



## Semiannual Report to Congress

October 1, 2016 – March 31, 2017

OIG-CA-17-017

Office of Inspector General  
Department of the Treasury

## Highlights

During this semiannual reporting period, the Office of Audit issued 51 products. The office also identified \$1.65 million in monetary benefits. Work by the Office of Investigations resulted in 17 arrests, 34 indictments, and 20 convictions. Some of our more significant results for the period are described below:

- Our Office of Investigations, assisted by our Office of Counsel, has worked tirelessly with the Federal Bureau of Investigation, other Federal agencies, and international partners on a multi-year investigation to target a set of multi-million dollar fraud and money laundering schemes committed by a transnational organized crime network. During the course of this investigation, 19 individuals were indicted on Federal charges for participating in these schemes in the U.S. and overseas. To date, the investigation has identified more than 170 victims and yielded the disruption or return of more than \$56 million in victim funds.
- Our joint investigation with the Internal Revenue Service Criminal Investigations, the U.S. Postal Inspection Service, the Department of Homeland Security Investigations, and the Federal Bureau of Investigation resulted in Western Union admitting that it willfully failed to maintain an effective anti-money laundering program and aided and abetted wire fraud. A \$586 million settlement remains the largest forfeiture ever executed against a money service business.
- Our joint Investigation with the Randolph County, North Carolina Sheriff's Office identified a subject who fraudulently used a corporate tax identification number to open numerous checking accounts at several banks. The subject used checks from these accounts to kite money to inflate the balances on his accounts and make large dollar purchases of vehicles, tractors, Rolex watches, and jewelry. The estimated loss in this case exceeds \$250,000.
- Independent public accounting firms, working under contracts with and supervised by of our Office of Audit, issued unmodified opinions on the Department of the Treasury's (Treasury) consolidated financial statements and the Gulf Coast Ecosystem Restoration Council's (Council) financial statements for fiscal year 2016.
- Canrock Innovate NY Fund, LP's (Canrock Innovate), a recipient of State Small Business Credit Initiative (SSBCI) funds awarded by Treasury to the State of New York's venture capital program, did not fully comply with all venture capital program requirements. Canrock Innovate's investments in 4 of 5 beneficiary companies constituted a reckless misuse of approximately \$1.63 million of SSBCI funds because the investments were prohibited related party interests of its general partner, Canrock Innovate Advisors, LLC.



## Message from the Inspector General

I am pleased to present the Department of the Treasury (Treasury) Office of Inspector General's (OIG) Semiannual Report to Congress for the 6 month period ended March 31, 2017. This report highlights some of the most notable investigations and audits performed during this reporting period.

Our Office of Investigations, assisted by the Office of Counsel, has worked tirelessly with the Federal Bureau of Investigation, other Federal agencies, and international partners on a multi-year investigation to target a set of multi-million dollar fraud and money laundering schemes committed by a transnational organized crime network. During the course of this investigation, 19 individuals were indicted on Federal charges for participating in these schemes in the U.S. and overseas. To date, the investigation has identified more than 170 victims and yielded the disruption or return of more than \$56 million in victim funds.

Our Office of Audit continues to work diligently to timely complete statutorily required audits, including Treasury's financial statement audits and the Federal Information Security Modernization Act audits of security programs and practices. Additionally, the Office of Audit has continued its Government-wide leadership of the Inspectors General community related to oversight required by the Digital Accountability and Transparency Act (DATA Act) through its participation in the Council of Inspectors General on Integrity and Efficiency DATA Act Working Group. During this reporting period, the Office of Audit led a workshop where over 275 individuals from the Inspector General community were trained on the DATA Act requirements.

In addition to the exceptional work performed by our offices during this reporting period, this Semiannual Report introduces new reporting requirements authorized by the Inspector General Empowerment Act of 2016. On December 16, 2016, the President signed the Act into law. Among other things, the new public law (P.L. 114-317) amends the Inspector General Act of 1978 to provide additional authorities to Inspectors General and remove barriers to performance of their investigative duties. The Act also expands the information Inspectors General must provide in their Semiannual Report to Congress. The most significant among these requirements is the reporting of substantiated investigations of misconduct involving senior Government employees and instances of whistleblower retaliation. The

additional information is presented in the Statistical Summary section of this Semiannual Report.

In closing, I would like to express my appreciation to all Treasury OIG staff for making possible the significant investigative and audit results that are summarized in this Semiannual Report, and to the Congress and Treasury for their sustained commitment to the important work of our office.

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Eric M. Thorson  
Inspector General

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## Office of Inspector General Overview

The Department of the Treasury's (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.

This Semiannual Report introduces new reporting requirements required by the Inspector General Empowerment Act of 2016, which was signed into law on December 16, 2016. Among other things, the new public law (P.L. 114-317) amends the Inspector General Act of 1978 to provide additional authorities to Inspectors General and remove barriers to performance of their investigative duties.

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 performs oversight related to IRS. A Special Inspector General and the Government Accountability Office (GAO) perform oversight related to TARP.

OIG also performs independent oversight of programs and operations funded by the Gulf Coast Restoration Trust Fund (Trust Fund) established within Treasury by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). In addition to performing oversight of Treasury-related activities, OIG performs oversight of programs and operations administered by the Gulf Coast Ecosystem Restoration Council (Council), established as an independent Federal entity, and the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program) administered by the National Oceanic and Atmospheric Administration (NOAA). With regard to the Council and the Science Program, OIG keeps the appointed Chairperson of the Council, the NOAA Science Program Administrator, and Congress fully informed of problems, deficiencies, and the need for corrective actions.

OIG has four components: (1) Office of Audit, (2) Office of Investigations, (3) Office of Counsel, and (4) Office of Management. OIG is headquartered in Washington, D.C. OIG also has an audit office in Boston, Massachusetts, and investigative offices in Greensboro, North Carolina, and Jacksonville, Florida.

The Office of Audit, under the leadership of the Assistant Inspector General for Audit, performs and supervises financial and performance audits, attestation engagements, and evaluations. The Assistant Inspector General for Audit also serves as the Special Deputy Inspector General for Small Business Lending Fund (SBLF) Program Oversight. Under the Assistant Inspector General for Audit there are three deputies—one deputy is primarily responsible for financial sector audits to include audits of banking supervision, manufacturing of currency and coins, and alcohol and tobacco excise tax revenue collection activities; one deputy is primarily responsible for financial management and transparency audits to include financial audits of Treasury performed by OIG staff and contractors, audits of Government-wide collection, payment, and debt programs and operations, and audits of anti-money laundering/terrorist financing, foreign sanction, and intelligence programs and operations; and one deputy is primarily responsible for cybersecurity and financial assistance audits to include audits of the SBLF, State Small Business Credit Initiative (SSBCI), and RESTORE Act programs and operations.

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 programs and operations under our jurisdiction. The Office of Investigations also manages the Treasury OIG Hotline to facilitate reporting of allegations involving these programs and operations. The Assistant Inspector General for Investigations is supported by a deputy in leading both the day-to-day operations and task force initiatives in Washington, D.C.; Greensboro, North Carolina; and Jacksonville, Florida.

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*<sup>1</sup> 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. Counsel also serves as the Whistleblower Ombudsman for Treasury, pursuant to the Whistleblower Protection Enhancement Act of 2012.

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<sup>1</sup> *Giglio* information 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.

As of March 31, 2017, OIG had 166 full-time staff and was funded through April 28, 2017, under a continuing resolution at \$20.3 million (an annualized continuing resolution level of \$35.4 million). OIG's oversight of SBLF and SSBCI programs and operations is funded on a reimbursable basis.

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## Management and Performance Challenges

The Reports Consolidation Act of 2000 requires that the Department of the Treasury (Treasury) Inspector General annually provide his perspective on the most serious management and performance challenges facing Treasury and the Gulf Coast Ecosystem Restoration Council (Council). The following is a synopsis of Inspector General Thorson's annual assessments which are available, in their entirety, on the Treasury Office of Inspector General (OIG) [website](#).

### Treasury's Management and Performance Challenges

In a memorandum to Secretary Lew dated October 26, 2016, Inspector General Thorson reported four challenges, all of which were previously reported, and other matters of concern. This year, the Inspector General combined two challenges that were reported separately in the previous year's memorandum. Last year's challenge, "Gulf Coast Restoration Trust Fund Administration," was incorporated into the broader Challenge, "Management of Treasury's Authorities Intended to Support and Improve the Economy." The challenges were combined because Treasury has implemented many of the requirements under these authorities. However, given the nature and large dollar amounts provided to Treasury to strengthen and restore the economy, ongoing administration will continue for a number of years.

The four challenges and other matters of concern that were reported follow.

#### Cyber Threats (Repeat Challenge)

Cybersecurity continues to represent one of the most serious challenges facing the Nation today. A reliable critical infrastructure, including information systems and networks, is vital to our national security and economic stability. Cyber threats are a persistent 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 evolve and become more sophisticated and subtle, they pose an ongoing challenge for Treasury to fortify and safeguard its internal systems and operations and the financial sector it oversees.

### **Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments (Repeat Challenge)**

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars. Implementing the DATA Act is a complex undertaking requiring a significant level of interagency coordination and cooperation to develop, establish, and apply new financial data standards and to develop new data handling methodologies within a short timeframe. To fulfill its intent, 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 broad Government-wide implications and critical roles assigned to Treasury by the DATA Act, we consider this an ongoing high risk implementation project and management challenge.

In light of the continuing problem with improper payments (estimated at \$136.7 billion, or 4.8 percent of all program outlays, for fiscal year 2015), the Federal Government has intensified efforts to reduce improper payments in major Federal programs. The Do Not Pay Initiative and the Treasury Bureau of the Fiscal Service's (Fiscal Service) Do Not Pay Business Center are chief components of efforts designed to prevent and detect improper payments to individuals and entities. With its potential to reduce improper payments, the Do Not Pay Program is a major and important undertaking by Fiscal Service and Treasury.

### **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.

### **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 Congress to address the financial crisis under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Small Business Jobs

Act of 2010, Housing and Economic Recovery Act of 2008, and the American Recovery and Reinvestment Act of 2009. It also 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 2010 Deepwater Horizon oil spill.

### **Other Matters of Concern**

In addition to the above challenges, Inspector General Thorson reported elevated concerns about three matters. Two matters of concern are repeated from last year's letter: (1) challenges with currency and coin production and (2) lapses by Treasury in maintaining a complete and concurrent record of key activities and decisions. The third matter of concern relates to new Enterprise Risk Management requirements that Treasury must implement beginning in fiscal year 2017.

## **Gulf Coast Ecosystem Restoration Council Management and Performance Challenge**

In an October 26, 2016, letter to Secretary Vilsack, Department of Agriculture, in his role as the Chairperson of the Council, Inspector General Thorson reported three challenges, one which was repeated from last year and two new challenges.

### **Implementing an Infrastructure to Administer Gulf Coast Restoration Activities (Repeat Challenge)**

Over the course of the past year, the Council has made significant progress in developing its organization infrastructure by filling critical administrative and programmatic positions, as well as solidifying many policies and procedures supporting internal control. However, staff skill gaps remain in the area of information technology. These skills are critical to the success of the Council's operations and meeting the requirements of the Federal Information Security Modernization Act of 2014. Staff with specialized training and qualifications are necessary for providing a reliable and secure information technology environment and to supporting the Council in carrying out its RESTORE Act activities. Although the Council has interim measures such as contractor support to address its gaps in information technology, a permanent solution is

needed to establish a long-term information technology plan with consistent personnel with the requisite expertise.

### **Stakeholder Coordination and Outreach (New Challenge)**

This challenge focuses on the Council's communication of key decisions and coordination of activities with its stakeholders to ensure funds are used in the most effective and efficient way possible. This is a formidable task given that the Council is charged with administering two critical and large RESTORE Act components: the Council-Selected Restoration Component and the Spill Impact Component.

### **Federal Statutory and Regulatory Compliance (New Challenge)**

This challenge focuses on the Council's compliance with the DATA Act and the Improper Payments Elimination and Recovery Act of 2010 taking into consideration Council's Restoration Assistance and Award Management System is a newly operational grants system.

