (OCC) is the regulator for national banks. Effective July 21, 2011, OCC assumed the regulatory responsibility for Federal savings associations that were previously regulated by the former Office of Thrift Supervision (OTS).

Section 38 also requires the Inspector General for the primary Federal regulator of a failed financial institution to conduct a material loss review (MLR) when the estimated loss to the Deposit Insurance Fund (DIF) is “material.” As part of an MLR, we determine the causes of the failure and assess the supervision of the institution, including the implementation of the Section 38 Prompt Corrective Action provisions. Section 38, as amended by Dodd-Frank, defines a material loss as a loss to the DIF that exceeds \$50 million in 2014 and thereafter, with a provision for increasing the threshold to \$75 million under certain circumstances. Section 38 also now requires a review of all bank failures with losses under those threshold amounts for the purposes of (1) ascertaining the grounds identified by the primary Federal regulator for appointing the Federal Deposit Insurance Corporation (FDIC) as receiver, and (2) determining whether any unusual circumstances exist that might warrant a more in-depth review of the loss. This provision applies to bank failures from October 1, 2009, forward.³

From the beginning of the economic crisis in 2007 through September 2014, FDIC and other banking regulators closed 504 banks and thrifts. Treasury, through OCC and the former OTS, was responsible for regulating 136 of those institutions. Of the 136 failures, 55 resulted in a material loss to the DIF, of which we completed 54 in prior semiannual reporting periods and 1 MLR in this semiannual reporting period.

Material Loss Review of First National Bank, Edinburg, Texas (Closed September 13, 2013; Estimated Loss to the DIF—\$637.5 million)

OCC closed First National Bank, Edinburg, Texas, and appointed FDIC as receiver on September 13, 2013. Because the loss estimate met the MLR threshold, we conducted an MLR to determine the causes of the bank’s failure and assess the supervision of the institution, including the implementation of the Section 38 Prompt Corrective Action provisions.

We found that the bank failed due to aggressive growth resulting in a high concentration of commercial real estate, undue influence by the former chairman of the board, and deficient senior management oversight and governance. Regarding supervision, we determined that OCC did not

² Prompt Corrective Action is a framework of supervisory actions for insured institutions that are not adequately capitalized. It was intended to ensure that action is taken when an institution becomes financially troubled in order to prevent a failure or minimize resulting losses. These actions become increasingly more severe as the institution falls into lower capital categories. The capital categories are well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

³ Prior to Dodd-Frank, an MLR was required if loss to the DIF from a bank failure exceeded the greater of \$25 million or 2 percent of the institution’s total assets. There was also no requirement for us to review bank failures with losses less than this threshold.

identify until 2013 the bank’s potentially improper accounting of 2009 capital injections and the bank’s practice of improperly accounting for interest income on nonaccrual loans using the cash basis method. Also, OCC closed a matter requiring attention (MRA) in 2010 regarding accounting for other real estate owned sales without sufficient evidence that bank management had corrected the problem. However, OCC did make appropriate use of Prompt Corrective Action.

In our June 2012 in-depth review of the First National Bank of Davis, Davis, Oklahoma, we recommended that OCC remind examiners of the importance of following OCC’s guidance regarding verifying that the bank’s corrective actions have been successful and timely.⁴ Ensuring examiners verify that banks properly address MRAs is a matter requiring ongoing OCC management attention; accordingly, we made no new recommendations in this area. However, we made two new recommendations to address the other issues identified during our review of First National Bank, Edinburg, Texas. Specifically, we recommended that OCC (1) remind examiners to follow OCC guidance in the OCC *Capital Accounts and Dividends* booklet regarding the documentation of material changes in a bank’s capital accounts and *Examiner’s Guide to Problem Bank Identification, Rehabilitation, and Resolution* booklet regarding watching for aggressive accounting positions taken by management and (2) expand its examiner guidance in the *Loan Portfolio Management* booklet to provide instructions regarding the proper accounting treatment for nonaccrual loans, including the accounting for payments received on these loans. OCC’s planned corrective actions are responsive to our recommendations. With regard to its planned update to the *Loan Portfolio Management* booklet, to the extent that OCC addresses the proper accounting treatment for nonaccrual loans, its planned corrective actions will meet the intent of our corresponding recommendation. **(OIG-14-033)**

Also during this period, we completed 4 reviews of failed Treasury-regulated banks that did not meet the material loss threshold as defined in Dodd-Frank: DuPage National Bank, West Chicago, Illinois (Estimated Loss to the DIF—\$1.6 million); Millennium Bank, National Association, Sterling, Virginia (Estimated Loss to the DIF—\$7.7 million); Texas Community Bank, National Association, The Woodlands, Texas (Estimated Loss to the DIF—\$10.8 million); and Slavia Federal Savings Bank, Bel Air, Maryland (Estimated Loss to the DIF—\$6.6 million). **(OIG-14-040, OIG-14-041, OIG-14-043, and OIG-14-046)**

Other Banking-Related Oversight

OCC Needs to Strengthen Supervision of Trading Activities in Light of the JPMorgan Chase Losses

Prompted by media attention and Congressional hearings that focused on the 2012 trading losses at the JPMorgan Chase Bank, National Association (JPMorgan Chase) Chief Investment Office, we performed an audit of OCC’s supervision of the bank’s trading activities. We found that OCC had many opportunities to address weaknesses in the Chief Investment Office’s risk management of trading

⁴ OIG, *Safety and Soundness: In-Depth Review of the First National Bank of Davis, Davis, Oklahoma* (OIG-12-055; issued June 7, 2012)

activities, but did not act strongly or timely enough to address those weaknesses. In some cases, OCC failed to act at all. Specifically, OCC did not (1) follow up on a 2010 MRA regarding the Chief Investment Office's lack of risk management policies, (2) follow up on concerns it had with the office's internal audit function, and (3) appropriately address signs of increasing risk in the bank's Synthetic Credit Portfolio.⁵ We believe that a stronger, timelier OCC response to these weaknesses may have limited the losses. Further, we determined that the *Comptroller's Handbook* lacked comprehensive guidance on supervision of bank trading activities and OCC's coordination of its dual supervision responsibilities with the Board of Governors of the Federal Reserve System (FRB) needed improvement.

We recommended that OCC (1) ensure that examiners review bank reports and obtain satisfactory explanations when those reports show significant signs of increasing risk in trading activities; (2) amend OCC policies and procedures to clarify that examiners should follow up on MRAs no later than during the next supervisory cycle, or sooner as dictated by the urgency of the examination finding; (3) ensure that examiners follow up on findings or concerns with a bank's internal audit office and expand the review of the internal audit function, as necessary, to determine its effectiveness; (4) improve supervisory coordination with other regulatory agencies and consider formalizing any understanding or agreement; and (5) ensure that revisions to the *Comptroller's Handbook* for supervision of trading activities communicate to examiners all activities required to be performed during both ongoing supervision and targeted examinations. OCC's planned corrective actions are responsive to our recommendations. **(OIG-14-035)**

OCC's Review of Banks' Use of Third-Party Service Providers Is Not Sufficiently Documented

Financial institutions use third-party service providers (third parties) to carry out significant parts of their regulated and unregulated activities. We evaluated the sufficiency and effectiveness of OCC's procedures for supervising the use of third parties by national banks and Federal savings associations.

During our audit, OCC Bulletin 2001-47, *Third-Party Relationships: Risk Management Principles*, served as the guidance to financial institutions on managing the risks related to third-party relationships. We found that this bulletin was generally comprehensive, but outdated. Before we completed our audit, OCC issued new risk-management guidance related to third-party relationships for national banks and Federal savings associations, OCC Bulletin 2013-29, *Third-Party Relationships: Risk Management Guidance*. This new guidance goes into greater detail in defining attributes of an effective risk-management process for third-party relationships. We also found that as part of their examinations, OCC examiners conclude upon the adequacy of bank processes for managing risks related to the use of third parties. However,

⁵ The Synthetic Credit Portfolio was a portfolio of credit derivatives that grew to have a large and complex set of risks. Credit derivatives are financial contracts designed to hedge credit-risk exposure by providing insurance against losses suffered through credit events, such as downgrade by a rating agency below a specified minimum level, bankruptcy or insolvency by the obligor, or default on payment obligations.

examination workpapers related to the use of third parties by smaller financial institutions often did not leave a clear enough audit trail to enable a reviewer to determine how the conclusions were reached.

