The Department of the Treasury

OTHER ACCOMPANYING INFORMATION

PART IV

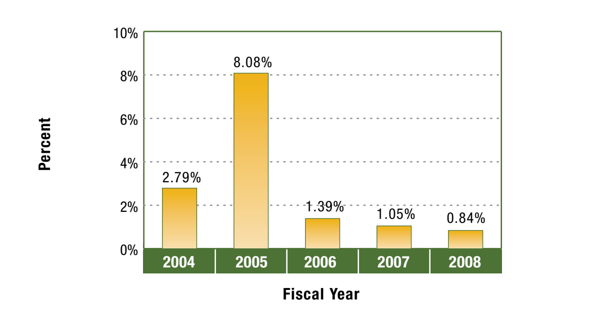
APPENDIX A: OTHER ACCOMPANYING INFORMATION (UNAUDITED)

This section provides Other Accompanying Information as prescribed by OMB Circular A-136, *Financial Reporting Requirements.*

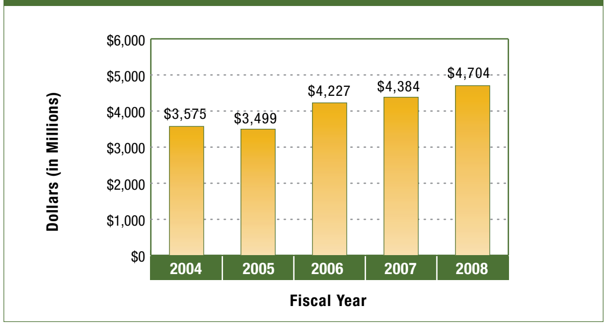
PROMPT PAYMENT

The Prompt Payment Act requires federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts only when they are economically justified. Treasury bureaus report Prompt Payment data on a monthly basis to the Department, and periodic quality control reviews are conducted by the bureaus to identify potential problems.

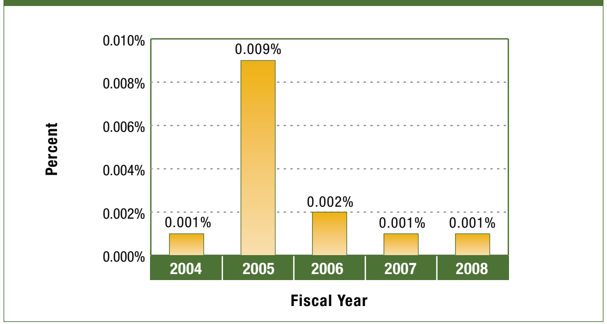
Percentage of Number of Invoices Paid Late



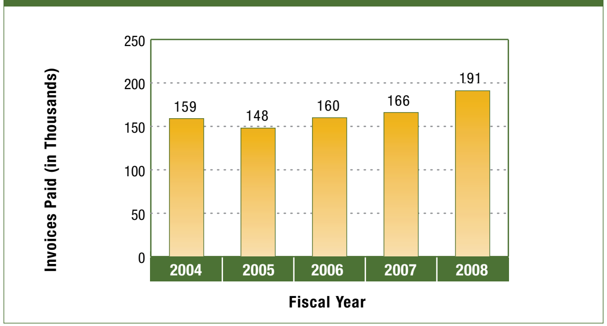
Total Dollar Amount of Invoices Paid (in Millions)



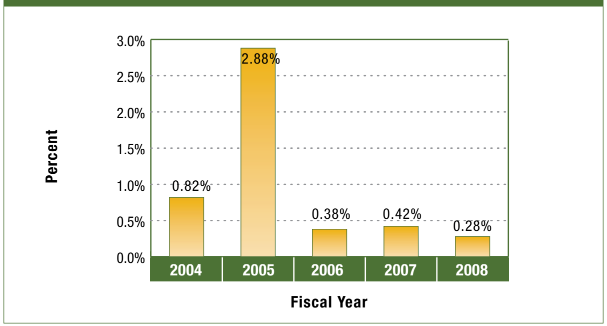
Percentage of Dollar Amount of Interest Penalties Paid



Total Number of Invoices Paid (in Thousands)



Percentage of Number of Interest Penalties Paid



TAX GAP

Reducing the tax gap is at the heart of IRS' enforcement programs. The tax gap is the difference between what taxpayers should pay and what they actually pay due to not filing tax returns, not paying their reported tax liability on time, or failing to report their correct tax liability. The tax gap, about $345 billion based on updated estimates for tax year 2001, is the amount of tax that is not paid voluntarily and on time. Underreporting tax liability accounts for 82% of the gap, with the remainder almost evenly divided between nonfiling (8%) and underpaying (10%). The IRS remains committed to finding ways to increase compliance and reduce the tax gap, while minimizing the burden on the vast majority of taxpayers who pay their taxes accurately and on time.

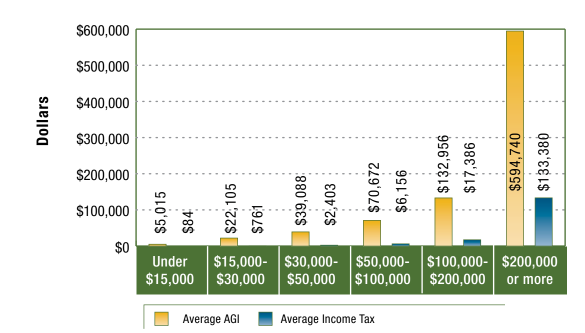
The tax gap is the aggregate amount of tax (i.e., excluding interest and penalties) that is imposed by the tax laws for any given tax year but is not paid voluntarily and timely. The tax gap arises from the three types of noncompliance: not filing required tax returns on time or at all (the nonfiling gap), underreporting the correct amount of tax on timely filed returns (the underreporting gap), and not paying on time the full amount reported on timely filed returns (the underpayment gap). Of these three components, only the underpayment gap is observed; the nonfiling gap and the underreporting gap must be estimated. Each instance of noncompliance by a taxpayer contributes to the tax gap, whether or not the IRS detects it, and whether or not the taxpayer is even aware of the noncompliance. Obviously, some of the tax gap arises from intentional (willful) noncompliance, and some of it arises from unintentional mistakes.

The collection gap is the cumulative amount of tax, penalties, and interest that has been assessed over many years, but has not been paid by a certain point in time, and which the IRS expects to remain uncollectible. In essence, it represents the difference between the total balance of unpaid assessments and the net taxes receivable reported on the IRS' balance sheet. The tax gap and the collection gap are related and overlapping concepts, but they have significant differences. The collection gap is a cumulative balance sheet concept for a particular point in time, while the tax gap is like an income statement item for a single year. Moreover, the tax gap estimates include all noncompliance, while the collection gap includes only amounts that have been assessed (a small portion of all noncompliance).

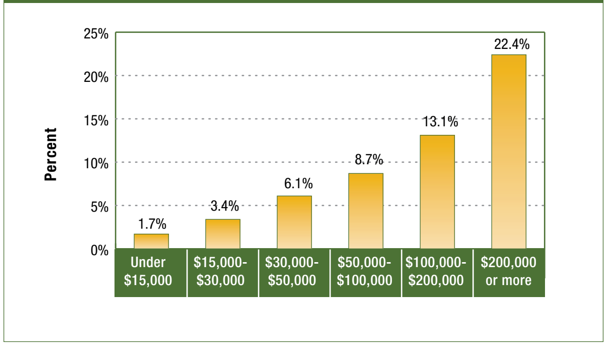
TAX BURDEN

The Internal Revenue Code provides for progressive rates of tax, whereby higher incomes are generally subject to higher rates of tax. The graphs below present the latest available information on income tax and adjusted gross income (AGI) for individuals by AGI level and for corporations by size of assets. For individuals, the information illustrates, in percentage terms, the tax burden borne by varying AGI levels. For corporations, the information illustrates, in percentage terms, the tax burden borne by these entities by various sizes of their total assets. The graphs are only representative of more detailed data and analysis available from the IRS Statistics of Income (SOI) office.