# Office of Audit – Significant Audits and Other Products

## Financial Management

### Treasury’s Consolidated Financial Statements

KPMG LLP (KPMG), an independent public accounting firm working under a contract with and supervised by our office, issued an unmodified opinion on the Department of the Treasury’s (Treasury) fiscal years 2016 and 2015 consolidated financial statements. The auditor reported a material weakness in internal control over unpaid tax assessments, a significant deficiency related to financial reporting at the Internal Revenue Service (IRS), and deficiencies related to information systems at the Bureau of the Fiscal Service (Fiscal Service), representing a significant deficiency for Treasury as a whole. KPMG also reported that Treasury’s financial management systems did not comply with certain requirements of the Federal Financial Management Improvement Act of 1996 related to Federal financial management system requirements and applicable Federal accounting standards. **(OIG-17-012)**

In connection with its audit of Treasury’s consolidated financial statements, KPMG also issued a management report providing details of the significant deficiency in internal control over information systems at Fiscal Service. Due to the sensitive nature of these systems, the report is designated Sensitive But Unclassified. **(OIG-17-019)** Additionally, KPMG issued a management letter recommending the development and implementation of policies and procedures for recording interest revenue. **(OIG-17-022)**

### Other Treasury Financial Audits

The Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, requires annual financial statement audits of Treasury and any component entities designated by the Office of Management and Budget (OMB). In this regard, OMB designated IRS for annual financial statement audits. The financial statements of certain other Treasury component entities are audited either pursuant to other requirements, their materiality to Treasury’s consolidated financial statements, or as a management initiative. The table on the next page shows the audit results for fiscal years 2016 and 2015.

## Office of Audit – Significant Audits and Other Products

Treasury-audited financial statements and related audits						
	Fiscal year 2016 audit results			Fiscal year 2015 audit results		
Entity	Opinion	Material weaknesses	Significant deficiencies	Opinion	Material weaknesses	Significant deficiencies
<b>Government Management Reform Act/Chief Financial Officers Act requirements</b>						
Department of the Treasury	U	1	1	U	1	1
Internal Revenue Service (A)	U	1	1	U	1	1
<b>Other required audits</b>						
Department of the Treasury's Closing Package Financial Statements	U	0	0	U	0	0
Office of Financial Stability (TARP) (A)	U	0	0	U	0	0
Bureau of Engraving and Printing	U	0	0	U	0	0
Community Development Financial Institutions Fund	U	1	0	U	0	0
Office of D.C. Pensions	U	0	1	D	1	0
Federal Financing Bank	U	0	0	U	0	0
Treasury Forfeiture Fund	U	0	0	U	0	0
U.S. Mint						
Financial Statements	U	0	0	U	0	0
Custodial Gold and Silver Reserves	U	0	0	U	0	0
<b>Other audited accounts/financial statements that are material to Treasury's financial statements</b>						
Bureau of the Fiscal Service						
Schedule of Federal Debt (A)	U	0	0	U	0	0
Government Trust Funds	U	0	0	U	0	0
Exchange Stabilization Fund	U	0	0	U	0	0
<b>Management-initiated audit</b>						
Office of the Comptroller of the Currency	U	0	0	U	0	0
Alcohol and Tobacco Tax and Trade Bureau	U	0	0	U	0	0
U.S. Gold Reserves Held by Federal Reserve Banks	U	0	0	U	0	0
U Unmodified opinion. (A) Audited by the Government Accountability Office. D The auditors issued a disclaimer of opinion on the Office of D.C. Pensions' fiscal year 2015 financial statements because they were not able to obtain sufficient, appropriate audit evidence.						

In connection with the fiscal year 2016 financial statement audits, the auditors issued management letters on other matters involving internal control at the Community Development Financial Institutions Fund (**OIG-17-010**), the Office of D.C. Pensions (**OIG-17-027**), and the U.S. Mint (Mint) (**OIG-17-030**).

The following instances of noncompliance with the Federal Financial Management Improvement Act of 1996, were reported in connection with the audit of Treasury’s fiscal year 2016 consolidated financial statements (they all relate to IRS).

Condition	Type of noncompliance
IRS continues to have deficiencies in its financial management systems. Specifically, IRS did not consistently design, implement, and operate information system controls and security programs over its financial systems in accordance with the Federal financial management system requirements. (first reported in fiscal year 1997)	Federal financial management systems requirements
IRS has a material weakness that affected Treasury’s ability to prepare its financial statements in accordance with the Federal accounting standards. Specifically, IRS subsidiary records and supporting financial systems were unable to support the Federal taxes receivable amount on the consolidated balance sheet, and the compliance assessments and write-offs in the required supplementary information disclosures, in accordance with the Federal accounting standards. (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 Treasury’s fiscal year 2017 consolidated financial statements.

### Gulf Coast Ecosystem Restoration Council’s Financial Statements

The audit of the Gulf Coast Ecosystem Restoration Council’s (Council) financial statements is also required by the Chief Financial Officers Act of 1990, as amended by the Accountability of Tax Dollars Act of 2002. RMA Associates, LLC (RMA), an independent public accounting firm working under a contract with and supervised by our office, issued an unmodified opinion on the Council’s fiscal years 2016 and 2015 financial statements. The auditor reported no deficiencies in internal control over financial reporting that were considered material weaknesses. Additionally, RMA did not identify any instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested. **(OIG-17-015)** In connection with the fiscal year 2016 financial statement audit, the auditors issued a management letter on other matters involving internal control at the Council. **(OIG-17-028)**.

### Attestation Engagement

KPMG, working under a contract with and supervised by our office, issued an unmodified opinion on the Fiscal Service Funds Management Branch assertions pertaining to the schedule of assets and equity and related schedule of activity of selected trust funds, as of and for the year ended September 30, 2016. The following trust funds were audited:

- Federal Supplementary Medical Insurance Trust Fund
- Federal Hospital Insurance Trust Fund
- Highway Trust Fund
- Airport and Airway Trust Fund
- Hazardous Substance Superfund Trust Fund
- Leaking Underground Storage Tank Trust Fund
- Oil Spill Liability Trust Fund
- Harbor Maintenance Trust Fund
- Inland Waterways Trust Fund
- South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund

In its examination, KPMG found that Fiscal Service Funds Management Branch’s assertions related to the applicable accounts of each trust fund reported on the schedule of assets and equity and related schedule of activity of selected trust funds for the year ended September 30, 2016, were fairly stated, in all material respects. **(OIG-17-013)** In connection with the fiscal year 2016 examination, the auditors issued a management letter on other matters involving internal control at the Fiscal Service Funds Management Branch. **(OIG-17-014)**

### Cyber/Information Technology

During this semiannual reporting period, we issued audit reports on Fiscal Service’s security controls over public-facing web servers and Treasury’s compliance with the Federal Information Security Modernization Act of 2014 (FISMA) for its unclassified systems and its collateral national security systems.

#### **Fiscal Service Needs to Strengthen Security Controls over Public-Facing Web Servers**

We found that Fiscal Service needs to strengthen security controls over public-facing web servers. Specifically, we found that (1) local administrative accounts were managed poorly, (2) unauthorized software was present, (3) configuration scans used unapproved baselines, (4) operating systems were obsolete, (5) the Ethicsburg<sup>2</sup> website was vulnerable to cross-site scripting attacks, (6) sensitive information was revealed in error messages and

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<sup>2</sup> <http://www.ethicsburg.gov>

(7) security procedures were not documented. We made eight recommendations to Fiscal Service’s Commissioner to improve the security management of public-facing web servers. We consider management’s corrective actions, both planned and taken, to meet the intent of our recommendations. **(OIG-17-007)**

### **Fiscal Year 2016 Audit of Treasury’s Federal Information Security Modernization Act–Unclassified Systems**

FISMA requires Inspectors General to perform an annual, independent evaluation of their agency’s information security programs and practices. KPMG, under a contract with and supervised by our office, performed an audit of Treasury’s non-IRS unclassified systems. The Treasury Inspector General for Tax Administration performed the annual FISMA evaluation of IRS’ unclassified systems. For fiscal year 2016, KPMG determined that Treasury’s information security program and practices for its unclassified systems were established and have been maintained for the five cybersecurity functions and the eight FISMA program areas. However, KPMG identified six deficiencies within three of the cybersecurity functions and four of the FISMA program areas. Specifically, KPMG reported the following at one or more Treasury component entities, excluding IRS:

- Risk management activities were not compliant with policies (3 component entities).
- Plan of Actions and Milestones were not tracked in accordance with National Institute of Standards and Technology and Treasury requirements (2 component entities).
- Configuration management plan was incomplete and missing key information regarding system baseline configurations (1 component entity)
- Vulnerability scans were not being conducted in accordance with Treasury Directive 85-01 “Treasury IT Security Program” (TD P 85-01) policies (2 component entities).
- Account management activities were not compliant with policies (6 component entities).
- Contingency planning activities were not compliant with policies (4 component entities).

In all, KPMG made 44 recommendations to the responsible officials to address the identified deficiencies. Treasury management provided corrective action plans that met the intent of KPMG’s recommendations.

**(OIG-17-003)**

### **Fiscal Year 2016 Audit of Treasury’s Federal Information Security Modernization Act–Collateral National Security Systems**

KPMG determined that Treasury established and maintained information security program and practices for its collateral national security systems for the five cybersecurity functions and the eight FISMA program areas. However, KPMG identified five deficiencies within two of the cybersecurity functions and four of the FISMA program areas. Accordingly, KPMG made 13 recommendations to address these identified deficiencies. Treasury management provided corrective action plans that met the intent of KPMG’s recommendations. Due to the sensitive nature of these systems, this report is designated Sensitive But Unclassified. **(OIG-17-004)**

## DATA Act

Treasury and OMB are leading the Government-wide implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act). As part of our ongoing oversight of the DATA Act implementation, we are conducting a series of audits reviewing Treasury's efforts to meet its responsibilities under the Act.

### Treasury is Making Progress Toward Compliance with the DATA Act Despite Challenges

As of May 31, 2016, Treasury is making progress toward compliance with the DATA Act by designing a comprehensive implementation plan that conforms to technical and informational guidance issued by Treasury's Program Management Office (PMO) and the OMB. If fully executed, we anticipate that Treasury will meet the DATA Act reporting requirements by the established May 2017 deadline. Specifically, Treasury's DATA Act implementation plan (1) identified its Senior Accountable Official (SAO), (2) estimated resource requirements, (3) proposed an implementation timeline, and (4) identified foreseeable challenges that it may encounter while implementing the DATA Act, as well as potential resolutions. These challenges include data-quality concerns, delays with the issuance of final technical guidance from the PMO and OMB, human resource limitations, systems integration requirements, and funding constraints.

This implementation effort is a complex project, with aggressive deadlines, involving multiple reporting bureaus and financial and management systems, as well as the development of new data-handling methodologies. Accordingly, we emphasized the need for Treasury's SAO and the DATA Act working group to continue to closely monitor Treasury's efforts to mitigate these risks and challenges. We will continue to monitor Treasury's implementation efforts in future audit work.

Treasury management concurred with our assessment that it is making progress towards implementing the DATA Act and agreed to continue to closely monitor its implementation efforts. Management also expressed its confidence that Treasury will meet the reporting requirements of the DATA Act by the statutory deadline and provided an update on how some of the challenges we identified have been addressed since the end of our fieldwork. **(OIG-17-021)**

## RESTORE Act

As a part of our ongoing oversight of Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) programs, we assessed the Gulf Coast Ecosystem Restoration Council's (Council) and Treasury's activities funded by the act. During this semiannual reporting period, we issued reports to the Council on its establishment of an organizational infrastructure and on its implementation of a grants management system. We also reported on Treasury's assessment of the RESTORE Act Programs compliance with the National Environmental Policy Act of 1969 (NEPA).

### **Council Faces Challenges in Establishing its Organizational Infrastructure**

We performed an audit to assess whether the Council is positioned to oversee the environmental and economic recovery of the Gulf Coast region. In brief, we concluded that the Council made progress in establishing the organizational infrastructure necessary to carry out its responsibilities under the RESTORE Act. That said, challenges remain in the areas of information technology (IT) management and internal control over financial and administrative activities. Specifically, we found that the Council did not have IT personnel on staff as required by FISMA and the Council had no IT strategic planning process. The lack of IT personnel and expertise resulted in insufficient oversight of the Council's IT contracts and interagency agreements. Furthermore, the Council did not complete an entity-wide risk assessment, nor did it fully develop and implement financial and administrative controls.

Accordingly, we recommended that the Council (1) ensure that personnel with expertise in information systems and systems security are in place to perform the functions of the Council; (2) establish and document its IT system strategic planning process including assigned accountability and responsibility for processes; (3) establish an oversight plan to ensure contract and interagency service agreements are properly monitored and that services are received and quality is acceptable; and (4) establish and implement strong internal control over its financial and administrative activities to include conducting an organizational risk assessment, documenting policies and procedures, and continually monitoring internal control to ensure identified risks are managed.

