

## Office of Inspector General

### Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010	FY 2011	FY 2012	FY 2010 to FY 2012	
	Enacted	Annualized CR Level	Request	\$ Change	% Change
Audit	\$22,869	\$22,869	\$22,897	\$28	0.1%
Investigations	\$6,831	\$6,831	\$6,958	\$127	1.9%
<b>Subtotal, Office of Inspector General</b>	<b>\$29,700</b>	<b>\$29,700</b>	<b>\$29,855</b>	<b>\$155</b>	<b>0.5%</b>
Offsetting Collections - Reimbursables	\$8,000	\$10,000	\$13,200	\$5,200	65.0%
<b>Total Program Operating Level</b>	<b>\$37,700</b>	<b>\$39,700</b>	<b>\$43,055</b>	<b>\$5,355</b>	<b>14.2%</b>
Direct FTE	172	172	172	-	-

\*Does not include the FY 2010 Supplemental (P.L. 111-212) \$1.8 million rescission

### Summary

The Treasury Office of Inspector General (OIG) supports Treasury's goal to ensure accountability and transparency, to protect the integrity of the Department, and to improve overall efficiency and effectiveness in Treasury programs and operations. The OIG conducts audits and investigations of all Treasury programs and operations except those under jurisdictional oversight of the Treasury Inspector General for Tax Administration and the Special Inspector General for the Troubled Asset Relief Program. In accordance with the Inspector General Act, the OIG through its activities (a) promotes economy, efficiency, and effectiveness in the administration of Treasury programs and operations; (b) prevents and detects fraud, waste, and abuse in Treasury programs and operations; and (c) keeps the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

The Fiscal Year (FY) 2012 President's Budget request for the OIG will be used for critical audit and investigative resources.

The OIG will continue to address its traditional audit mandates related to (1) the Department's financial statements, (2) the Department's implementation of the Federal Information Security Management Act (FISMA), and (3) failed Treasury-regulated financial institutions. In addition to these traditional mandates, the OIG is also responsible for mandates related to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Small Business Jobs Act of 2010. The Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Inspector General to (1) function as the Chair of the Council of Inspectors General on Financial Oversight which includes periodic reporting on the Council's audits and investigations along with views on regulatory matters, (2) monitor the transfer of functions of the Office of Thrift Supervision with periodic reporting to the Congress, and (3) perform reviews of systemically significant failed financial institutions that had been regulated by Treasury. The Small Business Jobs Act charges the OIG with providing oversight over two new Treasury programs, the \$30 billion Small Business Lending Fund (SBLF) and the \$1.5 billion State Small Business Credit Initiative (SSBCI). To comply with these mandates, the OIG will assess Treasury's implementation of the two programs, continually monitor recipient

compliance with program requirements and use of funds, and evaluate the impact of these programs on small business lending.

Furthermore, the July 2010 U.S.-European Union agreement on the processing and transfer of financial messaging data for the purposes of the Treasury Department's Terrorist Finance Tracking Program specifically provides for the OIG's oversight to ensure safeguards over sensitive information are followed.

Once mandated requirements are met, the OIG will conduct audits of the Department's highest risk programs and operations, to the extent that resources are available.

Investigative priorities include: Investigating complaints of alleged criminal and serious misconduct by Department employees and contract employees; Investigating allegations of fraud and other crimes involving Treasury contracts, procurements, grants, guarantees (fictitious instruments), and federal funds with an emphasis on Treasury Recovery Act funds; Investigating allegations of criminal conduct stemming from the OIG's mandated failed bank reviews; and conducting proactive efforts to detect, deter and investigate, electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

Total resources required to support OIG operations for FY 2012 are \$43,055,000, consisting of (1) \$29,855,000 from direct appropriations and (2) \$13,200,000 from reimbursable funding agreements to support the financial statement audit requirements of the Department and for OIG oversight of the SBLF and the SSBCI.