Average Individual Income Tax Liability and Average Adjusted Gross Income (AGI) Tax Year 2006



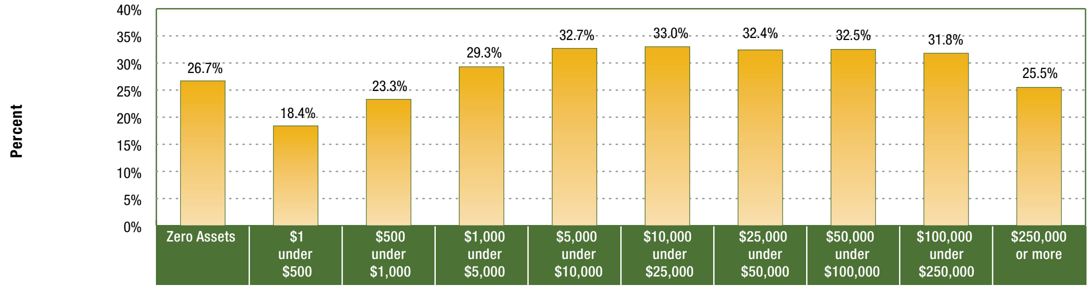
Individual Income Tax Liability as a Percentage of AGI



Individual Income Tax Liability Tax Year 2006

Adjusted Gross Income (AGI)	Number of taxable returns (in thousands)	AGI (in millions)	Total income tax (in millions)	Average AGI per return (in whole dollars)	Average income tax per return (in whole dollars)	Income tax as a percentage of AGI
Under $15,000	37,614	188,624	3,141	5,015	84	1.7%
$15,000 under $30,000	29,649	655,386	22,562	22,105	761	3.4%
$30,000 under $50,000	24,907	973,569	59,846	39,088	2,403	6.1%
$50,000 under $100,000	30,053	2,123,894	185,019	70,672	6,156	8.7%
$100,000 under $200,000	12,110	1,610,028	210,538	132,956	17,386	13.1%
$200,000 or more	4,088	2,431,160	545,226	594,740	133,380	22.4%
Total	**138,421**	**$7,982,661**	**1,026,332**			

Corporation Tax Liability as a Percentage of Taxable Income



Corporation Tax Liability Tax Year 2005

Total Assets (in thousands)	Income subject to tax (in millions)	Total income tax after credits (in millions)	Percentage of income tax after credits to taxable income
Zero Assets	19,086	5,094	26.7%
$1 under $500	9,223	1,698	18.4%
$500 under $1,000	4,473	1,043	23.3%
$1,000 under $5,000	14,935	4,372	29.3%
$5,000 under $10,000	9,367	3,060	32.7%
$10,000 under $25,000	13,506	4,456	33.0%
$25,000 under $50,000	13,459	4,366	32.4%
$50,000 under $100,000	14,239	4,624	32.5%
$100,000 under $250,000	31,250	9,935	31.8%
$250,000 or more	1,071,781	273,431	25.5%
Total	**1,201,319**	**312,079**	**26.0%**

APPENDIX B: IMPROPER PAYMENTS INFORMATION ACT

The Improper Payments Information Act of 2002 (IPIA) requires agencies to review their programs and activities annually to identify those susceptible to significant improper payments. According to OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments (A-123, Appendix C), "significant" means that an estimated error rate and a dollar amount exceed the threshold of 2.5 percent and $10 million of total program funding. A-123, Appendix C also requires the agency to implement a corrective action plan that includes improper payment reduction and recovery targets.

The government-wide Chief Financial Officers Council developed an alternative for meeting IPIA requirements for federal programs that are so complex that developing an annual error rate is not feasible. Agencies may establish an annual estimate for a high-risk component of a complex program (*e.g.*, a specific program population) with Office of Management and Budget (OMB) approval. Agencies must also perform trend analyses to update the program's baseline error rate in the interim years between detailed program studies. When development of a statistically valid error rate is possible, the reduction targets are revised and become the basis for future trend analyses.

I. Description of the Department's risk assessment(s) performed subsequent to compiling its full program inventory and risk-susceptible programs.

Each year, a comprehensive inventory of the funding sources for all programs and activities is developed and distributed to the Department's bureaus and offices. If program or activity funding is at least $10 million, Risk Assessments are required at the payment type level (*e.g.*, payroll, contracts, vendors, travel, etc.). For those payment types resulting in high risk assessments that comprise at least 2.5 percent and $10 million of a total funding source, (1) statistical sampling must be performed to determine the actual improper payment rate, and (2) a Corrective Action Plan must be developed and submitted to the Department and OMB for approval.

Responses to the Risk Assessments produce a score that falls into pre-determined categories of risk. The following table describes the actions required to be taken at each risk level:

Risk Level	Required Action(s)
High Risk > 2.5% Error Rate & > $10 Million	Corrective Action Plan
Medium Risk	Review Payment Controls for Improvement
Low Risk	No Further Action Required

The Risk Assessments performed across the Department in fiscal year 2008 resulted in all programs and activities as low and medium risk susceptibility for improper payments except for the Internal Revenue Service's (IRS) Earned Income Tax Credit (EITC) program. The EITC's high-risk status is well-documented, having been previously identified in the former Section 57 of OMB Circular A-11, and has been deemed a complex program for the purposes of the IPIA.

II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable federal tax credit that offsets income taxes owed by low income workers and, if the credit exceeds the amount of taxes owed, provides a lump-sum payment to those who qualify.

The next section explains how the IRS currently develops its erroneous payment projections. The most recent projection is based on a tax year 2001 reporting compliance study that estimated the level of improper overclaims for fiscal year 2008 to range between $11.1 - $13.1 billion and 23 percent (lower bound) to 28 percent (upper bound) of approximately $47.6 billion in total program payments.

National Research Program (NRP) Analysis

The complexity of the EITC program, the nature of tax processing, and the expense of compliance studies preclude statistical sampling on an annual basis to develop error rates for comparison to reduction targets. The estimates are based primarily on information from the National Research Program (NRP) reporting compliance study of individual income tax returns for tax year 2001—the most recent year for which compliance information from a statistically valid, random sample of individual tax returns is available. The approach is nearly identical to that used for earlier years. The difference is that the estimates make use of more recent EITC payment data from the President's fiscal year 2009 Budget.

Under the tax year 2001 NRP reporting compliance study, individual income tax returns filed during calendar year 2002 for tax year 2001 were randomly selected for examination.[1] This selection method allows the measures for the individual income tax return filing population to be estimated from the results of the NRP sample returns. Because one of the objectives of the NRP is to provide data for compliance measurement, NRP procedures and data collection differed from those followed in standard examination programs. NRP classification and examination procedures were more comprehensive in scope and depth than those for standard examination programs. These expanded procedures were designed to provide a more thorough determination of what taxpayers should have reported on their returns.

Estimates of various compliance measures for individual income taxpayers can be calculated by comparing the NRP sample case results—the estimate of what taxpayers should have reported on their returns—to what these taxpayers voluntarily reported on their returns and then projecting the sample results to the population. The projection to the population is done using weights assigned to each return. These weights reflect the number of returns in the population that the sample return represents.

The tax year 2001 NRP individual income tax return study covered filers of individual income tax returns. About 6,400 of the approximately 44,400 returns in the regular NRP sample were EITC claimants.[2] The NRP study results for this EITC claimant subset of NRP returns were the primary source of data for the improper payments estimates. Other data and information sources used for the estimates included IRS Enforcement Revenue Information System (ERIS) data (which tracks assessments and collections from IRS enforcement-related activities), Treasury Department estimates of the effect of the EITC provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) on erroneous EITC claims, and Treasury Department fiscal year 2009 EITC budget estimates.

1 The NRP used a stratified, random sample design. Returns are grouped into predefined categories or "strata" and selected randomly within each stratum.

2 About 1,600 other returns (the "calibration sample") were included in the tax year 2001 NRP Individual Income Tax Study. These returns went through a somewhat different examination process and they were not used for these calculations.