Management's actions, if implemented as planned, meets the intent of our recommendations. **(OIG-17-011)**

### **Council Effectively Acquired and Implemented a Grants Management System, but Challenges Remain in Service Agreement Monitoring and Invoice Processing**

Under a contract with and supervised by our office, an independent certified public accounting firm, Ollie Green and Company (Ollie Green) audited the Council's acquisition and implementation of a grants management system for carrying out its responsibilities under the RESTORE Act. In brief, Ollie Green concluded that the Council effectively acquired and implemented a grants management system. In doing so, Council complied with the applicable requirements from the RESTORE Act, Federal grant regulations, and internal grants policies and procedures. That said, challenges remain in the areas of service agreement monitoring and invoice processing. Specifically, Ollie Green found that the Council did not always follow its internal control protocol when processing service agreements and Intra-governmental Payment and Collection (IPAC) invoices.

Accordingly, Ollie Green recommended that the Council (1) recover an overpayment of \$20,445 from the National Technical Information Service (NTIS) for duplicate fees; (2) implement additional training to ensure that expanded internal controls related to IPAC payments are followed; and (3) strengthen oversight of interagency agreements and implement additional training to ensure that internal controls related to the review and approval of service agreements are followed.

In its response, Council management noted that (1) duplicative management fees of \$20,544 were refunded in a transaction that completed processing on July 25, 2016; (2) it had established and documented additional control procedures specific to the NTIS interagency agreements and provided training on these procedures to all financial staff and grants staff associated with this agreement; and (3) the Chief Financial Officer reviewed internal controls associated with the review and approval of service agreements with all finance and administrative staff to ensure that staff adheres to all internal control procedures.

Ollie Green considered management’s response, if implemented as stated, to meet the intent of its recommendations. **(OIG-17-037, Questioned Costs \$20,445)**

### **Treasury’s Assessment of RESTORE Act Programs Environmental Compliance**

Under NEPA, Federal agencies are required to prepare an environmental analysis for Federal actions significantly affecting the quality of the environment. NEPA requires Federal agencies to consider the potential environmental consequences of their proposed actions, as well as a range of alternatives, before deciding whether and in what form to take an action. As such, we performed an audit to evaluate Treasury’s assessment of its responsibility for environmental compliance under NEPA.

Overall, we found that Treasury appropriately assessed its responsibility for environmental compliance of RESTORE Act programs. Treasury concluded that NEPA does not apply to its duties as administrator of RESTORE Act programs since overall Treasury’s role is merely administrative and ministerial in nature. That said, we found that management’s process to reach its conclusions and establish related procedures for RESTORE Act programs addressed potential environmental compliance risks and was thoroughly documented. Furthermore, records of key deliberations and decisions related to the assessment complied with Treasury and other Federal requirements. **(OIG-17-001)**

## State Small Business Credit Initiative

As part of our ongoing oversight of Treasury’s State Small Business Credit Initiative (SSBCI), authorized by the Small Business Jobs Act of 2010, we conducted audits of awards made to select States, Territories, and eligible Municipalities (hereinafter referred to as States) to support their capital access and small business credit programs. The purpose of these audits was to assess States’ compliance with SSBCI program requirements and prohibitions to identify any reckless or intentional misuse of funds.

### New York’s Use of Federal Funds for Other Credit Support Programs

Our audit of SSBCI funds awarded to the State of New York focused on the State’s compliance with respect to funds invested in its venture capital program. We found that Canrock Innovate NY Fund, LP’s (Canrock Innovate), a recipient of SSBCI funds, did not fully comply with all venture capital program requirements. Specifically, Canrock Innovate’s investments in 4 of 5 beneficiary companies constituted a reckless misuse of approximately \$1.63 million of SSBCI funds because the investments were prohibited related party interests of its general partner, Canrock Innovate Advisors, LLC. Through a related entity, the three managing members of Canrock Innovate Advisors, LLC had a controlling interest in each of the 4 beneficiary companies’ voting shares, which violated the “SSBCI Policy Guidelines” regarding conflicts of interest.

We recommended that Treasury management declare a specific event of default of its Allocation Agreement with New York and recoup the \$1.63 million of SSBCI funds found to be recklessly misused by Canrock Innovate Advisors, LLC. Treasury management deferred to our determination. However, management noted that in lieu of recoupment, it would not disburse the remainder of New York’s allocation. We consider Treasury’s decision to withhold and not disburse New York’s remaining allocation of \$1.63 million to meet the intent of our recommendation. **(OIG-17-035, Questioned Costs \$1,629,787)**

## Other Audits of Treasury Programs and Operations

### FinCEN Needs to Improve Administration of Civil Monetary Penalty Cases

We performed an audit of the Financial Crimes Enforcement Network’s (FinCEN) process to assess and collect civil monetary penalties (CMP) for Bank Secrecy Act

violations. We found that FinCEN needs to improve its administration of CMP cases. FinCEN underwent a reorganization in 2013 and implemented a Financial Intelligence Repository (FIR) to share case information across all FinCEN Divisions. FinCEN's Enforcement Division began using FIR in 2014 despite known performance problems. FIR only had core functionality for case exchange and storage, and the system was experiencing performance issues with its responsiveness, including the inability to open case documents within the system. FinCEN could not rely on FIR to identify or track backlogged CMP cases and the system did not have a reliable mechanism to track cases approaching their Statute of Limitations (SOL).

Also, FinCEN's CMP case files lacked full documentation and approvals as required by FinCEN's policies and procedures. In addition, FinCEN did not have procedures for determining CMP amounts in consideration of aggravating and mitigating factors, and in some cases FinCEN did not document the rationale for assessed penalty amounts. In a few instances, caseworkers approved their own recommendations to close cases without action, which is contrary to good internal control and FinCEN policies and procedures. FinCEN attributed these issues to understaffing and an inadequate case management system, FIR. Our interviews with other regulators also revealed concerns about the lack of feedback from FinCEN on CMP case referrals.

We recommended that FinCEN (1) ensure FIR performance deficiencies are identified and resolved; (2) review open FIR case records to ensure the accuracy and completeness of the data recorded; (3) require key relevant case information to be entered into FIR so that FinCEN can monitor areas such as the CMP case backlog and CMP cases approaching the SOL; (4) continue to refine the interim enforcement procedures currently used by FinCEN; and (5) develop and implement a process to periodically notify Federal and State regulators of the status of and action taken on referred cases.

While we consider management's response to have met the intent of our recommendations, we will verify whether FIR performance deficiencies were corrected in future audits. **(OIG-17-016)**

### **OCC's Fast Track Enforcement Program Should Be Assessed**

We performed an audit of the Office of the Comptroller of the Currency's (OCC) FAST Track Enforcement Program out of concern over a case brought to our attention by the U.S. Attorney's Office (USAO) in the District of Minnesota. In a 2012 news release, USAO announced that two men were sentenced in Federal court in

Minneapolis for their roles in a \$50-million bank fraud conspiracy. The conspiracy operated in six states and involved a network of bank employees that stole personal and financial information from more than 500 individuals around the world.

Under the legislative authorities of 12 U.S.C. 1818 (1818) or 12 U.S.C. 1829 (1829), OCC pursues enforcement actions against current or former bank employees for which there is evidence of wrongdoing, dishonesty, a breach of trust, or money laundering. Fast Track<sup>3</sup> is a program OCC uses to pursue these enforcement actions.

We found that Fast Track was not as efficient and effective in pursuing prohibitions as it could be because the program's staffing model limited the number of cases it could process. The last assessment of Fast Track was completed in 2009 and did not include the establishment of specific performance metrics or an analysis of staffing levels needed to meet program goals.

We recommended that OCC assess Fast Track to determine whether the program's efficiency and effectiveness could be increased. This assessment was to include, but was not limited to, the program's mission and goals, comprehensive requirements, performance results over time, current staffing levels, and additional training needs.

OCC management agreed to assess the Fast Track program by September 30, 2016, to determine whether it was feasible to improve the program's processing of more 1818 prohibition cases. OCC's assessment, dated September 29, 2016, identified measures to increase the efficiency and effectiveness of the Fast Track program. These measures include redeploying resources, revising the roles of the Fast Track Coordinator and the Fast Track Counsel, conducting training, using metrics, and revising and updating the Fast Track Enforcement Program Manual. We consider OCC's, actions, both taken and planned, to meet the intent of our recommendation. **(OIG-17-006)**

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<sup>3</sup> Fast Track is a program administered by OCC's Chief Counsel Office's Enforcement and Compliance Division. The program implements "streamlined enforcement" procedures aimed at keeping the banking industry safe and sound by using information from suspicious activity reports, examinations, alerts, or other sources to pursue prohibitions of bank insiders from working in a financial institution, when bank insiders and other Institution-Affiliated Parties commit criminal acts or acts of significant wrongdoing involving banks.

## OCC Established Standards for and Provides Oversight of Banks' Use of Independent Consultants

We performed an audit of the OCC's implementation of OCC Bulletin 2013-33, "Use and Review of Independent Consultants in Enforcement Actions" and Policies and Procedures Manual (PPM) 5310-11, "Use and Review of Independent Consultants in Enforcement Actions".

We concluded that OCC's supervisory offices generally complied with Bulletin 2013-33 and PPM 5310-11. There was one instance where a supervisory office did not follow the requirement in PPM 5310-11 that states "determinations related to the consultant's independence and qualifications should be documented by the supervisory office and reviewed by the responsible Deputy Comptroller."

We recommended that the Comptroller of the Currency determine if a Deputy Comptroller's review of determinations related to the consultant's independence and qualifications is necessary at all times or whether there are circumstances that could warrant an exception to this requirement. If so, we recommended updating the applicable guidance that supervisory offices be reminded of the need for a Deputy Comptroller's review in those circumstances.

In its response, OCC stated it reviewed PPM 5310-11 and determined there are no circumstances that would warrant an exception to the requirement for a Deputy Comptroller's review. On January 5, 2017, OCC reminded its supervisory offices of the need for a Deputy Comptroller's review of all determinations of an independent consultant's independence and qualifications in compliance with 5310-11. We considered OCC's actions to be responsive to our recommendations. **(OIG-17-036)**

## Direct Express Bid Evaluation Documentation Requires Improvement

We performed an audit of the Fiscal Service's Direct Express financial agency award to Comerica. We found that Fiscal Service followed applicable laws, regulations, policies, and procedures when selecting Comerica as the Direct Express financial agent. However, we noted concerns with the documentation of the bid evaluation. These concerns included simple errors and other issues with form and substance that could make it difficult for Fiscal Service to justify its award decisions, especially given that Fiscal Service selected a proposal with higher out-of-pocket costs to the Government and less savings to the cardholders.

We recommended that the Fiscal Service Commissioner improve the documentation of financial agent agreement (FAA) bid evaluations by ensuring that (1) factors under consideration are presented in comparable terms and the rationale for selecting the factors and weights used is adequately described; and (2) complete and accurate documentation is maintained in FAA files. We consider management’s planned actions to meet the intent of our recommendations. **(OIG-17-034)**

### **Financial Institutions’ Private Student Lending Activities**

We performed an audit of OCC’s supervision of financial institutions’ student lending activities. We concluded that OCC effectively supervised financial institutions’ private student lending activities for the banks included in our audit sample. Specifically, we reviewed 3 of 8 large banks and 3 of 8 mid-size and community banks under OCC’s supervision that had private student loan portfolios during the 2007 through 2013 timeframe. For 4 of the 6 banks sampled, OCC conducted specific procedures related to the banks’ private student loan portfolios. OCC determined that these four banks complied with applicable guidance. OCC also identified matters requiring attention (MRA) relating to 3 of the 4 banks’ private student loan portfolios. However, it considered the corrective actions taken by the banks to have resolved the MRAs. For the remaining two banks sampled, OCC assessed the retail credit portfolios as a whole and did not identify MRAs related to the banks’ private student loan portfolios. We did not make any recommendations in our report. **(OIG-17-008)**

### **Authentix, Inc.’s Cost Proposal in Response to Solicitation BEP-RFP-16-0442**

We performed an examination of Authentix, Inc.’s price proposal submitted in response to the Bureau of Engraving and Printing’s (BEP) solicitation number BEP-RFP-16-0442, issued on June 24, 2016. We examined the proposal to determine if the proposed costs are acceptable as a basis to negotiate a fair and reasonable contract price. Our examination results were submitted to BEP. We did not make any recommendations in our report. Due to the proprietary nature of contractor bid and proposal information, this report is designated Sensitive But Unclassified. **(OIG-17-018, Sensitive But Unclassified)**

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## **Office of Investigations – Significant Investigations**

### **Global Money Service Business Forfeits \$586 Million for Anti-Money Laundering and Consumer Fraud Violations**

Our joint investigation with the Internal Revenue Service Criminal Investigations (IRS-CI), the U.S. Postal Inspection Service (USPIS), the Department of Homeland Security Investigations (HSI), and the Federal Bureau of Investigation (FBI) resulted in Western Union admitting that it willfully failed to maintain an effective anti-money laundering program and aided and abetted wire fraud. Western Union's lack of controls allowed hundreds of millions of dollars in structured transactions to be sent out of the U.S. to pay human smugglers and facilitate fraud schemes to drain the life savings of elderly U.S. citizens. The \$586 million settlement remains the largest forfeiture ever executed against a money service business (MSB).