We recommended that OCC reinforce to examination staff the need for workpapers to contain essential information to support conclusions about banks' governance of third parties. OCC's planned corrective actions meet the intent of our recommendation. **(OIG-14-034)**

OCC Needs to Ensure Servicers Implement Amended Foreclosure Consent Orders and Act on Identified Weaknesses

We completed an audit of OCC's oversight of amended foreclosure consent orders that OCC, in conjunction with FRB, issued to major mortgage servicers. These orders amended foreclosure-related consent orders originally issued in April 2011 against these major mortgage servicers for unsafe and unsound practices in residential mortgage servicing and foreclosure processing. The amended orders required that the servicers cease work on the independent foreclosure reviews required by the original orders and provide relief to potentially harmed borrowers in the form of cash payments and foreclosure prevention actions.

Our audit objectives were to (1) report on the circumstances and processes used to determine that the foreclosure consent orders issued in April 2011 needed to be amended, including how the new settlement amounts were derived; and (2) assess OCC's oversight of servicers' compliance with the amended foreclosure consent orders, including the servicers' categorization of the population of borrowers due payment, the payment of funds from a Qualified Settlement Fund, and the servicers' loss mitigation or other foreclosure prevention actions.

We found that OCC pursued the amendment of the original foreclosure-related consent orders to facilitate more timely relief to borrowers potentially harmed during the foreclosure process. In addition, we found that the cash payment and foreclosure prevention figures in the amended consent orders were negotiated amounts with the servicers that had limited analytical support. Regarding OCC's oversight of servicers' compliance with amended foreclosure consent orders, OCC identified weaknesses and concerns with both the servicers' borrower categorization and the payment processes of which it is continuing to address the concerns with the payment process. We also noted that OCC oversight of servicers' foreclosure prevention actions has not yet substantively begun.

We recommended that OCC (1) continue to work to ensure that errors and concerns that it identified in the payment process are addressed; (2) finalize its determination on the disposition of funds remaining in the Qualified Settlement Funds after the distribution is complete; (3) ensure servicer system weaknesses and data limitations identified during OCC's validation work are addressed in the corrective action plans developed by the servicers and that these corrective action plans are implemented; and (4) implement processes to monitor the sufficiency of foreclosure prevention measures taken by servicers subject to the amended consent orders. Actions taken and planned by OCC were responsive to

our recommendations; although in some cases, the planned actions lacked specificity with respect to timeframes for implementation. **(OIG-14-044)**

Evaluation of Enforcement Actions Against Institution-Affiliated Parties and Individuals

We performed a joint evaluation with the FDIC OIG and the FRB and the Consumer Financial Protection Bureau OIG of (1) the efforts by FDIC, FRB, and OCC to investigate, pursue, and impose enforcement actions against institution-affiliated parties (IAP) and (2) the FDIC's efforts to pursue professional liability claims against individuals and entities whose actions harmed institutions that ultimately failed.

Overall we found that regulators can use enforcement actions against IAPs to remove and prohibit them from participating in the affairs of any insured depository institution for life. In this regard, the statutory criteria for sustaining a removal/prohibition order are rigorous and the regulators must meet the requisite legal standard for three separate prongs of the statute: misconduct, effect of the misconduct, and culpability for the misconduct. In addition, the regulators each have similar, formal processes to investigate and impose enforcement actions on IAPs whose actions harmed institutions. These processes generally include an investigative period (which can include a formal investigation); agency review; an opportunity for the IAP to consent to the action; and if the IAP does not consent to the action, issuance of a Notice of Charges followed by an administrative hearing and an opportunity to appeal to a Federal court of appeals.

Our joint report contained seven recommendations intended to strengthen the FDIC, FRB, and OCC's programs for pursuing enforcement actions and the FDIC's program for pursuing professional liability claims, and to address factors that appeared to impact the regulators' ability to pursue such actions. Of the seven recommendations, two were applicable to all three agencies, one was applicable to the FRB and OCC, and four were applicable to the FDIC. With respect to the three recommendations applicable to OCC, the report recommended that OCC: (1) further examine methodologies to support enforcement actions that permanently ban from banking those individuals whose actions harmed financial institutions based on a willful or continuing disregard for the safety or soundness of the institutions (recommendation also applicable to FDIC and FRB); (2) address differences with the other regulators in how they notify each other when initiating enforcement actions (recommendation also applicable to FDIC and FRB); and (3) inform its regulated institutions about the risks related to insurance policy exclusions (recommendation also applicable to FRB). With respect to this last recommendation, our joint review reported that a key factor impacting the pursuit of professional liability claims was an increasing number of exclusions that insurers inserted into insurance policies, which excluded or attempted to exclude coverage for claims made by FDIC. OCC's comments to a draft of the report were responsive to the recommendations and adequately described planned actions to be taken. **(OIG-CA-14-012)**

Recovery Act Oversight

Delaware State Housing Authority's Payment Under 1602 Program

Under the Treasury's 1602 Program—Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009—authorized by Section 1602 of the Recovery Act, state housing credit agencies are allowed to exchange a portion of their low-income housing credits for Program funds to be disbursed to eligible subawardees to help finance either the construction or the acquisition and rehabilitation of qualified low-income housing projects. As part of our ongoing oversight of the program, we are conducting audits of awards made to selected state housing credit agencies to assess whether the agencies awarded 1602 Program funds complied with the program's requirements contained in Treasury's terms and conditions of award.

As part of our ongoing oversight of the 1602 Program, we completed an audit of the award made to the Delaware State Housing Authority (DSHA). We found that DSHA generally complied with Treasury's 1602 Program terms and conditions for receiving its \$20.6 million of 1602 Program funds, as well as requirements for subawarding those funds to low-income housing projects. We did note that DSHA was unable to fully comply with a specific Treasury 1602 Program requirement that each state housing credit agency open a new account with a financial institution for the purpose of receiving and disbursing 1602 Program funds since this would have been inconsistent with Delaware law. Nevertheless, DSHA met the Office of the Fiscal Assistant Secretary's overall financial management requirement by tracking 1602 Program funds in a separate general ledger account. As also required by the 1602 Program, DSHA established a process for monitoring the long-term viability of projects and their compliance with program requirements, and met all of Treasury's reporting requirements. Based on our review of DSHA's administration and oversight activities, we concluded that the projects funded with 1602 Program funds met the subaward requirements. In our report, we cautioned that DSHA must continue to ensure compliance with the terms and conditions over the remaining 15-year compliance period. We did not make any recommendations to Treasury. **(OIG-14-042)**

MSL Development LLC Payments Under 1603 Program

Under Treasury's 1603 Program—Payments for Specified Energy Property in Lieu of Tax Credits—authorized by Section 1603 of the Recovery Act, applicants are eligible for a 1603 Program award for placing specified energy properties in service or beginning construction of such properties during calendar years 2009, 2010, or 2011. For properties not yet in-service, applicants were required to submit applications before October 1, 2012. The amount awarded must be in accordance with applicable provisions of the Internal Revenue Code for determining the appropriate cost basis.

As part of our ongoing oversight of the 1603 Program, we completed an audit of an award recipient, MSL Development, LLC (MSL), to assess the eligibility and accuracy of the award by determining whether (1) the property existed, (2) the property was placed into service during the eligible timeframe, and (3) the award amount was appropriate.