The general approach for developing the fiscal year 2008 set of EITC improper payments estimates involves the following steps: (1) estimating an improper payment rate for tax year 2001 using the NRP data, (2) adjusting the tax year 2001 rate to reflect the estimated impact of the EITC-related EGTRRA provisions, (3) estimating EITC claims for fiscal year 2008 through fiscal year 2011 by projecting tax year 2001 claims forward using the growth rates implicit in Treasury Department budget outlay estimates, and (4) multiplying the adjusted improper payment rate by the estimated claims to calculate estimated improper payments for each fiscal year. The Department estimates that as a component of the upcoming NRP analysis, the next EITC compliance study will be completed in fiscal year 2009. This new, multi-year study will provide an annual update of the EITC error rate.

III. Describe the Corrective Action Plans for reducing the estimated rate of improper payments for the EITC program.

The IRS uses a two-pronged approach to reduce erroneous EITC payments:

1. Continually seek opportunities to increase program efficiency within existing resources – in other words, make the base program better; and
2. Test potential business process enhancements to reduce error and then request implementation funding if the tests prove successful.

Base Program

In 2008, the IRS prevented more than $3.2 billion from being paid in error. Three areas of activity compose the bulk of this spending:

- **Examinations –** the IRS identifies tax returns for examination and holds the EITC portion of the refund until an audit can be conducted. This is the *only* ongoing IRS audit program where exams are conducted *before* a refund is released. The examination closures and enforcement revenue protected in the charts below do not include test initiatives.

- **Math Error –** this refers to an automated process in which the IRS identifies math or other statistical irregularities and automatically prepares an adjusted return for a taxpayer. Congressional approval is required for math error use.

- **Document Matching –** involves comparing income information provided by the taxpayer with matching information (*e.g.*, W-2s, 1099s) from employers to identify discrepancies.

The chart below shows significant results from fiscal year 2003 through fiscal year 2009. In fiscal year 2008 alone, the IRS conducted 502,700 examinations, issued 425,000 math error notices, and closed 375,000 document matching reviews.

	Compliance Activities (thousands)							
	FY03*	FY04*	FY05*	FY06*	FY07*	FY08**	FY09***	FY02-FY08 Total
Examinations	422,033	472,022	527,969	517,617	503,267	502,700	500,000	3,819,116
Math Error Notices**	699,590	624,590	515,890	460,316	393,263	425,000	425,000	4,536,723
Document Matching		300,000	324,419	364,020	394,217	377,327	375,000	2,134,983
Amended Returns						32,473	30,000	62,473

*Restated actual
**Preliminary estimates
***Estimate based on fiscal year 2008 preliminary data

These activities had a significant effect. We project that continued enforcement efforts will protect a total of $19 billion in revenue through fiscal year 2009.

	Enforcement Revenue Protected ($ billions)							
	FY03	FY04*	FY05*	FY06*	FY07*	FY08**	FY09***	FY02-FY08 Total
Examinations	1.00	1.12	1.35	1.50	1.49	2.00	2.00	11.41
Math Error Notices**	0.65	0.62	0.52	0.46	0.41	0.42	0.42	3.92
Document Matching		0.25	0.53	0.60	0.73	0.74	0.74	3.59
Amended Returns						0.07	0.07	0.14
TOTAL	1.65	1.99	2.40	2.56	2.63	3.23	3.23	19.06

*Restated actual
**Preliminary estimates
***Estimate based on fiscal year 2008 preliminary data

Business Process Enhancements

In 2003 and 2004, the IRS received a total of $75 million to fund a number of EITC business process improvement initiatives. These initiatives, referred to as the "Investment Portfolio," included the use of private sector solutions to better identify egregious cases, apply appropriate collection methods, assign and manage case inventory more efficiently, catch problems with amended returns, improve communications with taxpayers, better focus on under-reported income, and explore the use of new notices to improve taxpayer response. The entire initiative process was managed using a project management governance structure known as the Enterprise Life Cycle which, among other requirements, includes a business case analysis to justify investment choices. It was conceived, designed, and implemented in three separate releases over a three year period. The chart below shows the actual benefits of the EITC Investment Portfolio through fiscal year 2007. In fiscal year 2007 the Investment Portfolio was incorporated into the compliance activities above.

	Enforcement Revenue Protected ($ billions)			
	FY05	FY06	FY07	FY05-FY07 Total
Investment Portfolio	0.06	0.06	0.07	0.19

Note: In fiscal year 2008 this initiative was incorporated into Compliance Activities

Testing New Business Processes

The IRS continues to build new solutions for existing business processes. For example, in June 2008, new proposed Treasury regulations were issued to provide EITC return preparers with additional guidance on professional standards and EITC due diligence documentation. In addition, the IRS partnered with the tax software industry to develop a working group to address EITC error.

Finally, the IRS continues to use other activities to combat program error including:

- Generate extensive national and local media coverage to expand education of the public on the EITC and participation of eligible taxpayers
- Implement a strategy to partner with advisory groups and other stakeholders to gather feedback for enhancements to notices, forms, publications, and IRS.gov to improve participation among eligible taxpayers
- Complete activities associated with the fourth year of the EITC Return Preparer Study and analyze short-term outcomes, including penalties and accuracy of returns

IV. EITC Improper Payment Reduction Outlook

The reduction outlook for EITC improper payments is as follows:

Improper Payment (IP) Reduction Outlook ($ in billions)

Program	PY Outlays	PY %	PY $	CY Outlays	CY IP%	CY IP$	CY+1 Est Outlays	CY+1 IP%	CY+1 IP$	CY+2 Est Outlays	CY+2 IP%	CY+2 IP$	CY+3 Est Outlays	CY+3 IP%	CY+3 IP$
EITC Upper Bound Estimate	$44.5	28%	$12.3	$47.6	28%	$13.1	$49.5	28%	$13.7	$52.5	28%	$14.5	$53.2	28%	$14.7
EITC Lower Bound Estimate	$44.5	23%	$10.4	$47.6	23%	$11.1	$49.5	23%	$11.5	$52.5	23%	$12.2	$53.2	23%	$12.4

Outlays: Following prior methodology, the amount shown is the total EITC claimed.
IP % and IP $: These estimates follow the prior approach which provided a range for improper payments.
Note: The Improper Payment percentage and Estimated Outlay columns reflect a constant error rate pending the development of an annual error rate measurement.
CY: Current year; PY: Prior year

Recovery Act

V. The Department's Recovery Auditing Program

Section 831 of the Defense Authorization Act for fiscal year 2002 added a new subchapter to the U.S. Code (31 U.S.C 3561-3567), also known as the Recovery Auditing Act, that requires agencies that enter into contracts with a total value in excess of $500 million in a fiscal year carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities. In accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, reporting on recovery auditing is required annually.

In fiscal year 2008, the Department issued contracts totaling $5.0 billion. The annual Improper Payments Information Act Risk Assessment process includes a review of pre-payment controls that minimize the likelihood and occurrence of improper payments. For Recovery Act compliance, Treasury requires each bureau and office to review their post-payment controls and report on recovery auditing activities, contracts issued, improper payments made, and recoveries achieved.

Bureaus and offices may use recovery auditing firms to perform many of the steps in their recovery program and identify candidates for recovery action.

The Department considers both pre-payment and post-payment reviews to identify payment errors a good management practice that should be included among basic payment controls. All of the Department's bureaus use some form of recovery auditing techniques to identify improper payments during post-payment reviews. At times, bureaus may use the services of recovery auditors to help them identify payment anomalies and target areas for improvement. However, the Department has extensive contract payment controls that are applied at the time each payment is processed, making recovery activity minimal. The low level of improper payments in 2008 did not require any Treasury bureau to develop a management improvement program under Recovery Act guidance.