### **19 Subjects Indicted for International Fraud and Money Laundering**

Our joint investigation with the FBI determined a transnational organized crime network conducted a multi-million dollar fraud and money laundering operation that resulted in the theft of over \$13 million from more than 170 victims. As a result of fraudulent transactions identified by this investigation, additional thefts of over \$56 million in victim funds were prevented, disrupted, or returned. The operation involved online vehicle sales fraud, business email compromise schemes, and an unlicensed money transmitting and international money laundering network, "hawala". These fraud schemes tricked both individuals and corporations into wiring millions of dollars to bank accounts under the control of the crime network. This network operated in the U.S., Europe, and Israel. During the course of this investigation, 19 subjects were indicted by a Federal grand jury in U.S. District Court, District of Columbia. The last 6 subjects were indicted during this reporting period, and all of the 19 subjects were subsequently arrested in New York, New York; Los Angeles, California; and Israel, Hungary, Bulgaria, and Germany. Those arrested were charged with various violations to include: Bank Fraud, Conspiracy to Commit Bank and Mail Fraud, Conspiracy to Commit Money Laundering, Conspiracy to Commit Wire Fraud, and Conspiracy to Operate an Unlicensed Money Transmitting Business. Trial dates are pending. Due to the sensitivity of this investigation, it was not previously reported until all indictments were issued.

### **Subject Arrested for Bank Fraud**

Our joint Investigation with the Randolph County, North Carolina Sheriff's Office identified a subject who fraudulently used a corporate tax identification number to open numerous checking accounts at several Office of the Comptroller of the Currency (OCC)-regulated banks. The subject used checks from these accounts to kite<sup>4</sup> money to inflate the balances on his accounts and make large dollar purchases of vehicles, tractors, Rolex watches, and jewelry. Subsequently, the subject sold the items through online auction sites such as Craigslist and E-bay. The estimated loss in this case exceeds \$250,000. The subject was indicted by a Federal grand jury in the Middle District of North Carolina for Bank Fraud, Possession of a Counterfeit Security, and Aggravated Identity Theft. The subject pled guilty to Bank Fraud pursuant to a plea agreement. Sentencing is pending.

### **Subject Arrested for Mail Fraud, Wire Fraud, and Aggravated Identity Theft**

Our joint investigation with the Durham, North Carolina Police Department determined that a paralegal embezzled over \$180,000 from OCC-regulated bank accounts managed by two different law firms. The subject was indicted by a Federal grand jury in the Middle District of North Carolina for Mail Fraud, Wire Fraud, and Aggravated identity Theft. Plea negotiations are ongoing.

### **Subject Arrested for Access Device Fraud and Aggravated Identity Theft**

Our investigation determined that a North Carolina subject fraudulently used credit cards which were issued to a religious ministry organization. The subject obtained the credit cards and socially engineered retail merchants to “force” over 200 transactions, totaling over \$113,000 in attempted credit card purchases. The subject was indicted by a Federal grand jury in the Middle District of North Carolina for Access Device Fraud, Use of an Unauthorized Access Device, and Aggravated Identity Theft. Plea negotiations are ongoing.

### **Subject Pleads Guilty to Theft of Public Money**

Our investigation determined that a subject converted funds from the District of Columbia Retirement Board (Board) intended for his grandmother, a retired annuitant,

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<sup>4</sup> Kiting is a form of check fraud, involving taking advantage of the float to make use of nonexistent funds in a checking or other bank account.

for his own personal use. When the subject's grandmother died in June 2012, the Board was not notified and payments continued into the grandmother's bank account, to which the subject had access. Approximately \$81,000 was deposited into the grandmother's bank account before the Board discovered the annuitant's death. The subject confessed that he withdrew all the money and knowingly converted the funds for his own personal use. The subject was prosecuted by the U.S. Attorney's Office, District of Columbia, and pled guilty to Theft of Public Money. Sentencing is pending.

### **School Financial Aid Worker Sentenced for Stealing Student Financial Aid Refunds**

Our joint investigation with the FBI Cyber Task Force, Baltimore, Maryland, led to the arrest and conviction of a subject who stole at least 40 student account passwords. The subject logged into the school's financial network and using the stolen student account passwords to redirect a total of \$74,000 in student refunds to the subject's GreenDot account. Subsequently, the subject opened a GreenDot account in her roommate's name and again logged into the school's network without authorization and had two more students' refunds in the amount of \$12,000 redirected to the GreenDot account in the roommate's name. GreenDot returned all of the stolen funds to the victims. The subject pled guilty to Unauthorized Access of a Protected Computer in Furtherance of Fraud and was sentenced to 60 months of probation and 6 months home detention. This case was prosecuted by the U.S. Attorney's Office, District of Maryland.

### **Subject Arrested for Cashing Altered Treasury Bonds**

Our joint investigation with the Michigan State Attorney General's Office determined that a subject in the Detroit, Michigan area fraudulently obtained 143 Treasury bonds and cashed them at a bank. The subject's illicit actions resulted in a \$19,000 loss to Treasury. A local arrest warrant was served on the subject. The subject is awaiting trial.

### **Subjects Indicted in Commercial Counterfeit Scheme using Routing Number Specifically Assigned to Treasury**

Our joint investigation with the Treasury Inspector General for Tax Administration determined that at least nine subjects in the Fort Worth, Texas area produced counterfeit commercial checks using the routing number specifically assigned to Treasury. The nine subjects were indicted on charges of Conspiracy to Commit Wire

Fraud and Wire Fraud. To date, Federal arrest warrants obtained through the U.S. Attorney’s Office, Eastern District of Texas were served on seven of the nine subjects.

### **Subject Arrested for Negotiating Multiple Replacement Treasury Checks**

Our investigation determined that a Virginia subject negotiated two Treasury checks totaling approximately \$4,000. The subject negotiated her original tax refund check, received a replacement check, and attempted to cash the replacement check. After admitting in an interview that she was not entitled to the second check, the subject received a third check and successfully negotiated it. The subject was arrested for Obtaining Money under False Pretense. Judicial action is pending with the Commonwealth of Virginia.

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**Following is information related to significant investigative activities from prior semiannual periods.**

### **Subjects Plead Guilty to Charges in Massive Identity Theft and Tax Fraud Scheme**

As reported in previous semiannual periods, our joint investigation with the IRS-CI and USPIS revealed that multiple subjects conspired to defraud the Federal Government by producing at least 12,000 fraudulent Federal income tax returns using stolen identities, and negotiating the resulting tax refund payments, totaling at least \$40 million for personal gain.

**Update:** Two subjects were indicted and arrested on charges of Conspiracy to Defraud the Government and Theft of Public Money, five subjects pled guilty to charges in the identity theft and tax fraud scheme, and three subjects went to trial and were found guilty of Conspiracy to Commit Theft of Government Funds and to Defraud the U.S. Two of the three subjects that went to trial were also found guilty of Aggravated Identity Theft. One of the three subjects was sentenced to 135 months in prison, 36 months of probation, and \$4.5 million in restitution. Sentencing is pending for the remaining subjects.

To date, the joint investigation has resulted in 44 arrests, including the arrest of employees of MSBs, financial institutions, and the U.S. Postal Service (USPS). Of the 44 arrests, 35 subjects pled guilty and 3 subjects were found guilty by jury trial.

Sixteen (16) subjects have been sentenced to nearly 561 months in prison, 816 months of probation, and ordered to pay approximately \$11.5 million in restitution to Treasury. The case is being prosecuted by the U.S. Attorney's Offices in the District of Columbia; the District of Maryland, Greenbelt Office; and by the Department of Justice's Tax Division.

### **Nine Subjects Arrested for Redirecting Treasury Funds from Supplemental Nutrition Assistance Program Benefits**

As reported in a previous semiannual period, our joint investigation with the Departments of Agriculture and Social Security Administration (SSA) Offices of Inspectors General (OIG), HSI, the U.S. Secret Service (USSS), the Drug Enforcement Administration, IRS-CI, and with State and local law enforcement agencies determined that complicit store owners and scheme organizers orchestrated the fraudulent exchange and redirection of over \$6.3 million in Treasury funded, State-managed welfare and benefit cards. Nine subjects were indicted and arrested for Conspiracy to Commit Wire Fraud and Wire Fraud, and two of the subjects were also indicted for drug-related charges. Six of these subjects pled guilty and were sentenced for Conspiracy to Commit Wire Fraud and Wire Fraud.

**Update:** The seventh subject pled guilty to Conspiracy to Commit Wire Fraud and the eighth subject pled guilty to Conspiracy to Commit Wire Fraud and Wire Fraud. Sentencing is pending for these subjects. Judicial action is pending for the remaining subject.

### **Subjects Arrested for Bank Fraud**

As reported in the previous semiannual period, our joint investigation with the Fayetteville, North Carolina Police Department determined that multiple subjects in the Fayetteville area were involved in an organized scheme to defraud several local OCC-regulated banks and local credit unions. The scheme involved opening accounts with stolen identities, depositing counterfeit business checks into those accounts, and removing the funds before the checks are identified as counterfeit. The estimated loss is approximately \$3.7 million. Three subjects were indicted and subsequently arrested for Bank Fraud. One of the three subjects pled guilty to Bank Fraud in U.S. District Court, Eastern District of North Carolina.

**Update:** One of the three subjects was sentenced to one month of home confinement, 60 months of probation, and ordered to pay \$2,100 in restitution. The other two subjects are in plea negotiations. Preparations to indict additional subjects are ongoing.

### **Subject Found Guilty of Theft of Government Funds and Theft or Receipt of Stolen Mail**

As reported in previous semiannual periods, our joint investigation with SSA OIG, USPIS, and the USPS OIG determined that several Social Security recipients in the Pinellas County, Florida area did not receive their benefit checks in May 2012. The stolen checks, totaling approximately \$2.3 million, were subsequently cashed in North Florida and South Georgia. Five subjects, including a USPS employee, were arrested. Three of the five subjects pled guilty and were sentenced for Theft of Government Funds and Theft or Receipt of Stolen Mail. The fourth subject was found guilty of Theft of Government funds by a U.S. District Court Jury in Tampa, Florida.

**Update:** The fourth subject was sentenced for one count of Theft of Government Funds. This subject received 87 months in prison and was ordered to pay restitution in the amount of \$721,000 in U.S. District Court, Middle District of Florida. The fifth subject, a former Postal employee, was found guilty of one count of Theft of Government Funds and one count of Theft or Receipt of Stolen Mail by a jury trial in the U.S. District Court, Middle District of Florida. Sentencing is pending for the former Postal employee.

### **Multiple Subjects Indicted for U.S. Mint Purchases Using Stolen Identifications**

As reported in previous semiannual periods, our joint investigation with the USSS, HSI, and USPIS determined that multiple subjects had conspired to commit Identity Fraud, Theft of Public Funds, and Access Device Fraud by obtaining personally identifying information of U.S. citizens. These subjects used the stolen identities to make debit card purchases of U.S. Mint products and items from home goods stores, then quickly canceled the transactions to obtain refunds on the stolen debit cards.

**Update:** The final subject pled guilty to a charge of Conspiracy to Commit Bank Fraud. The subject was sentenced to 56 months in prison, 48 months of probation, and ordered to pay \$350,000 in restitution. This case resulted in 9 arrests, 9 Federal convictions, 290 months of prison time, 399 months of probation, and ordered

restitution in the amount of \$2.8 million. The case was prosecuted by the U.S. Attorney's Office, District of Maryland, Greenbelt Office.

### **Arrest Warrants Issued for Subjects Cashing Counterfeit Business Checks**

As reported in the previous semiannual period, our joint investigation with the Jacksonville, Florida Sheriff's Office determined that a subject was generating counterfeit identification documents to open accounts at OCC-regulated financial institutions to cash counterfeit business checks. There were approximately \$1 million in fraudulent withdrawals and wire transfers. An arrest warrant was executed on the subject and a 2016 Ford Mustang was seized. An additional arrest warrant was obtained for a co-conspirator.