We found that the awards made to MSL were not appropriate for 6 of its solar energy properties located in southern California. Specifically, 5 subject properties were ineligible for award under Treasury's 1603 Program because MSL did not meet the ownership requirement for specified energy property in accordance with Treasury's 1603 Program guidance and Treasury Regulation §1.263A-1 and the claimed cost basis for the only owned award-eligible property contained ineligible and unsupported costs. In all, we determined that the reported cost basis of \$179,495 for the 6 subject properties included \$149,692 of ineligible costs. As a result, we questioned \$44,908 of Treasury's 1603 Program awards to MSL (30 percent of \$149,692). We also noted that MSL was delinquent in submitting required annual reports for the 6 subject properties and 11 other solar properties (awarded \$89,354). We determined that an additional \$59,644 should be recaptured for failure to submit the required annual performance reports and certifications, and recommended Treasury review the eligibility of the 11 other solar properties based on the results of our audit. Treasury's planned corrective actions meet the intent of our recommendations. **(OIG-14-039)**

Information Technology Audit

Fiscal Year 2014 Audit of Treasury's Compliance With the Federal Information Security Management Act Implementation for its Intelligence Systems

The Federal Information Security Management Act (FISMA) requires each Inspector General to perform an annual independent evaluation of their agency's information security program and practices. For fiscal year 2014, we determined that Treasury's information security program and practices as they relate to its intelligence systems generally complied with FISMA requirements. We also noted that improvements were needed. Due to the sensitive nature of these systems, our report is designated sensitive but unclassified. **(OIG-14-047)**

Other Performance Audits

Treasury Was Not in Compliance with IPERA for Fiscal Year 2013

As required by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), we performed an audit to assess and report on Treasury's compliance with IPERA for fiscal year 2013. We determined that Treasury was not in compliance with IPERA due to IRS' Earned Income Tax Credit (EITC) deficiencies reported by TIGTA. Specifically, IRS did not publish annual EITC improper payment reduction targets and has not reported an improper payment rate of less than 10 percent. This is the third consecutive year we determined that Treasury was not in compliance with IPERA due to EITC deficiencies.

TIGTA also reported that improper payment risk assessments may not provide a reliable assessment of the risk of improper payments in tax administration, and Federal courts have ruled that IRS does not have regulatory authority over paid tax return preparers, which was previously cited as IRS's most promising initiative to reduce EITC improper payments.

We (1) reaffirmed our prior year recommendation that the Assistant Secretary for Management ensure that Treasury submit a comprehensive plan to Congress that includes a description of the corrective actions Treasury will take to remediate noncompliance with IPERA due to IRS's EITC deficiencies; and (2) recommended the Secretary of the Treasury or designee, in no later than 30 days, submit to Congress either reauthorization proposals or proposed statutory changes necessary to bring the EITC program into compliance with IPERA. Treasury agreed with our recommendations and has been working with OMB on developing supplemental measures to remediate the EITC deficiencies. However, management advised us that IRS will not be ready to submit a complete corrective action plan with regard to submitting reauthorization proposals or proposed statutory changes within 30 days due to the complexity of the EITC and its impact on a significant segment of the taxpaying public. The planned implementation date is May 15, 2015. **(OIG-14-032)**

FinCEN Completed the BSA IT Modernization Program Within Budget and Schedule

In 2011, Congress directed our office to report on the planning and implementation of the Bank Secrecy Act (BSA) Information Technology Modernization (BSA IT Mod) by the Financial Crimes Enforcement Network (FinCEN). Since this time and consistent with the Congressional directive, we have provided semiannual reports on FinCEN's progress in meeting cost, schedule, and performance benchmarks for the program; and in providing appropriate oversight of contractors. We have also assessed any deviations from FinCEN's plan.

In this, our sixth and final audit on the status of FinCEN's development of BSA IT Mod, we found that FinCEN completed its development in March 2014, within the \$120 million budgeted for the program and within the planned 4-year schedule. FinCEN transitioned the BSA IT Mod from the development phase to the operations and maintenance phase, and as of the end of our fieldwork, was working on certain necessary enhancements to the BSA IT Mod.

We did not make any recommendations to FinCEN; however, we will continue to monitor FinCEN's efforts as the program progresses through the operations and maintenance phase. FinCEN acknowledged our conclusion that the development of the BSA IT Mod program was completed within budget and on schedule. FinCEN also committed to continue to engage its stakeholders to gather feedback, prioritize efforts, and address user needs throughout the operations and maintenance phase. **(OIG-14-048)**

Other Product

Review of Travel to Cuba by Shawn Carter and Beyoncé Knowles-Carter

In April 2013, various media reports cited that Shawn Carter and Beyoncé Knowles-Carter celebrated their 5th wedding anniversary in Cuba. The reports prompted members of Congress to ask the Office of Foreign Assets Control (OFAC) whether the trip violated the U.S. travel ban to Cuba for tourist activities. OFAC responded that the trip did not violate U.S. sanctions and was licensed under OFAC's people-to-people educational exchange program. We performed a review of OFAC's actions to

determine whether OFAC’s decision not to pursue an enforcement case for violations of U.S. sanctions was reasonable.

OFAC is authorized to license travel to Cuba for people-to-people educational exchanges that enhance contact with the Cuban people, support civil society in Cuba, or help promote the Cuban people’s independence from Cuban authorities. Based on our review of the applicable laws and regulations, OFAC guidelines, the OFAC case file for the nonprofit organization including related correspondence between OFAC and the organization, and inquiry of OFAC officials, we found OFAC’s determination that there was no apparent violation of U.S. sanctions with respect to the Carters’ trip to Cuba was reasonable. While we did not make any formal recommendations to OFAC, we believe OFAC should have documented in its files a summary of the basis for its determinations with respect to this matter. OFAC agreed with our conclusion. **(OIG-CA-14-014)**

Financial Management

Attestation Engagements

Reports on the Processing of Transactions by the Bureau of the Fiscal Service

We completed three reports described below in support of the audit of Treasury’s fiscal year 2014 consolidated financial statements and the financial statement audits of certain other Federal agencies.

KPMG LLP (KPMG), working under a contract with our office, examined the accounting and procurement processing and general computer controls related to financial management services provided to various Federal agencies by Fiscal Service’s Administrative Resource Center for the period beginning July 1, 2013, and ending June 30, 2014. KPMG found, in all material respects, that the controls were fairly presented in the description of controls for these activities and suitably designed. The auditor also found that controls tested operated effectively throughout the period. **(OIG-14-045)**

KPMG, working under a contract with our office, examined general computer and trust funds management processing controls used for various Federal and state agencies’ transactions by the Fiscal Service’s Funds Management Branch, and general computer and investment/redemption processing controls used for various Federal agencies’ transactions by the bureau’s Federal Investments Branch for the period beginning August 1, 2013, and ending July 31, 2014. KPMG found, in all material respects, that the controls were fairly presented in the description of controls for these activities and suitably designed. The auditor also found that controls tested operated effectively throughout the period. **(OIG-14-049 and OIG-14-050)**

Financial Audits of Treasury

Audit of the Office of D.C. Pensions’ Fiscal Years 2013 and 2012 Financial Statements

KPMG, working under a contract with our office, issued an unmodified opinion on the Office of D.C. Pensions’ fiscal year’s 2013 and 2012 financial statements. However, KPMG identified a material weakness related to the office’s review controls over its actuarial pension liability. In addition, KPMG identified a significant deficiency related to supervisory review and monitoring controls over annuitant benefit payments. No instances of reportable noncompliance with laws and regulations were identified. KPMG also issued a management letter recommending improvements to strengthen internal control over financial reporting with respect to management’s testing of controls and proper review of financial statements and related note disclosures at the Office of D.C. Pensions. **(OIG-14-037 and OIG-14-038)**

Audits of the fiscal year 2014 financial statements or schedules of the Department and component reporting entities were in progress at the end of this semiannual reporting period.

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 2013 consolidated financial statements.

Condition	Type of noncompliance
Internal control deficiencies in financial management systems for unpaid tax assessments continue to exist. As a result of these deficiencies, IRS was unable to (1) use its general ledger system and underlying subsidiary records to classify and report Federal taxes receivable, compliance assessments, and write-offs for tax transactions, in accordance with Federal accounting standards without a labor-intensive manual compensating estimation process; (2) use its subsidiary ledger for unpaid tax assessments to prepare reliable, useful, and timely information to manage and report externally because IRS’s classification program does not effectively sort through, identify, and analyze all the relevant transaction information required for proper classification, recording and reporting; and (3) effectively prevent or timely detect and correct errors in recording taxpayer information. (first reported in fiscal year 1997)	Federal financial management systems requirements
Financial management systems were unable to support the taxes receivable amount on the consolidated balance sheet, and the compliance assessments and write-offs in the required supplementary information disclosures, in accordance with <i>Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i> . (first reported in fiscal year 1997)	Federal accounting standards

The status of these instances of noncompliance, including progress in implementing remediation plans, will be evaluated as part of the audit of the Department’s fiscal year 2014 consolidated financial statements.