Recovery Auditing Information Fiscal Year 2004 - Fiscal Year 2008

Agency	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY*	Amounts Identified for Recovery PYs	Amounts Recovered PY	Cumulative Amts. Identified for Recovery (CY+PYs)	Cumulative Amts. Recovered (CY+PYs)
Treasury	$5,008,145,428	$4,531,863,330	$825,279	$839,818	$843,230	$821,667	$5,258,573	$4,142,907

Note: CY: Current year; PY: Prior year
* Includes amounts identified for recovery in prior years.

For fiscal year 2008, the total number of contracts subject to review was 36,917; the total number reviewed was 30,135, for a total program cost of approximately $1.1 million dollars.

VI. Management Accountability

The Secretary of the Treasury has delegated responsibility for improper payments to the Assistant Secretary for Management/Chief Financial Officer (ASM/CFO). Improper payments fall under the Department's management control program. A component of the management control program is risk assessments, which are an extension of each bureau's annual improper payment review process. Through Treasury Directive 40-04, Treasury Internal (Management) Control Program, executives and other managers are required to have management control responsibilities as part of their annual performance plans. With oversight mechanisms such as the Treasury CFO Council and IRS's Financial and Management Control Executive Steering Committee, managerial responsibility and accountability in all management control areas are visible and well documented.

Improper payments are a separate initiative under the President's Management Agenda and have been monitored for improvement as a material weakness under the Federal Managers' Financial Integrity Act. Managers who are responsible and accountable for reducing the level of EITC overclaims have been identified, while other senior and mid-level officials have responsibility for monitoring progress in this area as bureau and program internal control officers.

VII. Resources Requested in the Fiscal Year 2009 Budget Submission to Congress

The IRS fiscal year 2009 President's Budget submission included no new initiatives related directly to the EITC Program.

VIII. Limiting Statutory and Regulatory Barriers

A number of factors serve as barriers to reducing overclaims in the EITC program. These include:

- The complexity of the tax law
- The structure of the Earned Income Tax Credit
- Confusion among eligible claimants
- High program turnover
- Unscrupulous return preparers
- Fraud

No one of these factors can be considered the primary driver of program error. Furthermore, the interaction among the factors makes addressing the credit's erroneous claims rate, while balancing the need to ensure the credit makes its way to taxpayers who are eligible, extremely difficult.

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APPENDIX C: MANAGEMENT CHALLENGES AND RESPONSES

Each year, the Inspectors General issue Semiannual Reports to Congress that include specific management challenges facing the Department. These challenges are sent to the Secretary at the end of each fiscal year and cite the challenges for the upcoming fiscal year.

The letters sent to the Secretary and the Secretary's responses are reflected on the following pages for each respective Inspector General.

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DEPARTMENT OF THE TREASURY
WASHINGTON

INSPECTOR GENERAL

October 30, 2008

INFORMATION MEMORANDUM FOR SECRETARY PAULSON

FROM: Eric M. Thorson
Inspector General

SUBJECT: Management and Performance Challenges Facing the Department of the Treasury (OIG-CA-09-001)

The Reports Consolidation Act of 2000 requires that we provide you with our perspective on the most serious management and performance challenges facing the Department of the Treasury, for inclusion in the Department's annual performance and accountability report.

This year, we are reporting two new challenges:

- Management of Treasury's New Authorities Related to Distressed Financial Markets
- Regulation of National Banks and Thrifts

Both of these challenges relate to the crises that began in the subprime mortgage market and spread more broadly into the U.S. and global financial markets.

We also continue to report four challenges from last year:

- Corporate Management
- Management of Capital Investments
- Information Security
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement

We removed one previously reported challenge, Linking Resources to Results, based on the progress the Department has made in implementing managerial cost accounting in its operations.

Furthermore, as we have pointed out in the past, management and performance challenges do not always represent a deficiency in management or performance. Instead, they can represent inherent risks associated with Treasury's mission, organizational structure, or the environment in which it operates. In this regard, the Department can and should take steps to mitigate these challenges but may not be able to entirely eliminate them. As such, they require ongoing management attention.

Challenge 1 – Management of Treasury's New Authorities Related to Distressed Financial Markets

Last year we reported as a matter of increasing concern the deterioration of the real estate market and its impact on the credit markets. With worsening conditions over the past year and the impact the subprime mortgage situation has had on the broader financial markets, we have elevated this concern to the most serious management and performance challenge facing the Department.

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

As the turmoil in the financial markets increased, Treasury and the Federal Reserve took a number of additional unprecedented actions including the rescue of Bear Stearns and American International Group (AIG). It became evident that a more systemic, comprehensive plan was needed to stabilize the financial markets. Treasury sought and obtained additional authorities through passage of the Emergency Economic Stabilization Act (EESA), which gave the Treasury Secretary $700 billion in authority to, among other things: (1) purchase capital in qualifying U.S. controlled financial institutions; and (2) buy, maintain, and sell toxic mortgage-related assets from financial institutions. These authorities are intended to bolster credit availability and address other serious problems in the U.S. and world financial markets.

As of this writing, the Department has aggressively moved forward to make capital infusions through the purchase of senior preferred stock in nine large banks in an effort to loosen up the credit market. A number of other have subsequently sought to participate in the Capital Purchase Program. The Department is also implementing the mechanisms to carry out its other authorities and responsibilities for the Troubled Assets Relief Program (TARP). It plans to rely extensively on the private sector, initially with a small cadre of Treasury staff to exercise managerial control over TARP. With the hundreds of billions of dollars involved, the need to move quickly, and with so much of the program to be managed by financial agents and contractors, the risk is high that Treasury objectives will not be achieved or taxpayer dollars will be wasted. Accordingly, Treasury needs to ensure strong controls are in place and that its managerial oversight is effective.

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Additionally, the Act provides for the appointment of a Special Inspector General to provide oversight of this program. It also directs the U.S. Government Accountability Office (GAO) to conduct ongoing monitoring and report on the program every 60 days. Having said that, it is important to keep in mind that the presence of a Special Inspector General and the work by GAO are not a substitute for sound internal controls and appropriate management stewardship of this critical program.

Also, while the structure and execution of the EESA is still unfolding, it appears that Treasury will be relying to some extent on the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) to both evaluate their supervised institutions for participation in TARP and to monitor their compliance with the requirements for participation and the use of the capital that Treasury provides, including requirements related to limits on executive compensation. If this is to be effective, there will need to be close coordination between the Treasury team managing implementation of EESA, OCC, and OTS (as well as the other Federal Banking Agencies).

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

Challenge 2 – Regulation of National Banks and Thrifts

Since September 2007, nine Treasury-regulated financial institutions failed with estimated losses to the deposit insurance fund exceeding $10 billion. Predictions are that many more will fail before the economy improves. This is in sharp contrast to the relatively few and much smaller Treasury-regulated financial institutions that failed during the previous 5 years.

While there are many factors that have contributed to the current turmoil in the financial markets, Treasury's regulators, OCC and OTS, did not identify early or force timely correction of the unsafe and unsound practices by institutions under their supervision. The irresponsible lending practices by many institutions that contributed to the current crisis are now well recognized—including, degradation of underwriting standards, loan decisions based on factors other than the borrowers' ability to repay, and with the ready availability of investor financing, a mentality of "originate to sell" instead of the more prudent "originate to hold" permeated the industry. At the same time, financial institutions engaged in other high risk activities including high asset concentrations in areas such as commercial real estate, and over-reliance on unpredictable brokered deposits to fund rapid growth.

The banking industry will continue to be under pressure over the next several years. For example, OCC, OTS, and the other federal banking regulators recently reported that 2007 data for Shared National Credits (loan commitments of $20 million or more that are shared by three or more federally supervised institutions) showed a large increase in volume during

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the year, with shared credits now totaling $2.8 trillion (a 22.6 percent increase over 2006). The regulators also reported a significant deterioration in quality of these credits. It has also been reported that the next substantial stress to financial markets will come from troubled credit card debt and auto loans, and this may significantly impact those financial institutions that previously had limited exposure to the subprime mortgage crises

Our office is mandated to look into Treasury-regulated bank failures that result in material losses to the deposit insurance fund. In this regard, during the last 6 months, we completed one review of the NetBank failure and are currently engaged in five. These reviews are useful in identifying the causes for failures and assessing the supervision exercised over a particular failed institution. It should be noted that OCC and OTS have been responsive to our recommendations for improving supervision. However, these reviews do not address supervisory effectiveness overall. It is therefore essential that OCC and OTS take a critical look at their respective (and collective) supervisory processes to identify why those processes did not prevent or better mitigate the unsafe and unsound practices that led to the current crisis and what can be done to better protect the financial health of the banking industry going forward.