**Update:** The key subject in the scheme pled guilty to Criminal Use of Personal Information and Dealing in Stolen Property and will be sentenced in the coming months. Judicial action is pending for the co-conspirator. Identification of additional subjects and victims is ongoing. The case is being prosecuted by the Florida State Attorney's Office.

### **Subject Pleads Guilty to Theft of Public Money**

As reported in previous semiannual periods, our joint investigation with the IRS-CI and the OIGs of SSA and the Department of Health and Human Services determined that a subject filed false tax returns and received over \$800,000 in tax refunds that were directed to a business account under the control of the subject. The subject also received improper Social Security and Medicare benefits. The subject pled guilty to Theft of Public Money and Tax Fraud and was sentenced in the U.S. District Court of Eastern Virginia to 24 months in prison, 36 months of probation, and ordered to pay approximately \$836,000 in restitution. Additionally, the subject had \$768,000 seized representing the proceeds of the charged offenses.

**Update:** A second subject who assisted in submitting the false tax returns to the Internal Revenue Service (IRS), was indicted for Conspiracy to Defraud the Government with Respect to Claims, False Claims, Theft of Public Money, and Aggravated Identity Theft. A trial date is pending.

### **Subject Pleads Guilty to Wire Fraud and Aggravated Identity Theft**

As reported in previous semiannual periods, our joint investigation with HSI, IRS-CI, SSA OIG, and USPIS determined that a citizen of the Ivory Coast, living in Virginia,

used assumed identities to commit financial crimes. The subject claimed to be a tax preparer, filed false tax returns, and diverted tax refunds to bank accounts that the subject controlled. The subject pled guilty to Wire Fraud and Aggravated Identity Theft in the Eastern District of Virginia, and was sentenced to 54 months in prison and ordered to pay \$672,000 in restitution and \$652,000 in forfeiture. A second subject, who provided information to be used in the scheme to the first subject, was indicted for Wire Fraud, False Claims, and Conspiracy to Defraud the Government.

**Update:** The second subject pled guilty to Conspiracy to Commit Wire Fraud and False Claims, and was sentenced to 15 months in prison, 36 months of probation, and ordered to pay \$106,000 in restitution and \$38,000 in forfeiture. A third subject is awaiting trial.

### **Two Subjects Indicted for Submitting Fraudulent Recovery Act Applications**

As reported in previous semiannual periods, our joint investigation with the Department of Energy OIG and the FBI led to an indictment of a brother and sister in Arizona for conspiring to submit fraudulent applications and invoices to receive approximately \$338,000 in grant funds for solar projects under Section 1603 of the American Recovery and Reinvestment Act of 2009 (Recovery Act). One subject pled guilty to Fraud-Official Certificates or Writings regarding the receipt of \$338,000 in Recovery Act funds. The other subject pled guilty to Conspiracy to Commit Wire Fraud regarding the receipt of the funds.

**Update:** One subject was sentenced to 36 months of probation, and the other subject was sentenced to 60 months of probation. The subjects were ordered to jointly pay restitution of \$63,000. This case was prosecuted by the U.S. Attorney's Office, District of Arizona.

### **Two Sovereign Citizen Subjects Charged for Using Fictitious Obligations**

As reported in the previous semiannual period, our investigation determined that two subjects, aligning themselves with the Sovereign Citizen ideology, presented a fictitious document titled "International Bill of Exchange" as payment to obtain seven new automobiles worth over \$160,000. Other attempts were made by the subjects, using the same method, to purchase additional new vehicles. Both subjects were arrested and criminally charged within the U.S. District Court, District of Maryland for using Fictitious Obligations.

**Update:** One subject pled guilty to Manufacturing/ Uttering Fraudulent Financial Instruments pursuant to a plea agreement. Sentencing is pending. Judicial action continues against the other subject.

### Former Treasury Employee Pleads Guilty to Theft and Conversion of Government Funds

As reported in previous semiannual periods, our investigation determined that a Treasury employee, prior to retirement, charged approximately \$142,000 in 62 separate transactions using Treasury-issued purchase cards for the purported purchase of office supplies and equipment. In fact, no office supplies or equipment were purchased. The Treasury employee colluded with a vendor in which the vendor would charge the Government purchase card and then wire a large portion of the transaction amount into the employee's personal bank account. In the U.S. District Court of Maryland, the former Treasury employee pled guilty to Theft and Conversion of Government Funds and agreed to pay restitution in the amount of \$142,000. The former Treasury employee was sentenced to 36 months of probation, 12 months of home detention, and ordered to pay \$142,000 in restitution.

**Update:** The co-defendant, a collusive Government vendor, pled guilty to Theft of Government Funds in the U.S. District Court of Michigan and was sentenced to 24 months of probation and ordered to pay restitution in the amount of \$123,000.

### Subject Indicted and Arrested for Bank Fraud

As reported in the previous semiannual period, our investigation determined that a North Carolina bank customer was involved in a check kiting scheme that resulted in a loss of approximately \$73,000 to an OCC-regulated bank. The subject was indicted on 21 counts of Bank Fraud. The subject self-surrendered to the U.S. Marshals Service in Chicago, Illinois.

**Update:** The subject pled guilty to Bank Fraud and was sentenced to 21 months in prison, followed by 12 months of home confinement or 12 months successful completion of a substance abuse program, and 60 months of probation.

### **Subject Pleads Guilty to Theft of Government Money, Wire Fraud and Receiving Stolen Government Property**

As reported in previous semiannual periods, our investigation determined that a subject fraudulently redeemed stolen paper U.S. Savings Bonds totaling \$75,000 through a Treasury Direct account. To accomplish this fraud scheme, the subject used the victim's personal information to establish a Treasury Direct account in the victim's name, converted the paper U.S. Savings Bonds to electronic bonds, and deposited the funds into the subject's personal bank account. The subject was indicted and subsequently pled guilty in the Central District of California to one count each for Wire Fraud, Theft of Government Money, and Receiving Stolen Government Property.

**Update:** The subject was sentenced to 33 months in prison, 36 months of probation, and ordered to pay \$75,000 in restitution.

### **Subject Arrested for Fraudulent Negotiation of Treasury Checks**

As reported in a previous semiannual period, our joint investigation with the USFIS and local law enforcement agencies determined that several Florida subjects fraudulently obtained 23 Treasury checks, opened a bank account using a stolen identity, and negotiated the checks through the fraudulent account. The primary organizer was arrested and convicted for Bank Fraud and Aggravated Identity Theft.

**Update:** The primary subject was sentenced to 84 months in prison and ordered to pay over \$69,000 in restitution for Bank Fraud and Aggravated Identity Theft. This case was prosecuted by the Florida State Attorney's Office. The investigation of additional subjects is ongoing.

### **BEP Police Officer Arrested for Threats against another BEP Police Officer**

As reported in the previous semiannual period, our investigation determined that while off-duty, a Bureau of Engraving and Printing (BEP) police officer threatened violence against another BEP police officer. The subject made the threat over the telephone to a third-party, who was also a BEP police officer. The subject threatened to carry out the violent act at the BEP facility in Fort Worth, Texas. The subject was arrested for making terroristic threats.

**Update:** The subject's employment was terminated by BEP security management. In response to the termination, the subject filed a complaint with the Merit Systems

Protection Board and was later reinstated into a non-law enforcement position at BEP. Tarrant County District Attorney's Office is currently reviewing the case.

### **U.S. Mint Employee Charged with Assaulting a Fellow Employee**

As reported in the previous semiannual period, our investigation determined that while on duty, a Mint employee assaulted a contract worker at the Denver, Colorado Mint. The subject grabbed the arm of the victim, forcing the victim against a wall. The subject has been charged with Simple Assault by the U.S. Attorney's Office for the District of Colorado.

**Update:** The subject appeared in U.S. Magistrates Court for the District of Colorado and pled guilty to Simple Assault. The subject received deferred prosecution and is required to attend anger management classes at his own cost.

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## Other OIG Accomplishments and Activity

### CIGIE Award Ceremony

Department of the Treasury (Treasury) Office of Inspector General (OIG) staff members were recognized with three prestigious awards at the 19<sup>th</sup> Annual Council of the Inspectors General on Integrity and Efficiency (CIGIE) Awards Ceremony on October 20, 2016, in Washington, D.C. The annual ceremony recognizes the outstanding accomplishments of the Federal Inspectors General workforce.

- **Barry R. Snyder Joint Award:** The Federal Audit Executive Council (FAEC), Digital Accountability and Transparency Act (DATA Act) Working Group led by Treasury OIG was recognized for excellence in leading the Inspector General community's initial response to the DATA Act. **Andrea Smith**, who leads the FAEC DATA Act Working Group, accepted the award on behalf of the group. Other Treasury OIG Working Group members recognized with the award were **Herb Addy**, Auditor; **Ade Bankole**, Audit Manager; **Horace Bryan**, Auditor; **Kenneth Dion**, Audit Manager; **Maria McLean**, Auditor; **Jeneba (Jallah) Moiwo**, Auditor; **Ashley Smith**, Audit Manager; **John Tomasetti**, Audit Manager; and **Avery Williams**, Auditor.
- **Investigations Award for Excellence: Jacob Heminger**, Special Agent, was recognized for his outstanding efforts in bringing to justice eight criminal offenders involved in a scheme to defraud the U.S. Mint and numerous financial institutions out of more than \$1 million.
- **Investigations Award for Excellence: Colleen Anderson**, Special Agent, and other members of the Carson Helicopter Investigation from the Department of Agriculture, Department of Justice, and Department of Transportation OIGs, and from the U.S. Attorney's Office for the District of Oregon, were recognized for extraordinary investigative efforts and interagency cooperation to prosecute violators who disregarded safety standards and practices by falsifying critical documents that resulted in nine fatalities. The investigation was led by the Department of Agriculture OIG.

### Forensic Accounting and the Bank Secrecy Act Conference

Treasury OIG's Office of Investigations and Florida Atlantic University co-sponsored a conference on Forensic Accounting and the Bank Secrecy Act (BSA) at the Wyndham

Deerfield Beach Resort in Deerfield Beach, Florida, on February 9-10, 2017. This was the second BSA conference that the office sponsored within 6-months. Last September, Office of Investigations held its first BSA conference in North Carolina.

The Florida event included numerous local and Federal law enforcement agencies, prosecutors, and representatives from financial institutions. **Jerry Marshall**, Deputy Assistant Inspector General for Investigations, and **Dr. Michael Crain**, Director of the Center for Forensic Accounting at Florida Atlantic University's College of Business, opened the conference. **Richard Delmar**, Counsel to the Treasury Inspector General, discussed Treasury OIG functions related to whistleblower protections, and the False Claims Act and Qui Tam filings. **Dan Harding**, Special Agent, discussed financial fraud related to the Sovereign Citizen Movement. **Kieu Rubb**, Audit Director, provided an overview of Treasury OIG audit programs, including audit work related to terrorist financing and financial intelligence programs. **Todd McGee**, Auditor, discussed fraud and integrity risks in the Gulf region that Treasury OIG identified while conducting work related to the oversight of Treasury's Gulf Coast Restoration Trust Fund. Other Treasury bureaus and offices were represented by event speakers from the Bureau of the Fiscal Service, Financial Crimes Enforcement Network, Office of Foreign Assets Control, and Office of the Comptroller of the Currency.

### Office of Investigations Opens North Carolina Office

During the period, Investigations staff formally moved into a new Treasury Financial Crimes Task Force Office in Greensboro, North Carolina. This task force has been successfully operating for more than a year, but its assigned agents and task force officers have been working in small, borrowed space. Now the task force members can continue their work in a new, larger space where they can conduct interviews, hold meetings, and store equipment and evidence.

### OIG Audit Leadership Roles

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

**Andrea Smith**, Audit Director, chairs the FAEC's DATA Act Working Group which educates the Inspectors General and Government financial communities on the DATA Act oversight process. During the reporting period, Ms. Smith led an interagency team of six agencies that developed the FAEC DATA Act Working Group's *Inspectors*

*General Guide to Compliance Under the DATA Act.* The guide presents a common methodological and reporting approach for the Inspectors General community to use in performing its initial mandated DATA Act work due in November 2017. Other Treasury OIG representatives that contributed to the effort were **Deborah Harker**, Assistant Inspector General for Audit; **Pauletta Battle**, Deputy Assistant Inspector General for Audit; **John Tomasetti**, Audit Manager; **Kenneth Dion**, Audit Manager; and **Myung Han**, Audit Manager. The guide was issued to the Inspectors General community on February 27, 2017.