Office of SBLF Program Oversight – Significant Audits

State Small Business Credit Initiative

The Small Business Jobs Act of 2010 established SSBCI, a \$1.5 billion program available to states, territories, and eligible municipalities to support state programs that lend to and invest in small businesses. Under the initiative, participating states use the Federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy, but are not getting the loans they need to expand and create jobs. SSBCI builds on new and existing models for state small business programs, including those that finance loan loss reserves and provide loan insurance, loan guarantees, venture capital funds, and collateral support. To date, Treasury has disbursed approximately \$1 billion of the funds awarded under the program to 57 states, territories, and municipalities that are participating in SSBCI. Recipients must report quarterly and annually on their use of the funds.

The act also created within Treasury OIG the Office of SBLF Program Oversight. This office is responsible for identifying instances of intentional or reckless misuse of SSBCI funds. Program funds are disbursed in three allotments and are subject to being withheld pending the results of an audit by the office. During this semiannual reporting period, the office completed four audits on states' use of Federal funds.

Indiana's Use of Federal Funds for Other Credit Support Programs

An investment made by Indiana, totaling \$499,986, constituted an intentional misuse of funds. The investment was made in a company that has direct ties to Elevate Ventures, Incorporated (Elevate Ventures), a nonprofit entity hired by the Indiana Economic Development Corporation to manage the Indiana Angel Network Fund program investments. As part of its management responsibilities, Elevate Ventures approves and executes investment decisions in venture capital projects. Our audit found that at the time that Elevate Ventures approved this particular investment, its board chairman was also the chief executive officer of the investee company and had a controlling interest and voting stock ownership of more than 10 percent in the same company. This relationship created a prohibited related-party interest. *SSBCI Policy Guidelines* prohibit an investee receiving SSBCI funds from a related interest of any such executive officer, director, principal shareholder, or immediate family member.

The misuse was intentional because the Elevate Ventures chief executive officer had prior knowledge of the prohibited related-party interest. Specifically, the chief executive officer was notified prior to the investment closing date that the board chairman's ownership interest could exceed the allowable threshold and the chief executive officer certified the investment was compliant with SSBCI rules even though the investment included the prohibited related-party interest. In addition, the chief executive officer knew that the capitalization tables used to calculate the board chairman's ownership interest at the investment closing on November 2, 2012, included SSBCI funds the investee had not received. The

inclusion of the SSBCI funds in the calculation reduced the chairman's ownership interest to below the 10 percent threshold. The chief executive officer of Elevate Ventures also sent a letter to Treasury OIG stating that prior to the investment closing Elevate Ventures evaluated the November 2, 2012, capitalization tables and found them adequate after considering the dilutive effect of SSBCI funds on the board chairman's ownership.

We recommended that Treasury (1) recoup the \$499,986 of SSBCI funds intentionally misused on the investment and declare a specific event of default of Indiana's allocation agreement; (2) determine whether future funding to the state should be reduced, suspended, or terminated; and (3) require the state to ensure that the Indiana Economic Development Corporation reviews each Indiana Angel Network Fund investment decision going forward.

Treasury concurred with all three recommendations and its planned corrective actions meet the intent of our recommendations. However, although Treasury agreed to recoup the misused funds, it commented that it would not characterize the investment as an intentional misuse of funds because the action did not constitute a knowing effort to violate program rules. Indiana also disagreed with the finding of intentional misuse, asserting that the report's conclusion was unsupported by the factual record and misstated program rules.

We believe that Treasury's disagreement with our characterization of intentional misuse is based on a definition that is different than the one it formally established for the program. The current definition does not state that the misuse must constitute a knowing effort to violate program rules. We also disagree with Indiana that the factual record does not support a finding of intentional misuse and that we incorrectly interpreted program rules. Contrary to Indiana's assertions, we relied on Treasury's *SSBCI Policy Guidelines* in concluding that the calculation of voting interest has to occur prior to investment closing because the guidelines require the investee certification of compliance before the SSBCI funds can be awarded. **(OIG-SBLF-14-011)**

Idaho's Use of Federal Funds for Its Collateral Support Program

Idaho appropriately used the \$9.6 million in SSBCI funds that we tested. We noted that the state financed \$1.3 million in financed bridge loans to businesses approved for the Small Business Administration's (SBA) Certified Development Company/504 loan program. Because the SSBCI-supported loans provided interim financing until the SBA loans could be secured, the transactions were permissible under *SSBCI Policy Guidelines*. However, Treasury's reporting of estimated jobs created or retained as a result of the interim SSBCI loans may duplicate data reported by the SBA loan program.

Further, Idaho mistakenly overstated the total principal for 3 of 42 loans we reviewed by \$111,923 because the amounts reported were not based on the final loan documents. The inaccurate amount for one of the three loans was included in the state's 2012 annual report and must be corrected. Alerted by our audit, Idaho corrected the other two loan amounts before publishing the state's 2013 annual report.

Idaho also inaccurately reported \$781,000 as Treasury-approved subsequent private financing, which Treasury acknowledged was due to inconsistent guidance to the state.

We recommended that Treasury disclose in its next annual report the borrower's number of jobs created and retained that were associated with bridge loans to businesses that may receive permanent financing through the SBA Certified Development Company/504 loan program. Treasury disagreed with this recommendation, but proposed to explain clearly in its summary of states' annual reports that there is a possibility for duplicate reporting of job creation and retention figures, which was responsive to our audit finding.

We also recommended that Treasury (1) remind states that reported loan amounts must be based on final loan agreements; (2) instruct Idaho to correct the amount of loan originations and subsequent private financing reported in its 2012 annual report; and (3) determine whether the state has defaulted on its allocation agreement for inaccurately reporting loan amounts, and if so, take appropriate action. Treasury accepted these three recommendations, stating it would work with Idaho to resolve the erroneous reporting of subsequent private financing and incorrect loan originations, and to determine whether the inaccurate reporting of loan amounts constitutes a general event of default. Treasury's planned corrective actions for these three recommendations meet the intent of our recommendations. **(OIG-SBLF-14-010)**

Tennessee's Use of Federal Funds for Its Venture Capital Program

Tennessee appropriately used the \$13.5 million in SSBCI funds that we reviewed, but did not comply with all investor assurance requirements. Investor use-of-proceeds assurances were missing for all 20 transactions reviewed and investor sex offender assurances had not been executed prior to the transfer of SSBCI funds for 12 of the transactions. This occurred because the state did not require the Tennessee Technology Development Corporation to make or obtain the assurances and relied on private co-investors to make the assurances. Despite the inadequate assurances, Tennessee certified that it was in compliance with all SSBCI requirements for quarters ending June 2012 through September 2013, which was inaccurate.

We recommended that Treasury determine whether Tennessee is in general default of its SSBCI allocation agreement for its noncompliance with investor assurance requirements, and take the appropriate action if such an event has occurred and has not been adequately remedied. Treasury accepted our recommendations, stating that it will determine whether a general event of default has occurred as a result of the state not fully complying with investor assurance requirements. Treasury's planned corrective actions meet the intent of our recommendations. **(OIG-SBLF-14-012)**

North Dakota's Mandan Consortium Use of Federal Funds for Its Loan Participation Program

North Dakota's Mandan Consortium, a consortium of 38 North Dakota municipalities led by the city of Mandan, properly used the \$8.6 million in SSBCI funds we reviewed. Of that amount, approximately \$2.8 million financed bridge loans to businesses approved for the SBA Certified Development

Company/504 loan program. Because the SSBCI-supported loans provided interim financing until the SBA loans could be secured, the transactions were permissible under the *SSBCI Policy Guidelines*. However, Treasury’s reporting of estimated jobs created or retained as a result of the interim SSBCI loans may duplicate data reported by the SBA loan program.