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

Challenge 3 – Corporate Management

Starting in 2004, we identified corporate management as an overarching management challenge. In short, Treasury needs to provide effective corporate leadership in order to improve performance as a whole. Inherent in this is the need for clear lines of accountability between corporate, bureau, and program office management; enterprise solutions for core business activities; and effective oversight of capital investments and information security. With nine bureaus and a number of program offices, Treasury is a highly decentralized organization. As we reported last year, the Department has made progress in building up a sustainable corporate control structure. The challenge continues to be maintaining emphasis on corporate governance, particularly as the Department develops the infrastructure to carry out its vastly expanded role in addressing the current economic crisis and as key management officials turnover with the change of administration.

Challenge 4 – Management of Capital Investments

Managing large capital investments, particularly information technology (IT) investments, is a difficult challenge facing any organization whether in the public or private sector. In prior years we have reported on a number of capital investment projects that either failed or had

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serious problems. In light of this, with hundreds of millions of procurement dollars at risk, Treasury needs to exercise continuous vigilance in this area as it proceeds with its: (1) transition to a new telecommunications contract (TNet) under the General Services Administration's Networx program, a transition that has already experienced delays; (2) implementation of enhanced information security requirements; (3) the anticipated renovation of the Treasury Annex; and (4) other large capital investments.

During the last year, the Department reinstituted a governance board consisting of senior management officials to provide executive decision-making on, and oversight of, IT investment planning and management and to ensure compliance with the related statutory and regulatory requirements.

Challenge 5 – Information Security

While improvements have been made, by its very nature information security will continue to be a management challenge to the Department. Our Fiscal Year 2008 audit addressing the objectives of the Federal Information Security Management Act of 2002 (FISMA) and Office of Management and Budget (OMB) requirements found that Treasury's non-IRS bureaus made progress in improving information security controls and practices.

Notably, during the past year Treasury strengthened its inventory reporting and Plan of Action and Milestones (POA&M) processes for tracking and correcting security weaknesses. However, our audit found that (1) minimum security control baselines were not sufficiently documented, tested, and/or implemented as required; (2) computer security incidents were not consistently reported timely or correctly categorized; (3) common security configuration baselines were not fully compliant; and (4) federal desktop core configurations were not fully implemented. Treasury management has indicated its commitment to address these issues. It should be noted, however, that the annual FISMA review is not designed to detect all information security vulnerabilities.

Challenge 6 – Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement

As reported in previous years, Treasury faces unique challenges in carrying out its responsibilities under the Bank Secrecy Act (BSA) and USA Patriot Act to prevent and detect money laundering and terrorist financing. While the Financial Crimes Enforcement Network (FinCEN) is the Treasury bureau responsible for administering BSA, a large number of federal and State entities participate in efforts to ensure compliance with BSA. These entities include the five federal banking regulators, the Internal Revenue Service (IRS), the Securities and Exchange Commission, the Department of Justice, and State regulators. Many of these entities also participate in efforts to ensure compliance with U.S. foreign sanction programs administered by Treasury's Office of Foreign Assets Control (OFAC).

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

Furthermore, the Patriot Act has increased the types of financial institutions required to file BSA reports. In Fiscal Year 2007, nearly 18 million BSA reports were filed. Although these reports are critical to law enforcement, past audits have shown that many contain incomplete or erroneous data. Additionally, past audits have also shown that examination coverage by regulators of financial institution compliance with BSA has been limited.

Given the criticality of this management challenge to the Department's mission, we continue to consider BSA and OFAC programs as inherently high-risk. Further adding to this risk in the current environment is the risk that financial regulators and examiners may lessen their attention on BSA compliance as they address safety and soundness concerns. It should also be understood that due to resource constraints and mandatory requirements, particularly with respect to failed banks, we do not anticipate providing significant audit coverage to this challenge area during Fiscal Year 2009.

As mentioned above, we removed the previously reported management and performance challenge "Linking Resources to Results" because of the progress the Department has made in this area. For example, among other things, it updated its Managerial Cost Accounting Policy to provide additional guidance to its bureaus and offices for accumulating, measuring, analyzing, interpreting and reporting cost information.

We would be pleased to discuss our views on these management and performance challenges in more detail.

cc: Peter B. McCarthy, Assistant Secretary for Management and Chief Financial Officer

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

November 17, 2008

MEMORANDUM FOR ERIC M. THORSON
INSPECTOR GENERAL

FROM: Henry M. Paulson, Jr.

SUBJECT: Response to Management and Performance Challenges Facing the Department of the Treasury

I am responding to your memorandum describing the Office of Inspector General's (OIG) perspective on the most serious management and performance challenges facing the Department of the Treasury. The Department appreciates your independent assessment of progress in addressing these challenges.

Fiscal year (FY) 2008 brought two new management challenges, *Management of Treasury's New Authorities Related to Distressed Financial Markets* and *Regulation of National Banks and Thrifts*. The Department recognizes the importance of these challenges, and has been working tirelessly to stabilize the current financial market situation and lay the foundation to prevent future turmoil.

Treasury has taken, and will continue to take, the appropriate action to address these and other management challenges. One management challenge was closed in FY 2008, and significant progress has been made on several others.

The Department is committed to remain vigilant about the risks associated with all of its programs, and to adjust its strategies based on changing circumstances to achieve financial stability, economic security, and protection of the taxpayer.

Challenge 1 - Management of Treasury's New Authorities Related to Distressed Financial Markets

Treasury recognizes the need and importance of sound stewardship in managing the authorities related to distressed financial markets. The authorities we have been granted are focused on a primary goal – to restore liquidity and stability to the financial system of the United States.

Our programs are designed to help financial institutions of all sizes so they can grow stronger and provide crucial funding to our economy. Since the announcement of our capital purchase program, we have seen numerous signs of improvement in our markets and in the confidence in our financial institutions. Treasury continues to press on with actions to both stabilize the immediate situation and prevent future turmoil.

The Department has created the Office of Financial Stability (OFS) in accordance with the Emergency Economic Stabilization Act of 2008 (EESA) to address this challenge. Treasury is committed to transparency and oversight in all aspects of the program and has taken several important steps to meet the letter and spirit of our important compliance requirements, in the areas of staffing, internal control, and risk management. The Department will seek the very best in public and private sector expertise to help execute this program, compete our procurements to the maximum extent practicable considering urgent and compelling circumstances, and take the appropriate steps to mitigate and manage any conflicts of interest. Positions have been created for a Chief Risk Management Officer, Chief Financial Officer, Chief Investment Officer, Chief Compliance Officer, Chief Operating Officer, Chief Homeownership Officer, and Chief Legal Officer. The Chief Operating Officer will provide strong management control of the program. An interim Director of Internal Control for OFS is working to develop sound internal controls. An enterprise risk management governance model is also being developed.

There is inherent risk in any start-up operation. Treasury has moved aggressively on behalf of the American people to implement the authorities of the EESA, but has done so in a prudent, methodical fashion. We believe that the infrastructure has been initially deployed to mitigate risk for the taxpayer, and that sound controls and oversight are being properly designed, planned, and implemented for the longer-term.