Also during this reporting period, Ms. Smith participated in a number of stakeholder outreach events to various Government-wide communities describing the Inspector General community's approach to its oversight requirements under the DATA Act, including: (1) Treasury DATA Act Agency Day at the Treasury building in Washington, D.C., on October 25, 2016; (2) Interagency Fraud and Risk Data Mining Group at the Department of Education's Lyndon B. Johnson Auditorium in Washington, D.C., on November 18, 2016; (3) Fraud Risk Management Conference for Government at the Hilton Arlington in Arlington, Virginia on January 30, 2017; (4) DATA Act Readiness Review Workshop for the Inspectors General Community at the Department of Education's Lyndon B. Johnson Auditorium in Washington, D.C., on March 1, 2017; and (5) Association of Government Accountants' Greater Washington Society of Certified Public Accountants at the Ronald Reagan Building and International Trade Center in Washington, D.C., on March 30, 2017.

**Lisa Carter**, Deputy Assistant Inspector General for Financial Sector Audits, serves as the Treasurer for the Association of Inspectors General D.C. Chapter, an organization of Federal, State, and local Inspectors General. Ms. Carter is also a member of its Training committee.

**Jeff Dye**, Audit Director, regularly teaches a module of the Introductory Auditor course sponsored by the CIGIE Training Institute.

**Donna Joseph**, Deputy Assistant Inspector General for Cyber and Financial Assistance Audits, serves as the National Single Audit Coordinator for Treasury, and is a member of the American Institute of Certified Public Accountants' (AICPA) National Governmental Accounting and Auditing Update planning committee.

**Kieu Rubb**, Audit Director, serves on the AICPA's Government Performance and Accountability Committee. The committee is comprised of 13 members representing

Federal, State, and Local Government, and education. Ms. Rubb also teaches peer review training sessions sponsored by the CIGIE Training Institute.

### OIG Hosts Ukrainian Delegation

On March 31, 2017, **Inspector General Thorson** and other OIG executives met with members of a Ukrainian delegation to discuss the mission of U.S. Government Inspectors General and the Treasury OIG. A practical dialogue was held on audit standards, documentation, and follow-up, with a focus on controls and accountability to safeguard public assets. The delegation was particularly interested in the independence and authority that Inspectors General possess under the Inspector General Act.



*Pictured above are OIG executives with members of the Ukrainian Delegation*

# Statistical Summary

## Summary of OIG Activity

October 1, 2016 through March 31, 2017

OIG Activity	Number or Dollar Value
<b>Office of Counsel Activity</b>	
Regulation and legislation reviews	4
Attempts to interfere with OIG independence/instances where information was refused	0
Instances of whistleblower retaliation	0
<b>Office of Audit Activities</b>	
Reports issued and other products	51
Reports issued for which no management comment was returned within 60 Days	0
Disputed audit recommendations	0
Reports issued over 6 months for which no management decision has been made	0
Significant revised management decisions	0
Management decision in which the Inspector General disagrees	0
<b>Monetary Benefits (audit)</b>	
Questioned costs	\$1,650,232
Funds put to better use	\$0
Total monetary benefits	\$1,650,232
<b>Office of Investigations Activities</b>	
<b>Criminal and Judicial Actions (including joint investigations)*</b>	
Investigative reports issued	63
Cases referred for prosecution and/or litigation	75
Individuals referred for criminal prosecution to the Department of Justice	61
Individuals referred for criminal prosecution to state and local authorities	7
Cases accepted for prosecution and/or litigation	29
Arrests	17
Indictments/informations	34
Convictions (by trial and plea)	20

*\*During the reporting period, defendants were sentenced to 456 months of probation, 40 hours of community service, and ordered to pay fines, restitution, and court fees in the amount of \$8.1 million. OIG also seized \$768,000 as the result of a criminal prosecution. In addition, OIG participated in an investigation where a judgement of \$586 million was ordered and paid to Treasury.*

## Metrics Used for Office of Investigations Activities

Department of the Treasury (Treasury) Office of Inspector General (OIG) investigative statistics listed above were obtained through reports drawn from OIG's Office of Investigations case management system.

## Reports with Unimplemented Recommendations

Issued prior to October 1, 2016

The following list of Treasury OIG reports with unimplemented recommendations is based on information in the Treasury’s automated audit recommendation tracking system, which is maintained by Treasury management officials, and recommendations tracked by other Federal organizations related to OIG’s oversight of the Resources and Ecosystems Sustainability, Tourist Operations, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) programs and activities of the Gulf Coast Ecosystem Restoration Council (Council) and the National Oceanic and Atmospheric Administration’s Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program.

OIG is reporting 34 open and unimplemented recommendations for 12 reports issued prior to October 1, 2016. OIG does not have any potential cost savings to report for reports issued before the commencement of this reporting period.

OIG considers all unimplemented recommendations for reports issued over 6 months to be significant.

### Treasury Programs and Operations

Number	Date	Report Title and Recommendation Summary
OIG-14-011	12/13	<p data-bbox="532 1262 1437 1339"><i>Audit of the Department of the Treasury’s Fiscal Years 2013 and 2012 Financial Statements</i></p> <p data-bbox="532 1350 1487 1726">The Assistant Secretary for Management and the Deputy Chief Financial Officer should ensure that the Internal Revenue Service (IRS) (1) takes corrective action to improve controls over financial reporting and (2) implements its remediation plan outlining actions to be taken to resolve noncompliance with the Federal Financial Management Improvement Act requirements and the resources and responsible organizational units for such planned actions. Management agreed with the recommendations. (2 recommendations)</p>

OIG-15-036    06/15    *RESTORE Act: Alabama’s Center of Excellence Was Not Selected through Competitive Award*  
 The Fiscal Assistant Secretary should ensure that the Alabama Council selects its Centers of Excellence through a competitive process in accordance with the RESTORE Act and Treasury regulations prior to disbursing grant funds to the Alabama Council for funding Centers of Excellence. Management agreed with the recommendation. (1 recommendation)

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OIG-15-040    07/15    *OSP Needs to Promptly Inform OIG of Potential Illegal Activity and Improve Other Processes*  
 The Assistant Secretary for Intelligence and Analysis should (1) conduct, in conjunction with the Office of the Chief Information Officer, a resource analysis of the Office of Security Programs (OSP) to determine the proper information technology software, equipment, and support needed to comply with Central Verification System requirements; (2) ensure that OSP works with the Office of the Chief Information Officer and Office of Personnel Management, as appropriate, to resolve OSP system and data issues with the Central Verification System so that Treasury employee security clearance data is provided to and maintained in the Central Verification System on a complete, current, and accurate basis going forward; (3) improve the security clearance process guidance by streamlining the Treasury Security Manual and other related sources by, for example, including a roles and responsibilities matrix/cross-index of all the parties involved in the security clearance process; and (4) ensure that OSP develops and implements comprehensive standard operating procedures for the security clearance process. Management agreed with the recommendations. (4 recommendations)

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OIG-15-045    09/15    *RECOVERY ACT: Audit of Penascal Wind Power LLC Payment Under 1603 Program*  
 The Fiscal Assistant Secretary should ensure that inappropriate or otherwise ineligible costs were not included in the cost basis

of other Iberdrola Renewables, LLC affiliates that have received 1603 Program payments. Management agreed with the recommendation. (1 recommendation)

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OIG-16-001    10/15 *Libyan Sanctions Case Study*  
 The Director of the Office of Foreign Assets Control should (1) identify the actions required to implement and administer its sanctions programs and document these in written standard operating procedures. The standard operating procedures should provide sufficient information to key staff members to enable them to complete the fundamental steps necessary in implementing and administering sanctions programs; (2) implement a methodology to identify blocked assets that have been released by license type (general or directive); (3) continue to pursue development and implementation of electronic filing for high-volume filers; and (4) develop a lessons-learned process to capture and communicate acquired knowledge from past sanctions programs at a time appropriate for each sanctions program. Management agreed with the recommendations. (4 recommendations)

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OIG-16-010    11/15 *Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2015 Performance Audit*  
 U.S. Mint (Mint) management, for the selected system, should ensure that its third-party cloud service provider provides Federal Information Security Modernization Act of 2014 (FISMA)-related artifacts to demonstrate FISMA compliance to the Mint security compliance team. Management agreed with the recommendation. (1 recommendation)

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OIG-16-035    02/16 *Management Letter for the Audit of the Department of the Treasury's Fiscal Years 2015 and 2014 Financial Statements*  
 The Office of the Deputy Chief Financial Officer should (1) update Treasury's guidance to require the Bureau of the Fiscal Service (Fiscal Service) to identify, document, and test

internal controls (including information system controls) over the Government-wide cash portion of the liability due to the General Fund. This should include proper identification of all service organizations and sub-service organizations used in performing internal controls on behalf of the Fiscal Service and (2) document the identification and testing of the relevant complementary customer agency controls for all service organization reports. Management agreement with the recommendations. (2 recommendations)

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OIG-16-047    06/16    *Treasury’s Government-wide DATA Act Implementation Continues, But Project Management Concerns Remain*  
 The Fiscal Assistant Secretary, working with the Office of Management and Budget where applicable, should (1) develop a comprehensive, documented human resource plan for Treasury’s Digital Accountability and Transparency Act of 2014 (DATA Act) implementation efforts, (2) clear the backlog of unaddressed DATA Act stakeholder questions and develop standard operating procedures to ensure that stakeholder questions and feedback are accounted for and addressed in a timely manner, and (3) continue efforts to strengthen project management over the DATA Act implementation, ensuring that (a) progress metrics provide a consistent, accurate measure of task status and (b) key management decisions are documented. Management agreed with the recommendations. (3 recommendations)

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OIG-16-050    07/16    *Information Technology: Vulnerabilities in Security Controls Over Mint’s Systems Need to Be Addressed*  
 The Principal Deputy Director of the Mint should (1) ensure factory default user names and passwords are changed for all current systems, (2) establish policies and procedures to address the complete decommissioning of systems, (3) ensure all scanning capabilities look for all connected systems and scan results are reconciled against the Mint’s inventory, (4) ensure obsolete software is either removed or upgraded,

(5) ensure software patches and updates are timely applied, (6) ensure systems and software are securely configured, and (7) ensure scanning capabilities detect published vulnerabilities. Management agreed with the recommendations. (7 recommendations)

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OIG-16-054    08/16 *Treasury DO's Office of Minority and Women Inclusion is Generally Carrying Out Its Functions Consistent With Dodd-Frank Act*

The Office of Minority and Women Inclusion Director should (1) complete with deliberate speed the process of developing and implementing procedures to review and evaluate whether agency contractors have made good faith efforts to include minorities and women in their workforce. Management agreed with the recommendation. (1 recommendation)

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OIG-16-059    09/16 *General Management: Treasury Has Policies and Procedures to Safeguard Classified Information but They Are Not Effectively Implemented*

The Assistant Secretary for Intelligence and Analysis should direct the Deputy Assistant Secretary for Security to (1) emphasize to derivative classifiers the importance of properly marking classification decisions, including adding a note in classified emails to remind employees to properly portion mark emails before sending; (2) update the Treasury Security Manual to include the Office of Security Program responsibilities to (i) follow-up timely with Departmental Offices and bureaus on their SF 311 submissions; (ii) review the SF 311s for completeness and accuracy; (iii) implement a mechanism such as a checklist or reconciliation to ensure complete and accurate reporting of SF 311 information; and (iv) document explanations for corrections made to the Department Offices' and bureaus' SF 311 reporting if OSP makes any changes; (3) provide additional guidance and training to SF 311 preparers focusing on areas of repeated weaknesses such as difficulties identifying the difference

between original and derivative classification decisions; and remind the Departmental Offices and bureaus of their responsibilities to ensure that the SF 311 is complete and accurate; (4) emphasize to bureaus with employees who handle and generate classified information the importance of conducting annual self-inspections, documenting the results, and submitting the reports to OSP; (5) update the Treasury Security Manual to include procedures requiring OSP to follow up and obtain all bureau self-inspection reports; (6) ensure that training materials are periodically reviewed and updated to include current Federal and Treasury requirements; and (7) use the Treasury Learning Management System (TLMS) or a similar system to retain records of training and monitor completion of required derivative classifier and original classifier training. Management agreed with the recommendations.  
(7 recommendations)

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### Other Federal Agency Programs and Operations

OIG-16-051    07/16    *RESTORE Act: Gulf Coast Ecosystem Restoration Council's Records Management System Needs Improvement*  
The Executive Director of the Council should establish and implement appropriate records management policies and procedures to document the decision making process and ensure transparency of the Council's operations. The records management policies and procedures should address the handling and public disclosure of comments related to proposed rulemaking. Management agreed with the recommendation.  
(1 recommendation)

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## Closed Investigations of Senior Government Employees Not Publicly Disclosed

October 1, 2016 through March 31, 2017

OIG closed ten investigations involving senior Government employees during the period that were not publicly disclosed. Of these investigations, two substantiated instances of misconduct against a senior Government employee, seven were unsubstantiated, and one was referred to another Federal agency.