Because our audit disclosed that the Mandan Consortium complied with all SSBCI program requirements and with OMB and Treasury guidelines, we made no recommendations to Treasury. As noted above, we identified the concern about duplicate reporting of SBA and SSBCI job creation in our audit of Idaho’s use of SSBCI. In its management response to the Idaho report, Treasury proposed to clearly explain in the summary of states’ annual reports that there is a possibility for duplicate reporting of job creation and retention figures. We considered Treasury’s response to our previous audit report to be responsive to our concerns with Mandan as well. **(OIG-SBLF-14-013)**

Office of Investigations – Significant Investigations

Significant Investigations

Treasury Employee Resigns Over Sexual Misconduct While Posted to Mexico City

Our investigation determined that a Treasury employee engaged in nonconsensual sex with a 22-year-old U.S. citizen during a party at the subject's residence in Mexico City. The subject was assigned to the U.S. embassy in Mexico City, United Mexican States. During a New Year's Eve party hosted at his government-provided housing, the subject engaged in nonconsensual sex with a co-worker's sister, who was visiting from the U.S. The Office of the United States Attorney declined to pursue criminal prosecution, but the subject resigned from Federal employment.

Pair Sentenced to 4-Year-Plus Prison Terms and Approximately \$1.5 million in Restitution for Fraud

We participated in a joint task force investigation with the IRS Criminal Investigations Division; Immigration and Customs Enforcement, Homeland Security Investigations; and the U.S. Postal Inspection Service. Our investigation determined that two subjects, using multiple false or stolen social security numbers, attempted to fraudulently obtain over 100 Federal income tax refund checks. The investigation also revealed that the frauds had been taking place since at least 2010, and had resulted in over \$1 million in losses to the Federal Government. Following their arrest in March 2013, both subjects pled guilty to multiple Federal charges of fraud and, on April 1, 2014, they were sentenced to 51 and 52 months of incarceration, respectively, and joint and separate responsibility for restitution of \$1,467,117.

Subjects Sentenced to Prison Terms and Approximately \$900,000 in Restitution for Theft of U.S. Treasury Checks and Identity Theft

Our investigation determined that two subjects conspired to forge and negotiate \$450,466 in monetary instruments, including U.S. Treasury checks, through Columbia Check Cashing in Augusta, Georgia. A jury found one of the subjects guilty on 22 total counts of Conspiracy, Theft of Public Money, and Identity Theft. That subject received a sentence of 12 years and 4 months of incarceration and restitution in full, equal to \$450,466. The other subject received a sentence of 4 years and 6 months in prison and restitution of \$455,113 pursuant to a plea agreement.

Bank of America Employee Sentenced for Theft and Forgery

Our investigation determined that an employee of Bank of America in Georgia abused her position to steal money orders that had been intended for the U.S. Coast Guard. Although the case was declined for Federal prosecution, it was accepted for state prosecution. On March 31, 2014, the subject pled guilty to charges of theft and forgery in the Clayton County Superior Court in Georgia, and was sentenced to 10 years of probation and restitution in full, equal to \$14,431.

Conflict of Interest Results in Resignation and Suspension

An Alcohol and Tobacco Tax and Trade Bureau supervisor provided her son's résumé to a bureau contracting officer's representative to pass-on to a private company working under contract with the bureau. The company hired the supervisor's son and placed him in a position in which he was within his mother's chain-of-command. When the impropriety was brought to light, the son resigned immediately and, following our investigation, the supervisor and the contracting officer's representative each received a 4-day suspension.

Postal Worker and Accomplices Sentenced for Theft of Treasury Checks

Our joint investigation with the U.S. Attorney's Office, the U.S. Secret Service, the U.S. Postal Service OIG, and state and local police in Georgia, determined that a U.S. Postal Service employee had stolen over 100 Treasury checks and employed three outside accomplices in an unsuccessful attempt to fraudulently negotiate the checks. All four defendants pled guilty to a charge of Conspiracy to Defraud the United States, and they received prison sentences ranging from 24 to 51 months, with 36 months of supervised probation to follow for every defendant.

There were no updates during the period to information related to significant investigative activities from prior semiannual periods.

Other OIG Accomplishments and Activity

CIGFO Working Group Audit of the FSOC's Compliance with Its Transparency Policy

Dodd-Frank created, among other things, the Council of Inspectors General on Financial Oversight (CIGFO). One of CIGFO's statutory functions is to provide oversight of the Financial Stability Oversight Council (FSOC). The law grants CIGFO the authority to convene a working group, by a majority vote, to evaluate the effectiveness and internal operations of FSOC. In September 2013, CIGFO convened a working group led by Treasury Inspector General Thorson to assess the extent to which FSOC is operating in a manner consistent with expectations outlined in its transparency policy, and to consider whether improvements to FSOC's transparency policy could be made. Participating in the working group were Inspector Generals for FDIC, the Federal Housing Finance Agency, the National Credit Union Administration, the Securities and Exchange Commission, and the Special Inspector General for TARP.

FSOC's transparency policy, adopted by the council at its first quarterly meeting on October 1, 2010, pertains to the openness and transparency of its meetings. The working group determined that FSOC operated in a manner consistent with the expectations outlined in its transparency policy. Specifically, FSOC held at least two open meetings each year, made all open meetings available to the public via a live web stream, released minutes of each meeting, recorded all votes of FSOC members in the meeting minutes, voted on proposed and final rules during open meetings, and reported on its compliance with the transparency policy in its annual report to Congress.

While the working group established that FSOC complied with its transparency policy, the group identified practices in place that, if incorporated into the policy, would make it stronger. The practices identified include posting public notices for upcoming meetings to its website 7 days in advance of a regularly scheduled meeting, issuing press readouts upon completion of FSOC meetings, and posting minutes to its website immediately following approval.

The working group also identified certain additional practices that FSOC should implement to increase its transparency. Additional practices identified include providing more detailed minutes for closed meetings, while protecting market-sensitive or confidential information; posting meeting agendas to its website in advance of FSOC meetings; and identifying additional data and information that could be made available to the public and posting such data and information to its website. By doing these things, FSOC will enhance public confidence in the accountability and integrity of its activities.

In addition, the working group established that FSOC's transparency policy outlined eight specific reasons why a meeting or portion of a meeting could be closed. However, when a meeting or portion thereof was closed, FSOC did not inform the public which of the eight reasons applied to its determination.

On May 7, 2014, subsequent to the completion of the working group's fieldwork, FSOC unanimously approved a revised transparency policy. Work on this revised transparency policy started before the audit and considered matters the working group brought to the attention of FSOC staff during the audit. The revised policy includes the following new provisions: (1) providing not less than 7 days advance notice of any regularly scheduled meeting on its website, including information about the agenda, the reason(s) for closing a meeting, if applicable, and the time and place of any open meeting; (2) as soon as practicable after each meeting, making information about the meeting available on FSOC's website; and (3) when practicable, releasing meeting minutes immediately following the next regularly scheduled meeting. The revised policy also includes a ninth specific reason why a meeting or portion of a meeting could be closed.

In its July 2014 report, the CIGFO working group recommended FSOC continue its efforts to provide greater detail in the meeting minutes for closed meetings and identify datasets and information that could be made publically available; ensure such datasets and information are posted to its website, while continuing to protect market-sensitive or confidential information; and implement a permanent process for continuous, proactive identification, preparation and release of data on an ongoing basis.

With respect to the recommendation to provide greater detail in the meeting minutes for closed meetings, FSOC responded that it was fully committed to maintaining the practice of incorporating additional detail in its minutes, while still protecting the confidentiality of market-sensitive or supervisory information that are often the subject of council discussions. With respect to the recommendation to identify datasets and information that could be made publicly available, management noted that it already provides on its website a significant amount of information. Also, as a collaborative body that brings together the independent financial regulators, much of the data relied upon by the council is provided by those agencies and the Office of Financial Research, which maintain the responsibility for determining whether to make their data available to the public. However, to the extent that the council considers data and information during its meetings, council staff will routinely evaluate whether such materials could be made available to the public, in light of any applicable confidentiality restrictions.

The CIGFO working group considered FSOC's commitments and planned actions responsive to its recommendations.

Dr. Bernanke Speaks to CIGFO Members on the Recent Financial Crisis

On June 23, 2014, **Dr. Ben Bernanke** spoke at CIGFO's quarterly meeting held in the Cash Room at the Treasury Building in Washington, D.C. Dr. Bernanke shared his insight on issues related to the U.S. economy from his tenure as the chair of the FRB during the financial crisis.