Challenge 2 - Regulation of National Banks and Thrifts

The Department clearly understands both the urgent need to better protect the financial health of the U.S. banking and thrift industries, and the longer term need to strengthen and improve regulatory oversight. With regard to the former, early positive effects of our recently announced Capital Purchase Program under the Troubled Asset Relief Program (TARP) are already evident. With regard to the latter, our Blueprint for a Modernized Financial Regulatory Structure (released March 31, 2008) examines the many shortcomings inherent in the current structure, and sets out numerous recommendations for constructive change. One of the recommendations is, in fact, to merge the regulatory functions of the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS).

Regulation of National Banks

In general, the OCC is well-positioned to address the challenge of regulating national banks in the current economic environment. Its approach to bank supervision is risk-based and includes continuous monitoring in the largest national banks. In addition to onsite examinations of national banks, supervision includes many ongoing activities, such as quarterly reviews, and special initiatives, such as following up with bankers on significant events. Nevertheless, the OCC recognizes the need to review its supervisory processes and effectiveness in light of recent national bank failures.

In the last year, national banks experienced an unprecedented series of severe credit and market events, which led to a predictable deterioration in credit quality and increase in the number of problem banks. The OCC's approach to addressing problem banks is focused on recognizing problems early to try to address them before they become larger and threaten the bank's viability. The OCC has a well developed program to do this, involving problem bank specialists, which includes calibrated steps with respect to enforcement. As a result, 47% of the banks considered to be problems a year ago have been rehabilitated. However, five national banks, of which two were owned by the same bank holding company, failed in the first three quarters of 2008. Compared to total assets held by national banks of $7.9 trillion, these national banks held the relatively much smaller amount of $5.8 billion, and the estimated cost to the deposit insurance fund of their failures totals $1.08 billion. While each of these banks has had its own unique circumstances, several had common threads: business strategies that resulted in a combination of 1) residential commercial real estate concentrations, especially in residential construction and development; and 2) one or more of the following significant risk factors: rapid growth, high levels of non-core funding, or out-of-area lending. These factors, when coupled with the rapid deterioration in market conditions that placed significant stresses on the businesses and real estate markets where the banks loaned, put strains on the banks that they did not anticipate and ultimately could not manage, despite progressively stronger supervisory actions by the OCC.

As soon as the results of any material loss reviews are received, the OCC will address them. The OCC also plans to conduct an internal assessment of the failures to seek opportunities for improvement in supervisory processes. The current economic environment poses new challenges to the OCC in resolving problem bank situations. Interest in recapitalizing or acquiring these institutions has softened and depositor nervousness and restrictions threaten liquidity. Part of the OCC's efforts in finding a way to address these challenges is to support Treasury in the implementation of provisions of the EESA, including the TARP.

While much financial repair work remains to be done, it is encouraging that the national banking system remains relatively healthy overall. At fiscal year end, 99% of national banks were estimated to have capital levels above the well-capitalized standard and 92% of national banks had

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composite CAMELS ratings of 1 or 2. It should be further noted that national banks have been a source of strength for the U.S. financial system. In each of the cases cited by the OIG where distressed banks and investment banks were rescued, the rescuers have been national banks; that is, national banks have purchased the nation's largest mortgage lender, the largest failed bank in the nation's history, two of the largest investment banks, and two other large banks – all at no cost to the Federal Deposit Insurance Corporation, and all but one resulting in all assets staying in private hands rather than being passed to the government.

Regulation of National Thrifts

The Department recognizes that 4 out of 9 failed Treasury-regulated institutions identified by the OIG were thrifts. The Department also agrees there is potential for additional failures in the future before the economy improves, which is in sharp contrast to the relatively few financial institutions that failed during the previous five years.

It is noteworthy that despite operating in this extraordinarily challenging environment and facing severe liquidity issues because of external market conditions, only 4 of the 829 savings associations regulated by the OTS have failed since September 2007. Most thrifts continue to conduct themselves in a safe and sound manner. As of June 30, 2008, 98% of thrifts were well-capitalized based on interagency standards and 90% had composite CAMELS ratings of 1 or 2.

Nevertheless, given current conditions and the fact that OTS-regulated thrifts currently hold over $1 trillion in housing-related loans and securities, the OTS recognizes it is important to review its supervisory processes. To meet credit quality and asset management challenges, the OTS has been emphasizing to thrift managers that they must: 1) make appropriate provisions for loan losses, 2) build sufficient loan loss reserves, 3) pay greater attention to risk management, 4) assess the risks their particular institution faces in the current economic climate, and 5) pay particular attention to business planning, risk analysis and monitoring, account management, and problem asset management.

The OTS has made significant efforts to improve visibility on the mortgage situation and respond to market conditions. In September 2008, the OTS and the OCC jointly issued the second Mortgage Metrics Report covering the second quarter of 2008. The combined report covers more than 90% of first lien mortgages held or serviced by federally regulated banks and thrifts. The combined portfolio in the report represents 34.7 million loans worth $6.1 trillion.

The report stated that:

- Actions by thrifts and national banks to prevent home mortgage foreclosures increased faster than new foreclosures

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- New loan modifications increased by more than 80% from January to June and increased by 56% from the first quarter to the second quarter
- More than 9 out of 10 mortgages remain current
- New loss mitigation actions increased more quickly than new foreclosures during the second quarter

In further action to prevent or mitigate credit problems, the OTS requested public comment on a broad array of issues and practices seeking to strengthen unfair or deceptive acts and practices rules related to the marketing, originating, and servicing of credit cards. The OTS, the Federal Reserve Board, and the National Credit Union Administration collaborated to issue a proposed rule regarding fairness and transparency. For credit cards, the proposed rule addresses unfair practices in the areas of providing reasonable time periods for making payments, payment allocations, interest rate increases on outstanding balances, security deposits and fees charged to an account for the issuance of credit, and deceptive offers of credit. For overdraft protection services on deposit accounts, the proposed rule would address a consumer's ability to opt out of overdraft services and unfair fees for debit holds. The three agencies expect to finalize this rule by year end 2008.

While there has been significant federal effort to improve risk management, industry problems cannot be corrected if a large number of those who originate mortgages – mortgage brokers and mortgage companies – are not subject to bank-like regulations and supervision. The OTS and the other banking agencies have worked with the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to encourage individual states to adopt strict guidelines for mortgage brokers under their supervision. The OTS is also crafting, and will soon be ready to discuss, details of its "Financial Institution Reform Initiative," which will propose best practices for implementing regulations requiring mortgage brokers and mortgage companies to comply with basic credit principles. In December 2008, the OTS will hold its Third Annual National Housing Forum (NHF), bringing together the country's foremost experts in housing and mortgage finance to discuss issues related to the nation's housing situation. The NHF will bring together federal and state regulators, public policy advocates, and financial analysts to determine solutions and avoid similar turmoil in the future.

Challenge 3 - Corporate Management

The Treasury Department has made a profound effort in 2008 to promote excellent corporate governance. In addition to daily meetings of the senior leadership team, weekly bureau head meetings, and monthly Treasury-wide council meetings, the Department has taken several actions to improve corporate management. An Executive Review Board was re-established for major IT capital investments to better engage Department and bureau executive leadership in

IT decision making. The Human Capital Strategic plan was revised, identifying the factors that will shape the future workforce environment of the agency, and the corporate strategies that are needed to meet these challenges. The Office of the Procurement Executive continued to implement its corporate approach to procurement, saving thousands of dollars, and improving governance, communication, and training across the agency.

A prototype Treasury performance scorecard concept was developed for the financial outcomes described in the Department's strategic plan. The Privacy and Treasury Records Office was established in FY 2008 to strengthen the Department's privacy programs by combining key privacy functions and elevating the privacy program to directly report to the Assistant Secretary for Management and Chief Financial Officer (ASM/CFO). The realignment of information privacy, civil liberties, records management, library, and disclosure functions into one office promotes an integrated, corporate approach to information management and protection across the Department.

Corporate governance activities, including strategic planning and financial, asset, information technology, risk, human capital, procurement, performance, privacy and records, and emergency/continuity program management were consistently monitored and any gaps in the process were identified.