Case Number	Allegation/Disposition
FinCEN-16-1324	<p>In July 2016, our office initiated an investigation regarding allegations of contract improprieties involving a senior level Government employee at a Treasury bureau. It was alleged that the employee (1) had interviewed potential employment candidates for a contractor to be assigned at the bureau, (2) got a nephew employment at the contract company, (3) allowed vacancies in a contract, (4) was “reserving” a vacancy on a contract for a friend, (5) required that the contractor’s invoices be paid even with lapses in personnel, and (6) allowed the contractor to host an expensive holiday luncheon for the employee and the employee’s staff. The investigation substantiated the allegations and a Report of Investigation was sent to the bureau. No referral was made to the Department of Justice. In March 2017, the bureau responded that the employee was issued a letter of reprimand and will receive counseling. Additionally, the employee’s department will receive ethics training. OIG has closed this case. This investigation was not publicly disclosed.</p> <p><i>Substantiated</i></p>
USM-17-0077-P	<p>An anonymous complainant alleged a senior official misused a Government credit card to purchase three crystal globes as gifts for other senior officials.</p> <p><i>Substantiated</i></p>

- USM-16-1285-G An anonymous complainant alleged that (1) a senior staff employee had created a hostile work environment, by making racial comments, which had made the employees reluctant to speak up; (2) management officials fostered a hostile work environment, and (3) management rewarded those who inflicted the hostility. The complainant requested that OIG investigate the allegations or advised employees would proceed with a letter writing campaign to remedy the issue.  
*Unsubstantiated*
- 
- OCC-16-1763-G An anonymous complainant alleged that an agency was requesting existing employees to file Schedule A documentation to keep their positions as a result of an Office of Personnel Management audit related to excepted service.  
*Unsubstantiated*
- 
- ZZZ-16-2417-G An anonymous complainant alleged that a senior official sent several emails detailing explicit options for circumventing veterans' preference, such as deliberately shortening vacancies and limiting the number of applicants in order to preferentially hire the official's own selections.  
*Unsubstantiated*
- 
- USM-16-2636-G An anonymous complainant alleged that a senior official used the parking garage to park the official's vehicle for personal business.  
*Unsubstantiated*
- 
- USM-16-2947-R An anonymous complainant alleged that a subject worked dual roles as a Human Resource manager and Associate Plant Manager and there was no oversight into teleworkers (i.e., individuals worked from home at-will with no system in place to monitor what work was done, individuals answered their emails and called it a day, and individuals on telework

frequently worked from home if the weather was bad or they had business to take care of at home.)

*Unsubstantiated*

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USM-17-0180-P

An anonymous complainant alleged that a senior official (1) spent thousands of dollars on contractors, (2) moved Federal employees out of offices to accommodate contractors, and (3) extended a \$5 million contract to friends of a contracting group.

*Unsubstantiated*

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USM-17-0305-P

An anonymous complainant alleged that a senior official (1) took an unnecessary trip to Philadelphia with his family using free lodging, (2) did not report to direct reports or share an agenda for the trip with the plant manager, and (3) did not account for the time.

*Unsubstantiated*

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ZZZ-17-0208-R

A complainant alleged a cover up at the a Veterans Affairs Regional Office (e.g., funds were misappropriated from the budget issued by the White House to clear up backlogged claims directly tied to employee pay increases on the General Services pay scale, new building projects).

*Referred to Department of Veterans Affairs OIG*

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## Summary of Instances of Whistleblower Retaliation

October 1, 2016 through March 31, 2017

There were no instances of whistleblower retaliation to report for this reporting period.

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## Summary of Attempts to Interfere with OIG Independence, Including Instances Where Information or Assistance Request Was Refused

October 1, 2016 through March 31, 2017

There were no attempts made to resist, delay, or restrict OIG access to records or other information and no instances where an information or assistance request was refused during this reporting period.

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## Listing of Audit Products Issued

October 1, 2016 through March 31, 2017

In the list of 51 audit products below, we identified 7 products that were issued during the reporting period that were not publicly disclosed.

### Office of Audit

*RESTORE Act: Treasury's Assessment of Environmental Compliance of RESTORE Act Programs* (OIG-17-001, 10/3/2016)

*Quarterly Summary Memorandum for the Lead Inspector General, Department of Defense: Operation Inherent Resolve—Summary of Work Performed by the Department of the Treasury and Office of Inspector General Related to Terrorist Financing, ISIL, and Anti-Money Laundering* (OIG-CA-17-001, 10/12/2016)

*Annual Plan, Fiscal Year 2017, Office of Inspector General, Department of the Treasury* (OIG-CA-17-002, 10/14/2016)

*Financial Management: Audit of the United States Mint's Schedules of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2016 and 2015* (OIG-17-002, 10/21/2016)

*Information Memorandum for Secretary Lew, Department of the Treasury: Management and Performance Challenges Facing the Department of the Treasury* (OIG-CA-17-003, 10/26/2016)

*Letter to the Honorable Thomas Vilsack, Secretary, U.S. Department of Agriculture and Chairperson, Gulf Coast Ecosystem Restoration Council: 2016 Management and Performance Challenges* (OIG-CA-17-004, 10/26/2016)

*Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2016 Performance Audit* (OIG-17-003, 11/9/2016)

*Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2016 Performance Audit for Collateral National Security Systems* (OIG-17-004, 11/9/2016) **Sensitive But Unclassified, Not Publicly Disclosed**

*Financial Management: Audit of the Federal Financing Bank's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-005, 11/10/2016)

*Response to the Chairman, United States Senate Committee on Finance for the Iran Payment Inquiry* (OIG-CA-17-006, 11/10/2016) **Portions of this OIG letter have been redacted pursuant to Exemptions 1 and 5 of the Freedom of Information Act, 5 U.S.C. § 552(b)(1), (5).**

*Safety and Soundness: OCC's Fast Track Enforcement Program Should Be Assessed* (OIG-17-006, 11/14/2016)

*Information Technology: Fiscal Service Needs to Strengthen Security Controls over Public-Facing Web Servers* (OIG-17-007, 11/14/2016)

*Safety and Soundness: Financial Institutions' Private Student Lending Activities* (OIG-17-008, 11/14/2016)

*Financial Management: Audit of the Community Development Financial Institutions Fund's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-009, 11/14/2016)

*Financial Management: Management Letter for the Audit of the Community Development Financial Institutions Fund's Fiscal Year 2016 Financial Statements* (OIG-17-010, 11/14/2016)

*RESTORE Act: Council Faces Challenges in Establishing its Organizational Infrastructure* (OIG-17-011, 11/16/2016)

*Financial Management: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2016 and 2015* (OIG-17-012, 11/15/2016)

*Financial Management: Report on the Bureau of the Fiscal Service Funds Management Branch Schedules for Selected Trust Funds as of and for the Year Ended September 30, 2016* (OIG-17-013, 11/15/2016)

*Financial Management: Management Letter for the Bureau of the Fiscal Service Funds Management Branch Schedules for Selected Trust Funds as of and for the Year Ended September 30, 2016* (OIG-17-014, 11/15/2016)

*Financial Management: Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Years 2016 and 2015* (OIG-17-015, 11/15/2016)

*FinCEN Needs to Improve Administration of Civil Monetary Penalty Cases* (OIG-17-016, 11/16/2016)

*Financial Management: Audit of the Department of the Treasury's Closing Package Financial Statements for Fiscal Years 2016* (OIG-17-017, 11/16/2016)

*Contract Audit: Independent Examination Report of Authentix, Inc.'s Cost Proposal in Response to Solicitation BEP-RFP-16-0442* (OIG-17-018, 11/18/2016) **Sensitive But Unclassified, Not Publicly Disclosed**

*Financial Management: Management Report for the Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2016 and 2015* (OIG-17-019, 11/18/2016) **Sensitive But Unclassified, Not Publicly Disclosed**

*Financial Management: Audit of the Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2016 and 2015* (OIG-17-020, 11/18/2016)

*Response to the Chairman, United States Senate Committee on Homeland Security and Governmental Affairs, and the Chairman, United States Senate Committee on the Judiciary, Request for Information on Open and Unimplemented Recommendations,*

*Closed Investigations, and Other Matters* (OIG-CA-17-007, 11/30/2016) **Not Publicly Disclosed**

*DATA Act Readiness: Treasury is Making Progress in Meeting DATA Act Reporting Requirements Despite Challenges* (OIG-17-021, 12/1/2016)

*Financial Management: Management Letter for the Audit of the Department of the Treasury's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-022, 12/2/2016)

*Financial Management: Audit of the Exchange Stabilization Fund's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-023, 12/6/2016)

*Financial Management: Audit of the Department of the Treasury Forfeiture Fund's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-024, 12/15/2016)

*Financial Management: Audit of the Bureau of Engraving and Printing's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-025, 12/16/2016)

*Financial Management: Audit of the Office of D.C. Pensions' Fiscal Year 2016 Balance Sheet* (OIG-17-026, 12/16/2016)

*Financial Management: Management Letter for the Audit of the Office of D.C. Pensions' Fiscal Year 2016 Balance Sheet* (OIG-17-027, 12/16/2016)

*Financial Management: Management Letter for the Audit of the Gulf Coast Ecosystem Restoration Council's Financial Statements for Fiscal Year 2016* (OIG-17-028, 12/16/2016)

*Financial Management: Audit of the United States Mint's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-029, 12/21/2016)

*Financial Management: Management Letter for the Audit of the United States Mint's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-030, 12/21/2016)

*Financial Management: Audit of the Alcohol and Tobacco Tax and Trade Bureau's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-031, 12/21/2016)

*Quarterly Summary Memorandum for the Lead Inspector General, Department of Defense: Operation Inherent Resolve—Summary of Work Performed by the Department of the Treasury and Office of Inspector General Related to Terrorist Financing, ISIL, and Anti-Money Laundering* (OIG-CA-17-008, 1/9/2017)

*Classified Audit Report* (OIG-17-032, 1/18/2017) **Classified, Not Publicly Disclosed**

*Financial Management: Audit of the Office of the Comptroller of the Currency's Fiscal Years 2016 and 2015 Financial Statements* (OIG-17-033, 1/19/2017)

*Direct Express Bid Evaluation Documentation Requires Improvement* (OIG-17-034, 1/24/2017)

*State Small Business Credit Initiative: New York's Use of Federal Funds for Other Credit Support Programs* (OIG-17-035, 1/24/2017), **Questioned Costs \$1,629,787**

*Letter to the Honorable Mark Sandy, Acting Director, Office of Management and Budget: Annual Report on the Status of the Gulf Coast Ecosystem Restoration Council's Implementation of Purchase and Travel Card Audit Recommendations* (OIG-CA-17-009, 1/27/2017)

*Letter to the Honorable Mark Sandy, Acting Director, Office of Management and Budget: Annual Report on the Status of the Department of the Treasury's Implementation of Purchase and Travel Card Audit Recommendations* (OIG-CA-17-010, 1/27/2017)

*Memorandum for the Honorable Eric M. Thorson, Treasury Inspector General: Joint Purchase Card Violations Report, January 31, 2017* (OIG-CA-17-011, 1/27/2017), **Internal OIG Memorandum, Not Publicly Disclosed**

*Safety and Soundness: OCC Established Standards for and Provides Oversight of Banks' Use of Independent Consultants* (OIG-17-036, 2/14/2017)

*FAEC DATA Act Working Group: Inspectors General Guide to Compliance Under the DATA Act* (OIG-CA-17-012, 2/27/2017)

*Presentation to the Inspectors General Community: FAEC DATA Act Working Group—DATA Act Required Review Workshop* (OIG-CA-17-013, 3/1/2017)

*RESTORE Act: Council Effectively Acquired and Implemented a Grants Management System, but Challenges Remain in Service Agreement Monitoring and Invoice Processing* (OIG-17-037, 3/7/2017), **Questioned Costs \$20,445**

*Audit Termination Memorandum—Consolidation of Financial Management Service and Bureau of Public Debt Audit* (OIG-CA-17-014, 3/22/2017), **Not Publicly Disclosed**

*Termination Memorandum—Audit of Physical Security at U.S. Mint Facilities*  
(OIG-CA-17-015, 3/22/2017)

**Council of Inspectors General on Financial Oversight Working Group**

*Audit of the Financial Stability Oversight Council's Efforts to Promote Market Discipline, Report to the Financial Stability Oversight Council and the Congress*  
(CIGFO-2017-001, 2/28/2017)

## Audit Reports Issued with Questioned Costs

October 1, 2016 through March 31, 2017

Category	Total No. of Reports	Total Questioned Costs	Total Unsupported Costs
For which no management decision had been made by beginning of reporting period	0	\$0	\$0
Which were issued during the reporting period*	2	\$1,650,232	\$0
Subtotals	2	\$1,650,232	\$0
For which a management decision was made during the reporting period	2	\$1,650,232	\$0
Dollar value of disallowed costs	2	\$1,650,232	\$0
Dollar value of costs not disallowed	0	\$0	\$0
For which no management decision was made by the end of the reporting period	0	\$0	\$0
For which no management decision was made within 6 months of issuance	0	\$0	\$0

*\*During this reporting period, two reports were issued with questioned costs. One of the two reports was issued to the Gulf Coast Ecosystem Restoration Council (Council), "RESTORE Act: Council Effectively Acquired and Implemented a Grants Management System, but Challenges Remain in Service Agreement Monitoring and Invoice Process" (OIG-17-037, March 7, 2017). The report identified \$20,445 in questioned costs that the Council reclaimed during the period. Reports issued to Council are tracked outside of Treasury's audit follow-up system, the Joint Audit Management Enterprise System (JAMES).*

## Audit Reports Issued with Recommendations that Funds Be Put to Better Use

October 1, 2016 through March 31, 2017

During this reporting period, we did not issue any audit reports with recommendations that funds be put to better use by management. There were no reports with recommendations that funds be put to better use for which a management decision had not been made at the commencement of the period.