Treasury Inspector General Thorson and Dr. Bernanke

Treasury OIG Presentations on the DATA Act

On September 4, 2014, **Christina Ho**, Treasury Fiscal Service Executive Director for Data Transparency; **Karen Lee**, Chief, OMB Office of Federal Financial Management, and **Bob Taylor**, Treasury OIG Deputy Assistant Inspector General for Audit, participated in a panel discussion on the DATA Act at the annual Federal Audit Executive Committee (FAEC) conference. Representatives talked about their respective agency responsibilities established under the DATA Act and the challenges presented in implementing the act. Among the responsibilities and challenges discussed by **Bob Taylor** were the Federal inspectors general reporting requirements.

Under the Act, three OIG data transparency reviews are to be performed in consultation with the Comptroller General of the United States and these reviews are to include a statistically valid sample of spending data submitted by Federal agencies to USASpending.gov. The reviews will assess the completeness, timeliness, quality, and accuracy of the sampled data. Agencies are to start submitting data that meets the new standards by no later than May 2017. As an anomaly in the law, Mr. Taylor pointed out that inspectors general are required to complete their first reviews in November 2016, 6 months before agencies must start submitting spending data; thereafter, OIGs will report to Congress every 2 years through 2020.



Christina Ho, Treasury Fiscal Service Executive Director for Data Transparency; Karen Lee, Chief, OMB Office of Federal Financial Management; and Bob Taylor, Deputy Assistant Inspector General for Audit, discuss the DATA Act at the September 2014 Annual FAEC conference

Mr. Taylor also spoke as part of a panel discussion on DATA Act oversight at Data Transparency 2014, an event sponsored by the Data Transparency Coalition and held in Washington, D.C., on September 30, 2014. The other panel members were the **Honorable Peggy Gustafson**, Inspector General, Small Business Administration; **Amy Edwards**, Director, Government Performance Task Force, Senate Budget Committee; and **Ali Ahmad**, Senior Professional Staff, House Committee on Oversight and Government Reform.

OIG Audit Leadership Roles

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

Marla Freedman, Assistant Inspector General for Audit, serves as the co-Chair of the FAEC's Professional Development Committee.

Kieu Rubb, Acting Special Deputy Inspector General for SBLF Program Oversight, led a group of interagency volunteers that updated the Council of Inspectors General on Integrity and Efficiency's (CIGIE) Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. The updated guide was issued September 16, 2014.

Bob Taylor, Deputy Assistant Inspector General for Audit, and **Jeff Dye**, Audit Director, regularly taught modules of the Introductory Auditor course sponsored by the CIGIE Training Institute.

The Fourth Annual Treasury OIG Awards

On April 28, 2014, Treasury OIG held its fourth annual awards program in the Cash Room of the Treasury Building. The program recognized the achievements and outstanding performance of OIG staff during calendar year 2014. Presented were 9 Individual Achievement Awards, 13 Teamwork Awards, 6 Customer Service Awards, 4 Rookie of the Year Awards, and 1 Special Recognition Teamwork Award. Also awarded was the Inspector General Leadership Award, the highest honor bestowed on an OIG employee.

Inspector General Eric Thorson presented awards to the following recipients:

Inspector General Leadership Award

Deborah Harker, Director, Gulf Coast Restoration Trust Fund Audit

Individual Achievement Award

Karin Beam, Joseph Berman, Jacob Heminger, Thomas Kim, William Malloy,
Jerome Marshall, Sean McDowell, Sonja Scott, and Richard Wood

Intra-Component Teamwork Award

Information Technology Voice Over Internet Protocol Implementation Team

Robin Berg, Ava Maria Davis, Ernie Eldredge, Jeffrey Lawrence,
Young Lim, and Sam Sternberg

Human Resource Operations Transition Team

L. Kay Dalton, Chartara Floyd, Latania Maise, and Kimberly Mingo

Procurement Stand-up Transition Team

Cynthia Poree and RoDonda Thompson

SSBCI Funds Audit Team

Diane Baker, Safal Bhattarai, Nicolas Harrison, Andrew Morgan, and Robert Oliveri

SBLF Use of Funds 1 and 2 Audit Team

Karin Beam, Shola Epemolu, William Malloy, and Robert Oliveri

CIGFO Working Group Audit Team

Theresa Cameron, Jeff Dye, April Ellison, and Clyburn Perry

**Bureau of Engraving and Printing's Oversight and Administration of the
Burson-Marsteller Contract Audit Team**

Deborah Harker, David Hash, Eileen Kao, Regina Morrison, and Kieu Rubb

Response to Bicameral Task Force on Climate Change Team

Alexander Granado, Colleen McElwee, and Erica Wardley

Travel at the CDFI Fund Audit Team

Lisa Carter, Adelia Gonzales, Alexander Granado,
James Hodge, and Anne Ryer

OCC Penetration Test Information Technology Audit Team

Jason Beckwith, Tram Dang, Dan Jensen, Don'te Kelley,
Larissa Klimpel, and Mike Patel

Inter-Component Teamwork Award

**Office of Investigations and Office of Management
Paperless Using Investigation Management Information System Team**

Ava Maria Davis, Nicole Graves, Angela Kennon, Jeffrey Lawrence,
Jason Metrick, Sean McCaney, and Cynthia Poree

**Office of Investigations and Office of Audit
Investigation of Flagship National Bank Team**

John Gauthier and Daniel Harding

Gulf Coast Restoration Trust Fund Oversight Audit and Office of Investigations Team

Marvin Bickham, Eleanor Kang, Eileen Kao, Amni Samson, Dionne Smith, and Marco Uribe

Special Recognition Teamwork Award

Government Shutdown
Office of Management

Customer Service Award

Amy Altemus, Bobbie Gambrill, Bradley Gordon, Cedric Hammond, A. Michelle Littlejohn, Mark Levitt, Kimberly Mingo, Chereeka Straker, Jennifer Ward, and W. Michael Wiley

Rookie of the Year Award

Safal Bhattarai, Chartara Floyd, Daniel Harding, and David W. B. Younes



*Debbie Harker receiving the
Inspector General Leadership Award from
Inspector General Thorson*

Statistical Summary

Summary of OIG Activity

For the 6 months ended September 30, 2014

OIG Activity	Number or Dollar Value
Office of Counsel Activity	
Regulation and legislation reviews	3
Instances where information was refused	0
Office of Audit Activities	
Reports issued and other products	29
Disputed audit recommendations	0
Significant revised management decisions	0
Management decision in which the Inspector General disagrees	0
Monetary benefits (audit)	
Questioned costs	\$44,908
Funds put to better use	0
Revenue enhancements	0
Total monetary benefits	\$44,908
Office of SBLF Program Oversight Activities	
Reports issued and other products	4
Disputed audit recommendations	0
Significant revised management decisions	0
Management decision in which the Inspector General disagrees	0
Monetary benefits (audit)	
Questioned costs	
Funds put to better use	\$499,986
Revenue enhancements	0
Total monetary benefits	\$499,986
Office of Investigations Activities	
Criminal and judicial actions (including joint investigations)	
Cases referred for prosecution and/or litigation	28
Cases accepted for prosecution and/or litigation	13
Arrests	9
Indictments/informations	6
Convictions (by trial and plea)	11

Significant Unimplemented Recommendations

For reports issued prior to October 1, 2013

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

Number	Date	Report Title and Recommendation Summary
OIG-11-036	11/10	<p data-bbox="532 583 1429 661"><i>Information Technology: Treasury Is Generally in Compliance with Executive Order 13103</i></p> <p data-bbox="532 667 1479 1102">The Chief Information Officer should (1) revise Treasury Directive 85-02 to (a) define authorized software more specifically, (b) require heads of bureaus and offices to ensure that software in their inventory is on the Treasury list of authorized software and remove it if it is not, (c) require the Chief Information Officer to perform periodic audit checks to determine if the bureaus and offices are only using software on the Treasury list of authorized software, and (d) require the bureaus and offices to reconcile their inventory with software license agreements rather than with software purchases; (2) develop procedures to create and manage a list of approved enterprise authorized software; and (3) ensure that bureaus remove unauthorized software from Treasury systems. (3 recommendations)</p>
OIG-13-034	3/13	<p data-bbox="532 1176 1469 1253"><i>The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2012</i></p> <p data-bbox="532 1260 1479 1501">The Assistant Secretary for Management should ensure that Treasury submits a comprehensive plan to Congress that includes a description of the corrective actions Treasury will take to remediate noncompliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) due to the Internal Revenue Service's (IRS) Earned Income Tax Credit (EITC) improper payments reporting deficiencies. (1 recommendation)</p> <p data-bbox="532 1549 1479 1703">OIG Comment: During this reporting period, Treasury closed this recommendation in the Joint Audit Management Enterprise System. However, we consider the recommendation to be unimplemented as it was repeated during our audit of Treasury's compliance with IPERA in fiscal</p>

year 2013.⁶ Although Treasury has reported progress toward remediating its noncompliance with IPERA, the plan describing management’s corrective actions submitted to Congress was incomplete in addressing Treasury’s noncompliance.