Challenge 4 - Management of Capital Investments

The Department improved the Information Technology (IT) capital management process in FY 2008. Treasury renewed its focus on effective management of IT spending by re-establishing the Executive Review Board to better engage Department and bureau executive leadership in IT decision making. Through this process, Treasury has prioritized its IT spending to enhance the Department's ability to perform critical mission functions.

New guidance was developed and implemented to further improve the governance of Treasury's IT investments. To address recommendations cited in recent audits, attention was focused on addressing Earned Value Management (EVM) and Baseline Changes. Improvements in EVM and Baseline Change Management will enable Treasury to better monitor the progress on its major IT investments by readily identifying potential cost, schedule, and performance variances so that prompt corrective action can be taken. Bureaus and corporate staff worked collaboratively to draft new Department-wide guidance that provides the framework, standards, and requirements in these two critical areas.

In FY 2008, Treasury made significant progress in implementing the Federal Acquisition Council Program and Project Managers (FAC-P/PM) requirements to ensure that Treasury project managers are well trained and certified. A core curriculum and competency model were developed to serve as the framework for improving the management of IT investments. Using the framework,

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the qualifications of Treasury's Program/Project Managers for major IT investments were reviewed by a cross-bureau committee. As a result of the review, individuals were determined to be qualified at various levels (i.e., senior/junior/entry), or requirements were waived (because they were newly assigned to the program/project). Competency gaps were identified, and milestones/due dates were established for rectifying deficiencies and ensuring new Program/Project Managers received necessary training to enable future certifications.

With respect to the specific capital investments noted, significant executive attention has been directed to delays associated with transitioning to the new telecommunications contract (TNet). Weekly meetings are held between the highest corporate and government IT management echelons to monitor progress made in resolving the contractor's poor planning of network implementation and security testing.

Regarding other large capital investments:

- 61 out of 65 major IT investments were placed on the Office of Management and Budget (OMB) Management Watch List (MWL) in December 2007. By June 30, 2008, all but 4 major investments were removed from the MWL.
- OMB placed 56 of the Department's major investments and 20 E-government initiatives on their High Risk List (HRL) in FY 2008. Because of the broad and subjective criteria used to place initiatives on the OMB HRL, it is more difficult to have items removed. Treasury already has requested that 6 of the 56 major IT investments on the list be removed, and will request additional projects be removed as projects show documented evidence of sound project management.

Challenge 5 - Information Security

In FY 2008, Treasury made significant progress in strengthening security configuration management, which was noted as a significant deficiency in FY 2007. Consistent with the OIG's 2008 conclusion that Treasury is generally compliant with the Federal Information Security Management Act (FISMA), and the identification of no significant deficiencies in information security in their FISMA 2008 audit, the Department formally closed the longstanding IT security Material Weakness in September 2008. Regarding the Department's most critical cyber assets, the OIG reported that Treasury had implemented all provisions of Homeland Security Presidential Directive #7 and related OMB guidance, and included the development of critical infrastructure plans in identifying, prioritizing, protecting, and planning for contingencies related to these critical cyber assets.

Targeted security configuration management efforts have focused on ensuring security settings for operating and database systems in addition to implementing NIST-compliant Configuration

Management Policy for all of Treasury. The Department has worked toward full implementation of OMB's requirements for the Federal Desktop Core Configuration (FDCC), which addresses Windows XP, Treasury's most common operating system platform. An independent assessment of the Department's accomplishments in implementing the OMB FDCC policy in June 2008 included a sampling that found the Department's approximately 130,000 XP systems had an overall rate of 94% of FDCC compliance. The Department developed metrics and monitors all bureau security content management progress on a monthly basis.

Other significant accomplishments included raising the rate of Annual Testing of IT Security Controls from 93% in FY 2007 to 100% in FY 2008, and the accolades Treasury has received from the Department of Homeland Security as a model agency for computer security incident reporting.

Challenge 6 - Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement

The Treasury Department faces unique challenges in carrying out its responsibilities under the Bank Secrecy Act (BSA) and the USA PATRIOT Act to prevent and detect money laundering and terrorist financing. The Financial Crimes Enforcement Network (FinCEN) has overall authority for enforcement and compliance of the BSA, including coordination and direction of procedures and activities of all other agencies exercising delegated authority, including the Internal Revenue Service (IRS), the OCC, and the OTS. Several actions were taken by all of these components, together with federal and state authorities, in FY 2008 to address this management challenge.

FinCEN has issued a proposed new chapter in the Code of Federal Regulations to restructure BSA requirements in a more industry-friendly format. In addition, FinCEN, the OTS, and the OCC worked with other federal banking agencies to study different approaches for risk-scoping of examinations to enhance the risk-based examination process. This collaborative exchange identified short-term improvements in the process with potential longer-term application in both the banking and non-banking sectors. In FY 2009, the OCC, the OTS, and FinCEN will continue to enhance the Federal Financial Institutions Examination Council's *Bank Secrecy Act/Anti-Money Laundering Examination Manual* first issued in 2005. Following up on the success of this manual, FinCEN has also developed a Money Services Business (MSB) examination manual that was drafted in conjunction with the IRS and state regulators. The new manual, due to be issued in FY 2009, will foster national consistency in MSB examination practices. Additionally, FinCEN will follow up its FY 2008 proposed rulemaking relating to simplifying the appropriate exemption of customers from currency transaction reporting requirements with a final rule in early FY 2009. FinCEN's efforts closely track, but also go beyond, last year's GAO

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recommendations on the subject. In conjunction with the federal banking agencies, FinCEN is also drafting additional guidance with respect to the final application of the new rules for exemptions.

Outreach is an important tool in addressing FinCEN's challenges in administering the BSA. The Bank Secrecy Act Advisory Group (BSAAG), statutorily authorized and chaired by FinCEN, serves as the principal forum to discuss BSA administration issues among regulators, law enforcement, and the industry. At present, there are over fifty members, including the IRS, the OCC, and the OTS. Along with other members, these Treasury components serve on a number of on-going BSAAG subcommittees, including the Banking, Suspicious Activity Report, and Stored Value Product committees. In addition, FinCEN's Data Management Council is a new body that enables government users of the BSA database to have a more direct role in advising FinCEN of their information needs and helping FinCEN prioritize adjustments to the operation of the database. In FY 2009, FinCEN will continue the extensive outreach campaign to specific financial institutions begun in FY 2008, which has increased FinCEN's understanding of the capabilities of these institutions for anti-money laundering (AML) and counter financing of terrorism monitoring and reporting.

Active engagement and leveraging of other regulators is also key to meeting our challenges. FinCEN has established 53 memoranda of understanding (MOU) with federal and state regulators to enhance the sharing of information derived from compliance examinations. FinCEN has shared profiles of suspicious activity and currency transaction reporting with these federal and state regulators, and has surveyed its MOU partners to determine the impact of the information exchanged; 64% of respondents indicated that the information shared with them was valuable. As these MOUs mature, the information exchanged will help FinCEN improve BSA examination consistency and compliance. In FY 2009, FinCEN will pursue MOUs with additional federal and state regulators, focusing on completing agreements with state insurance commissioners.

To enhance regulated financial industries' understanding of and compliance with BSA programmatic, recordkeeping, and reporting requirements, FinCEN published a range of interpretive guidance in FY 2008, such as: addressing common errors noted in suspicious activity reporting, which highlighted the importance of filing complete and accurate reports; Customer Identification Program requirements; clarifying MSB definitions; application of anti-money laundering program and suspicious activity reporting requirements to insurance companies; the conduct of risk assessments by dealers in precious metals, precious stones, or jewels; and clarification of the application of appropriate, specific, and, where necessary, enhanced due diligence in connection with foreign correspondent accounts. Similar to FY 2008, FinCEN, in FY 2009, will conduct strategic analytical studies and publish reports promoting both greater awareness of emerging money laundering trends, vulnerabilities, and avoidance of compliance expenditures that are not commensurate with actual risks. FinCEN strives to be responsive to the needs of financial institutions and collaborates to increase their understanding of the BSA. FinCEN's efforts are demonstrated by achieving a 94% customer satisfaction rate among independently surveyed, regulatory, help-line callers.