## OIG FY 2012 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
<b>FY 2010 Enacted</b>	<b>\$29,700</b>
<b>FY 2011 Annualized CR Level</b>	<b>\$29,700</b>
Changes to Base:	
Adjustment to Reach Policy Level:	\$351
Adjustment to Reach FY 2011 President's Policy	\$351
Maintaining Current Levels (MCLs):	\$183
Maintaining Current Levels	\$183
Efficiencies, Savings & Base Reductions:	(\$392)
MLRs	(\$392)
Subtotal FY 2012 Changes to Base	\$142
<b>Total FY 2012 Base</b>	<b>\$29,842</b>
Program Changes:	
Program Increases:	\$13
CIGIE Contribution	\$13
Subtotal FY 2012 Program Changes	\$13
<b>Total FY 2012 Request</b>	<b>\$29,855</b>

## FY 2012 Budget Adjustments

### FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for OIG is \$29,700,000.

### Adjustment to Reach Policy Level

*Adjustment to Reach FY 2011 President's Policy +\$351,000 / +0 FTE*

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

### Maintaining Current Levels (MCLs)

*Maintaining Current Levels +\$183,000 / +0 FTE*

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

## **Efficiencies, Savings & Base Reductions**

*MLRs -\$392,000 / +0 FTE*

Savings from anticipated reductions in Material Loss Review work. The savings are anticipated due to regulatory reform and economic recovery.

## **Program Increases**

*CIGIE Contribution +\$13,000 / +0 FTE*

Contribution to the Council of Inspectors General on Integrity and Efficiency

next several years, OIG expects an associated increase in investigative work. Treasury's Recovery Act grants in lieu of tax credit programs—for specified energy property and to states for low-income housing projects—are estimated to cost almost \$20 billion over their lives. OIG anticipates a significant increase of related criminal investigations as Treasury continues to disburse these funds. It is expected that the performance measures will be met or exceeded in FYs 2011 and 2012 as well.

## **Explanation of Budget Activities**

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### **Salaries and Expenses**

*Audit (\$22,897,000 from direct appropriations and \$13,200,000 from reimbursable programs)*

In FY 2010, the Office of Audit completed a total of 68 audit products. As the result of the unprecedented number of bank failures requiring a material loss review, the OIG completed some of the reviews after the 6-month timeframe prescribed in statute, but the missed dates were not considered significant. The appropriate Congressional oversight committees were informed of this situation. The Office of Audit plans to complete 70 audit products in FY 2012.

In FY 2010 the Office of Investigations met or exceeded both Investigative Performance Measure targets. OIG received investigative referrals regarding potential criminal misconduct that occurred prior to or during bank failures, and has worked criminal investigations with the FDIC OIG and the OIG Office of Audit regarding potential prosecution of acts which may have contributed to the bank failures. As additional financial institutions fail over the

*Investigations (\$6,958,000 from direct appropriations)*

The Office of Investigations prevents, detects and investigates complaints of fraud, waste and abuse at all Treasury non-IRS bureaus and offices. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office refers its cases to the Department of Justice, state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

The Office of Inspector General (OIG) is actively investigating numerous referrals of potential bank fraud received from the OIG's Office of Audit related to their reviews of failed financial institutions that were regulated by OCC or the Office of Thrift Supervision.

## **Legislative Proposals**

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The OIG has no legislative proposals.

## OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Exceptional accountability and transparency	Number of Completed Audit Products (Ot)	64	68	68	62	70
Exceptional accountability and transparency	Percent of Statutory Audits Completed by the Required Date (E)	100.0	100.0	50.0	100.0	100.0
Exceptional accountability and transparency	Percentage (%) of Investigations that were referred for Criminal, Civil or Treasury administrative action	N/A	N/A	N/A	B	80.0

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

### Description of Performance

In FY 2010, the Office of Audit completed a total of 68 audit products. As the result of the unprecedented number of bank failures requiring a material loss review, the OIG completed some of the reviews after the 6-month timeframe prescribed in statute, but the missed dates were not considered significant. The appropriate Congressional oversight committees were informed of this situation. The Office of Audit plans to complete 70 audit products in FY 2012.

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