OIG-13-046	8/13	<p><i>General Management: Bureau of Engraving and Printing’s Administration of the Burson-Marsteller Public Education and Report Awareness Contract was Deficient</i></p> <p>The Bureau of Engraving and Printing’s Director should direct the Office of Acquisitions to (a) establish standard policies and procedures, (b) training employees in the new policies and procedures, and (c) implement an accountability plan to ensure they are followed. Matters that should be addressed in the policies and procedures include, but are not limited to, roles and responsibilities of contracting officers, contracting officer representatives, payment officials, and others with respect to (a) ensuring task order awards are consistent with contract type, (b) approving subcontracts and monitoring contractor performance with subcontracting plans, (c) negotiating price on task orders, (d) developing the independent government cost estimates, (e) ensuring contracting officer representatives contacts with contractors are for permissible purposes, (f) reviewing and approving contractor invoices for payment, and (g) ensuring proper use of Federal Acquisition Regulation clauses in solicitation and contract award documents. (1 recommendation)</p>
<hr/>		
OIG-13-052	9/13	<p><i>RESTORE Act: Treasury Needs to Establish Procedures to Expend and Invest Gulf Coast Restoration Trust Fund Monies</i></p> <p>The Financial Assistant Secretary should (1) take necessary action to establish regulations for the Gulf Coast Restoration Trust Fund, and to finalize internal Treasury procedures for the Trust Fund and (2) ensure that Treasury’s proposed regulations address how Treasury intends to meet the requirements of 31 U.S.C. Section 9702 for investment of the Trust Fund. (2 recommendations)</p>
<hr/>		
OIG-13-055	9/13	<p><i>General Management: Treasury Has Policies and Procedures to Safeguard Classified Information But Implementation Needs to be Improved</i></p> <p>The Assistant Secretary for Intelligence and Analysis should direct the Deputy Assistant Secretary for Security to (a) implement controls to ensure</p>

⁶ OIG, *The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2013* (OIG-14-032; issued Apr. 15, 2014)

that an accurate and complete Treasury consolidated SF-311, “Agency Security Classification Management Program Data,” is submitted to the Information Security Oversight Office, (b) review Treasury’s Departmental Office’s and bureaus’ internally reported information on classification decisions and other classification information for reasonableness, and (c) ensure that those offices expected to have classification information submit the required information for the consolidated SF-311.
(1 recommendation)

Summary of Instances Where Information or Assistance Request Was Refused

April 1 through September 30, 2014

There were no instances where an information or assistance request was refused for this reporting period.

Listing of Audit Products Issued

April 1 through September 30, 2014

Office of Audit

Review of the OCC’s Supervision of U.S. Bank National Association, OIG-CA-14-008, 4/14/2014 (Sensitive But Unclassified)

The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2013, OIG-14-032, 4/15/2014

Safety and Soundness: Material Loss Review of First National Bank, Edinburg, Texas, OIG-14-033, 4/17/2014

OCC’s Review of Banks’ Use of Third Party Service Providers Is Not Sufficiently Documented, OIG-14-034, 4/21/2014

Audit Termination Memorandum: Review of OCC’s Supervision of Home Loan Modification Programs, OIG-CA-14-010, 4/25/2014

OCC Needs to Strengthen Supervision of Trading Activities in Light of the JPMorgan Chase Losses, OIG-14-035, 5/14/2014

Treasury Made Progress to Stand Up the Federal Insurance Office, But Missed Reporting Deadlines, OIG-14-036, 5/14/2014

Audit of the Office of D.C. Pensions' Fiscal Years 2013 and 2012 Financial Statements, OIG-14-037, 6/2/2014

Management Letter for the Audit of the Office of D.C. Pensions' Fiscal Years 2013 and 2012 Financial Statements, OIG-14-038, 5/14/2014

Recovery Act: Audit of MSL Development LLC Payments Under 1603 Program, OIG-14-039, 6/18/2014,
\$44,908 Questioned Cost

Safety and Soundness: Failed Bank Review of DuPage National Bank, West Chicago, Illinois, OIG-14-040, 6/24/2014

Safety and Soundness: Failed Bank Review of Millennium Bank, National Association, Sterling, Virginia, OIG-14-041, 7/2/2014

Recovery Act: Audit of Delaware State Housing Authority's Payment Under 1602 Program, OIG-14-042, 7/9/2014

Safety and Soundness: Failed Bank Review of Texas Community Bank, National Association, The Woodlands, Texas, OIG-14-043, 7/17/2014

Joint Purchase Card Violations Report, July 31, 2014, OIG-CA-14-011, 7/24/2014

Evaluation of Enforcement Actions and Professional Liability Claims Against Institutions Affiliated Parties and Individuals Associated with Failed Institutions, OIG-CA-14-012, 7/25/2014

Audit Termination Memorandum: TTB Actions Taken Over Cigarette Excise Tax Losses, OIG-CA-14-013, 8/1/2014

Safety and Soundness: OCC Needs to Ensure Servicers Implement Amended Foreclosure Consent Orders and Act on Identified Weaknesses, OIG-14-044, 8/6/2014

Terrorist Financing/Money Laundering: Review of Travel to Cuba by Shawn Carter and Beyoncé Knowles-Carter, OIG-CA-14-014, 8/20/2014

Report on the Bureau of Fiscal Service Administrative Resource Center's Description of its Financial Management Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period July 1, 2013 to June 30, 2014, OIG-14-045, 8/21/2014

Safety and Soundness: Failed Bank Review of Slavia Federal Savings Bank, Bel Air, Maryland, OIG-14-046, 9/15/2014

Fiscal Year 2014 Audit of Treasury's Compliance with the Federal Information Security Management Act for its Intelligence Systems, OIG-14-047, 9/15/2014 (Sensitive But Unclassified)

Terrorist Financing/Money Laundering: FinCEN Completed the BSA IT Modernization Program Within Budget and Schedule, OIG-14-048, 9/17/2014

Presentation Before the FAEC Annual Conference 2014—Data Act: A Treasury OIG Perspective, OIG-CA-14-015, 9/4/2014

Council of the Inspectors General on Integrity and Efficiency Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General, OIG-CA-14-016, 9/16/2014

Report on the Bureau of the Fiscal Service Federal Investments Branch's Description of its Investment/Redemption Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2013 to July 31, 2014, OIG-14-049, 9/22/2014

Report on the Bureau of the Fiscal Service Funds Management Branch's Description of its Trust Funds Management Processing Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2013 to July 31, 2014, OIG-14-050, 9/23/2014

Report on a Classified Program, OIG-14-051, 9/24/2014

Presentation Before the Data Transparency Conference 2014—Oversight of the DATA Act: A Treasury OIG Perspective, OIG-CA-14-017, 9/30/2014

Office of SBLF Program Oversight

State Small Business Credit Initiative: Idaho's Use of Federal Funds for Its Collateral Support Program, OIG-SBLF-14-010, 5/19/2014

State Small Business Credit Initiative: Indiana's Use of Federal Funds for Other Credit Support Programs, OIG-SBLF-14-011, 6/18/2014, **\$499,986 Funds Put to Better Use**