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## **Reports Issued for which no Management Comment was Returned within 60 Days**

As of March 31, 2017

There were no reports issued for comment over 60 days as of the end of this reporting period.

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## **Reports Issued Over 6 Months for which no Management Decision Has Been Made**

As of March 31, 2017

There were no such reports as of the end of this reporting period.

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## **Significant Revised Management Decisions**

October 1, 2016 through March 31, 2017

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

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## **Significant Disagreed Management Decisions**

October 1, 2016 through March 31, 2017

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

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## Peer Reviews

October 1, 2016 through March 31, 2017

### Office of Audit

Audit organizations that perform audits and attestation engagements of Federal Government programs and operations are required by generally accepted 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 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*.

The most recent peer review of our office was performed by the Department of Labor (Labor) Office of Inspector General (OIG). In its report dated November 23, 2015, Labor OIG rendered a *Pass* rating for our system of quality control in effect for the year ended March 31, 2015. External audit peer review reports of our office are available on the Treasury OIG [website](#).

OIG did not perform any peer reviews of other Federal audit organizations during this reporting period.

### Office of Investigations

Council of the Inspectors General on Integrity and Efficiency (CIGIE) mandates that the investigative law enforcement operations of all OIGs undergo peer reviews every 3 years to ensure compliance with (1) CIGIE's investigations quality standards and (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.

OIG did not perform any peer reviews of other Federal investigative law enforcement organizations during this reporting period.

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## Other Reporting Requirements and Requests

This section addresses certain reporting requirements of our office that are separate from the reporting requirements in the Inspector General Act of 1978 (as amended).

### Reviews of Bank Failures with Nonmaterial Losses

We conduct reviews of failed banks supervised by the Office of the Comptroller of the Currency (OCC) with losses to the Federal Deposit Insurance Corporation's (FDIC) Deposit Insurance Fund (DIF) that do not meet the definition of a material loss in the Federal Deposit Insurance Act. The reviews are performed to fulfill the requirements found in 12 U.S.C. §1831o(k). The term "material loss" triggers a material loss review if a loss to the DIF 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.

During this reporting period, there were no failed banks supervised by the OCC with losses to the DIF.

### Operation Inherent Resolve Quarterly Summary Memorandums to the Department of Defense OIG

During this reporting period, we issued two summary memorandums to the Department of Defense OIG regarding information we obtained on the Department of the Treasury's (Treasury) activities with respect to disrupting the Islamic State of Iraq and the Levant's (ISIL) finances. The memorandums included examples of activities to disrupt ISIL's financing, information on

Treasury's programs that combat terrorist financing, and work OIG performed or plans to perform to review these programs. (OIG-CA-17-001, OIG-CA-17-008)

### Response to Chairman Hatch Regarding the Iran Payment Inquiry

On November 10, 2016, we responded to a request from **Chairman Hatch, Senate Committee on Finance**, regarding Treasury's January 19, 2016, payment to the Islamic Republic of Iran (Iran). We reported on the payment process related to an approximate \$1.3 billion payment that the Bureau of the Fiscal Service (Fiscal Service) made to Iran from the Judgment Fund<sup>5</sup>. Fiscal Service made the payment after receiving necessary information and authorizations from the Departments of Justice and State. (OIG-CA-17-006, Redacted)

### Response to Chairman Johnson and Chairman Grassley

On November 30, 2016, we responded to a standing semiannual request from **Chairman Johnson, Senate Committee on Homeland Security and Governmental Affairs**, and **Chairman Grassley, Senate Committee on the Judiciary**, on seven questions: (1) the number and total dollar value of outstanding unimplemented recommendations—we reported 61 such recommendations as of September 30, 2016. We did not have any estimated potential cost savings to report for the period. However, we continued to report on Treasury's noncompliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) due to the Internal Revenue Service's (IRS) improper payments reporting deficiencies associated with its Earned Income Tax Credit (EITC). As part of our audit of Treasury, we incorporated the results of the Treasury Inspector General for Tax Administration's assessment of the IRS' compliance with IPERA. Although we reported no open recommendations related to our audit, IRS had estimated the improper payments associated with the tax credit program to be \$15.6 billion for fiscal year 2015; (2) a description of all audits, evaluations, or investigations provided to the agency for comment but not responded to within 60 days—we reported no such delay between the period April 1, 2016, through September 30, 2016; (3) a description of any investigation involving GS-15 level or above employees where misconduct was found, but no prosecution resulted—we reported no such investigations between the period April 1, 2016,

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<sup>5</sup> The Judgment Fund is a permanent, indefinite appropriation available to pay final money judgments and awards against the U.S. The Judgment Fund is also available to pay compromise settlements entered into by the Department of Justice related to actual or imminent litigation, but only if a judgment on the merits in that litigation would be payable from the Judgment Fund.

through September 30, 2016; (4) a description of any instance of whistleblower retaliation—we reported no such instances between the period April 1, 2016, through September 30, 2016, however, we noted an increase in inquiries concerning whistleblower rights; (5) a description of any attempt to interfere with Inspector General independence—we reported no such instances between the period April 1, 2016, through September 30, 2016; (6) a description of any incident where Treasury resisted or objected to our oversight activities or restricted or significantly delayed access to information—we reported no such incidents between the period April 1, 2016, through September 30, 2016; and (7) a description of any investigation, evaluation, audit, or report that is closed and was not disclosed to the public—we reported 35 closed investigations and 4 audit reports between the period April 1, 2016, through September 30, 2016. (OIG-CA-17-007)

### Joint Purchase Card Violations Report

The Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194, requires the head of each executive agency with more than \$10 million in purchase card spending annually, and each Inspector General of such an executive agency, on a semiannual basis, to submit to the Director of the Office of Management and Budget (OMB) a joint report on confirmed violations involving misuse of a purchase card by employees of such executive agency and the related disciplinary actions. OMB prescribed the format for the semiannual report, which is transmitted by Treasury to OMB via the OMB Max Portal. We reviewed the report, *Semi-Annual Report on Purchase Card Violations for the Department of the Treasury Non-Internal Revenue Service*, prepared by Treasury's Office of the Procurement Executive (OPE) for the period of April 1, 2016 through September 30, 2016. The report showed that for the period, Treasury's non-Internal Revenue Service and non-Troubled Asset Relief Program Offices and Bureaus had no confirmed violations involving misuse of a purchase card or an integrated card. The report also states, accordingly, that there were no violations pending investigation, hearing, final agency action, or decision on appeal. The OPE is currently conducting an oversight assessment of the Bureau of Engraving and Printing's Purchase Card Program. Any confirmed findings will be included in the next reporting period. As part of our work to verify the information reported, we inquired of OPE staff about their procedures to identify reportable matters. We also inquired of the OIG Office of Investigations and the Office of Counsel to obtain information on cases of OIG

confirmed purchase card violations during the period of our review, of which there were none. **(OIG-CA-17-011)**

### **Annual Reports on the Implementation of Purchase and Travel Card Audit Recommendations**

In accordance with the directive contained in Office of Management and Budget's (OMB) Memorandum M-13-21, "Implementation of the Government Charge Card Abuse Prevention Act of 2012" (M-13-21), we provided annual reports on the progress made by Treasury and by the Gulf Coast Ecosystem Restoration Council (Council) in implementing charge card related audit recommendations. Since our office has not issued any charge card related audit findings and recommendations to Treasury or the Council, we did not have anything to report for fiscal year 2016.

That said, as of the end of this reporting period, we were performing an audit of charge card activities at Treasury offices and its non-Internal Revenue Service bureaus in accordance with the Government Charge Card Abuse Prevention Act of 2012 and M-13-21. The Treasury Inspector General for Tax Administration has jurisdictional oversight for the Internal Revenue Service and the Special Inspector General for the Troubled Asset Relief Program has jurisdictional oversight for the Troubled Asset Relief Programs. **(OIG-CA-17-009, OIG-CA-17-010)**

### **Audit of the Financial Stability Oversight Council's Efforts to Promote Market Discipline**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) created a Council of Inspectors General on Financial Oversight (CIGFO), whose members include the Inspectors General with oversight authority for the majority of Financial Stability Oversight Council (FSOC) member agencies. Dodd-Frank authorizes CIGFO to convene a Working Group of its members to evaluate the effectiveness and internal operations of FSOC. In October 2015, CIGFO convened a Working Group to assess FSOC's efforts to promote market discipline by eliminating expectations on the part of shareholders, creditors, and counterparties of large bank holding companies (BHC) and nonbank financial companies that the Government will shield them from losses in the event of failure.

The Working Group concluded that FSOC made progress in promoting market discipline; however, the wide range of views that still exist on the issue of “too big to fail” indicates that there is a lack of consensus regarding whether FSOC eliminated expectations on the part of shareholders, creditors, and counterparties of large BHCs or nonbank financial companies that the Federal Government will shield them from losses in the event of failure. According to those the Working Group spoke with, FSOC faces challenges in meeting this purpose due to its limited authorities, having to rely on the actions of others, a difficulty in measuring whether expectations have been eliminated, and the recent legal challenge to its designation authority. The Working Group did not make any recommendations to FSOC. **(CIGFO-2017-001)**

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## Abbreviations

BEP	Bureau of Engraving and Printing
Canrock Innovate	Canrock Innovate NY Fund, LP
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CMP	civil monetary penalty
Council	Gulf Coast Ecosystem Restoration Council
DATA Act	Digital Accountability and Transparency Act of 2014
FAEC	Federal Audit Executive Council
FBI	Federal Bureau of Investigation
FinCEN	Financial Crimes Enforcement Network
Fiscal Service	Bureau of the Fiscal Service
FIR	Financial Intelligence Repository
FISMA	Federal Information Security Modernization Act of 2014
FSOC	Financial Stability Oversight Council
HSI	Department of Homeland Security Investigations
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service Criminal Investigations
IT	information technology
KPMG	KPMG LLP
Mint	U.S. Mint
NEPA	National Environmental Policy Act of 1969
OCC	Office of the Comptroller of the Currency
OIG	Office of Inspector General
Ollie Green	Ollie Green and Company
OMB	Office of Management and Budget
OSP	Office of Security Programs
RESTORE Act	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012
SSBCI	State Small Business Credit Initiative
Treasury	Department of the Treasury
USPIS	U.S. Postal Inspection Service

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**Pictured above is the South Portico of the Treasury Building in Washington, D.C.  
Source: Treasury Graphics Branch**

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408 Atlantic Avenue, Room 330  
Boston, Massachusetts 02110



### **Treasury OIG Website**

Access Treasury OIG reports and other information online:

<http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx>

### **Report Waste, Fraud, and Abuse**

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**Gulf Coast Restoration Hotline** – Call toll free: 1-855-584.GULF (4853)

Email: [GulfCoastRestorationHotline@oig.treas.gov](mailto:GulfCoastRestorationHotline@oig.treas.gov)

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