State Small Business Credit Initiative: Tennessee's Use of Federal Funds for Its Venture Capital Program, OIG-SBLF-14-012, 8/20/2014

State Small Business Credit Initiative: North Dakota Mandan Consortium's Use of Federal Funds for Its Loan Participation Program, OIG-SBLF-14-013, 8/29/2014

Council of Inspectors General on Financial Oversight Working Group

Audit of the Financial Stability Oversight Council's Compliance with Its Transparency Policy, OIG-CIG-14-001, 7/1/2014

Audit Reports Issued With Questioned Costs

April 1 through September 30, 2014

Category	Total No. of Reports	Total Questioned Costs	Total Unsupported Costs
For which no management decision had been made by beginning of reporting period	1	\$49,155	\$0
Which were issued during the reporting period	1	\$44,908	\$0
Subtotals	2	\$94,063	\$0
For which a management decision was made during the reporting period	0	\$0	\$0
Dollar value of disallowed costs	0	\$0	\$0
Dollar value of costs not disallowed	0	\$0	\$0
For which no management decision was made by the end of the reporting period	2	\$94,063	\$0
For which no management decision was made within 6 months of issuance	1	\$49,155	\$0

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

April 1 through September 30, 2014

Category	Total No. of Reports	Total	Savings	Revenue Enhancement
For which no management decision had been made by beginning of reporting period	2	\$111,690	\$111,690	\$0
Which were issued during the reporting period	1	\$499,986	\$499,986	\$0
Subtotals	3	\$611,676	\$611,676	\$0
For which a management decision was made during the reporting period	1	\$105,000	\$105,000	\$0
Dollar value of recommendations agreed to by management	1	\$105,000	\$105,000	\$0
Dollar value based on proposed management action	1	\$105,000	\$105,000	\$0
Dollar value 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 was made by the end of the reporting period	2	\$506,676	\$506,676	\$0
For which no management decision was made within 6 months of issuance	1	\$6,690	\$6,690	\$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 recommended improvements related to operations, (4) avoidance of unnecessary expenditures noted in pre-award review of contract or grant agreements, (5) any other savings which are specifically identified, or (6) enhancements to revenues of the Federal Government.				

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

There were two previously issued audit reports pending management decisions at the end of the reporting period for which no management decision was made within 6 months as to the dollar value of disallowed costs and funds put to better use.

Significant Revised Management Decisions

April 1 through September 30, 2014

There were no significant revised management decisions during the reporting period.

Significant Disagreed Management Decisions

April 1 through September 30, 2014

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

Peer Reviews

April 1 through September 30, 2014

Office of Audit and Office of SBLF Program Oversight

Audit organizations that perform audits and attestation engagements of Federal Government programs and operations are required by *Government Auditing Standards* to undergo an external peer review every 3 years. The objectives of an external peer review are to determine, during the period under review, whether, the audit organization's system of quality control was suitably designed and whether the audit organization was complying with its quality control system to provide the audit organization with reasonable assurance that it was conforming to applicable professional standards. Federal audit organizations can receive a peer review rating of *pass*, *pass with deficiencies*, or *fail*.

Our Office of Audit and Office of SBLF Program Oversight were not required to undergo an external peer review during this reporting period and we did not perform any external peer reviews of other Federal audit organizations.

The most recent peer review of our offices was performed by the U.S. Agency for International Development (USAID) OIG. In its report dated September 6, 2012, our audit organizations received a *pass* rating for our system of quality control in effect for the year ended March 31, 2012. USAID OIG did not make any recommendations. Our offices' external peer review reports are available on the Treasury OIG [website](#).

There are no outstanding recommendations from external peer reviews performed by our office before this semiannual reporting period.

Office of Investigations

CIGIE mandates that the investigative law enforcement operations of all OIGs undergo peer reviews every 3 years to ensure compliance with (1) the council's investigations quality standards and with (2) the relevant guidelines established by the Office of the Attorney General of the United States.

In August 2014, the General Services Administration OIG conducted a peer review of our office and found it to be in compliance with all relevant guidelines. There are no unaddressed recommendations outstanding from this review.

Bank Failures and Nonmaterial Loss Reviews

We conducted reviews of two failed banks supervised by OCC with losses to the DIF that did not meet the definition of a material loss in the Federal Deposit Insurance Act. These reviews were performed to fulfill the requirements found in 12 U.S.C. § 1831o(k). The term “material loss” which, in turn, triggers an MLR be performed is a loss to the DIF that exceeds \$50 million (with provisions to increase that trigger to a loss that exceeds \$75 million under certain circumstances).

For losses that are not material, the Federal Deposit Insurance Act requires that each 6-month period, the OIG of the Federal banking agency must (1) identify the estimated losses that have been incurred by the DIF during that 6-month period and (2) determine the grounds identified by the failed institution’s regulator for appointing the FDIC as receiver, and whether any unusual circumstances exist that might warrant an in-depth review of the loss. For each 6-month period, we are also required to prepare a report to the failed institutions’ regulator and the Congress that identifies (1) any loss that warrants an in-depth review, together with the reasons why such a review is warranted and when the review will be completed; and (2) any losses where we determine no in-depth review is warranted, together with an explanation of how we came to that determination. The table below fulfills this reporting requirement to the Congress for the 6-month period that ended September 30, 2014. We issue separate audit reports on each review to OCC.

Bank Failures and Nonmaterial Loss Reviews				
Bank Name/Location	Date Closed/ Loss to the DIF	OIG Summary of Regulator’s Grounds for Receivership	In-Depth Review Determination	Reason/ Anticipated Completion Date of the In-Depth Review
Slavie Federal Savings Bank, Bel Air, Maryland	May 30, 2014 \$6.6 million	<ul style="list-style-type: none"> • Dissipation of assets and earnings due to unsafe and unsound practices • Capital impaired • Failed to submit acceptable capital restoration plan 	No	No unusual circumstances noted
Greenchoice Bank, Federal Savings Bank, Chicago, Illinois	July 25, 2014 \$14.2 million	<ul style="list-style-type: none"> • Dissipation of assets and earnings due to unsafe and unsound practices • Capital impaired • Failed to submit acceptable capital restoration plan 	No	No unusual circumstances noted

References to the Inspector General Act

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Section 5(d)	Serious or flagrant problems, abuses, or deficiencies	N/A
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Abbreviations

BSA	Bank Secrecy Act
BSA IT Mod	Back Secrecy Act Information Technology Modernization
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DATA Act	Digital Accountability and Transparency Act of 2014
DIF	Deposit Insurance Fund
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DSHA	Delaware State Housing Authority
EITC	Earned Income Tax Credit
Elevate Ventures	Elevate Ventures, Incorporated
FAEC	Federal Audit Executive Council
FDIC	Federal Deposit Insurance Corporation
FinCEN	Financial Crimes Enforcement Network
Fiscal Service	Bureau of the Fiscal Service
FISMA	Federal Information Security Management Act
FRB	Board of Governors of the Federal Reserve System
FSOC	Financial Stability Oversight Council
IAP	institution-affiliated parties
IPERA	Improper Payments Elimination and Recovery Act of 2010
IRS	Internal Revenue Service
IT	information technology
JPMorgan Chase	JPMorgan Chase Bank, National Association
KPMG	KPMG LLP
MLR	material loss review
MRA	matter requiring attention
MSL	MSL Development, LLC
OCC	Comptroller of the Currency
OFAC	Office of Foreign Assets Control
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision
Recovery Act	American Recovery and Reinvestment Act of 2009
RESTORE Act	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012
SBA	Small Business Administration
SBLF	Small Business Lending Fund
SSBCI	State Small Business Credit Initiative
TARP	Troubled Asset Relief Program
TIGTA	Treasury Inspector General for Tax Administration
USAID	U.S. Agency for International Development

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In Memory of Joseph Eli Berman

The Office of Inspector General is saddened by the loss of staff member Joe Berman, who passed away September 28, 2014. Joe served as Audit Manager with the Office of Small Business Lending Fund Program Oversight since May 2012.



Inspector General Thorson presenting an Individual Achievement Award to Joe Berman on April 28, 2014, at the Fourth Annual Awards Program in recognition of Joe's many accomplishments with the Office of Inspector General

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