A primary strategy for meeting the goal of a safer, more transparent financial system includes effective examination for any potential money laundering, terrorist financing, and BSA issues in OTS and OCC-supervised institutions. Under consistent policies developed with FinCEN and other federal banking agencies, the OTS and the OCC continue to examine compliance with BSA, USA PATRIOT Act, and other anti-money laundering provisions through a process which consists of on-site examinations conducted every 12-18 months, supplemented by off-site monitoring and follow-up to address identified supervisory issues. The OTS has also expanded supervisory resources in this area by hiring additional experienced compliance examiners and compliance specialists. Additionally, to enhance the training of examiners, in October 2008 the federal banking agencies hosted the second Advanced BSA/AML Specialists Conference, in which FinCEN participated. The Conference focused on emerging money laundering and terrorist financing risks. Additionally, in FY 2008 FinCEN and the IRS finalized a coordinated joint strategy for developing and implementing a more effective BSA examination regime for non-bank financial institutions that the IRS examines. Implementation of the joint FinCEN-IRS strategy and other coordination efforts will continue through FY 2009.

FinCEN does not pursue enforcement actions against financial institutions for isolated failures to comply with the BSA, such as BSA reports with incomplete or erroneous information. Rather, FinCEN invokes enforcement responsibilities when a financial institution exhibits a systemic breakdown in BSA compliance. In FY 2008, FinCEN took enforcement action where necessary against financial institutions for willful violations of BSA requirements, in close coordination with relevant federal and state supervisors, and the U.S. Department of Justice.

We look forward to working with you to further address these challenges.

cc: The Deputy Secretary
Assistant Secretary for Management and Chief Financial Officer

INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 15, 2008

MEMORANDUM FOR SECRETARY PAULSON

FROM: J. Russell George J. Russell George
Inspector General

SUBJECT: Management and Performance Challenges Facing the Internal Revenue Service for Fiscal Year 2009

The Reports Consolidation Act of 2000[1] requires that the Treasury Inspector General for Tax Administration (TIGTA) summarize, for inclusion in the *Department of the Treasury Accountability Report for Fiscal Year 2008,* its perspective on the most serious management and performance challenges confronting the Internal Revenue Service (IRS or Service). The top 10 challenges in order of priority are:

1. Modernization;
2. Security;
3. Tax Compliance Initiatives;
4. Providing Quality Taxpayer Service Operations;
5. Human Capital;
6. Erroneous and Improper Payments;
7. Complexity of the Tax Law;
8. Taxpayer Protection and Rights;
9. Processing Returns and Implementing Tax Law Changes; and
10. Improving Performance and Financial Data for Program and Budget Decisions.

TIGTA's assessment of the major IRS management challenge areas for Fiscal Year 2009 has not changed substantially from the prior year. While the IRS has continued to address each challenge area, TIGTA was unable to remove any challenge areas at this time. We have, however, changed the priority order of certain challenges. For example, Human Capital went from sixth to fifth place, while Complexity of the Tax Law went from fifth to seventh place. This reorganization is based on our assessment of many factors, including our opinion that the IRS needs to address its gaps in talent because of the changes in the knowledge, skills, and competencies in mission-critical occupations.

The following is a discussion of each of the challenges.

1 31 U.S.C. § 3516(d) (2000).

Modernization

The Business Systems Modernization (Modernization Program or Program) is a complex effort to modernize IRS technology and related business processes. It involves integrating thousands of hardware and software components while replacing outdated technology and maintaining the current tax system.

The IRS originally estimated that the Modernization Program would last up to 15 years and incur contractor costs of approximately $8 billion.[2] The Program is in its 10th year and has received approximately $2.5 billion for contractor services, plus an additional $310 million for internal IRS costs. The IRS planned to spend $267 million on the Program in Fiscal Year 2008, and the preliminary budget for Fiscal Year 2009 shows a reduction of 16.6 percent to $222.6 million. According to the IRS's original plan, the Modernization Program would be past the halfway point in Calendar Year 2008. However, due to generally decreased funding since Fiscal Year 2005 and difficulties in managing contractor work, the IRS has had to reduce the scope of many Modernization projects. The IRS and its contractors must still overcome significant barriers in successfully implementing Modernization Program goals, including:

- Continued reductions in funding that have forced the IRS to adjust the scope of the Modernization Program portfolio and project release schedules; and
- Inconsistent adherence to established project development guidelines that has limited the effectiveness and growth of the Modernization Program.

Due mostly to funding shortfalls, the IRS had to forgo development of significant capabilities for the Modernized e-File Integration project.[3] These capabilities would have allowed the IRS business divisions to better use the Modernized e-File system for enforcement activities. Because the Modernized e-File system is not being used to the extent originally planned, the intended benefits to the business divisions are not being achieved. As a result of the data access limitations, the Large and Mid-Size Business Division and the Tax Exempt and Government Entities Division are using their own systems to access Modernized e-File system tax return data. A second project, the Enterprise Return Retrieval system, was subsequently planned to deliver the capabilities that the Modernized e-File Integration project could not deliver. However, this project was not funded for Fiscal Year 2008.

The IRS achieved successes when the Modernization Program followed a systems development plan and management guidance. The Program has progressed more effectively with implementation of the Enterprise Services organization's management components and with the development of the Information Technology Modernization Vision and Strategy as a map for future development. However, the IRS and its contractors could improve Program effectiveness and efficiency through closer adherence to established guidelines such as the Enterprise Life Cycle[4] and its related key processes, as well as the Federal Acquisition Regulation. Our audits found that the Modernization Program did not consistently implement Enterprise Life Cycle guidelines, including project management and requirements management activities.

The Modernization Program and processes have not progressed enough to eliminate the material weakness designation, and further reductions in funding could jeopardize the Program's ability to deliver planned improvements. We believe that until the IRS is able to show consistent progress and improvement in the management of its Modernization Program and

2 Treasury Inspector General for Tax Administration, Ref. No. 2008-20-129, *Annual Assessment of the Business Systems Modernization Program* (2008).

3 The Modernized e-File system is a replacement of the current IRS tax return filing technology with a modernized, Internet-based electronic filing platform.

4 The Enterprise Life Cycle is a structured business systems development method that requires the preparation of specific work products during different phases of the development process.

adequately addresses past TIGTA and Government Accountability Office (GAO) recommendations, the Modernization Program will remain a high risk for the IRS and will continue to be considered a material weakness.

Security

Millions of taxpayers entrust the IRS with sensitive financial, personal, and other data that are processed by and stored on IRS computer systems. Reports of identity thefts from both the private and public sectors have heightened awareness of the need to protect these data. The risk that taxpayers' identities could be stolen by exploiting security weaknesses in the IRS's computer systems continues to increase, as does the risk that IRS computer operations could be disrupted. Internal factors (such as the increased connectivity of computer systems and increased use of portable laptop computers) and external factors (such as the volatile threat environment resulting from increased terrorist and hacker activity) require strong security controls.

The Incident Management Plan and Occupant Emergency Plan are designed to protect employees and visitors in IRS facilities; implement a clear command structure; and guide incident stabilization, assessment, and recovery efforts in the event of an emergency. However, these plans were not always complete or subject to regular exercises or tests to ensure readiness. As a result, we believe that in the event of an actual emergency such as a terrorist attack or natural disaster, these deficiencies could result in delays in ensuring employee and visitor safety and in beginning efforts to recover critical business processes, such as collecting tax revenue, processing tax refunds, and responding to taxpayer inquiries. Emergency preparedness at IRS facilities needs to be improved.[5]

Section 301 of the *Federal Information Security Management Act* (FISMA)[6] requires each Federal Government agency to report annually to the Office of Management and Budget and to Congress on the effectiveness of its security programs and to perform an annual independent evaluation of its information security program and practices. The IRS has made steady progress in complying with FISMA requirements since the law's enactment in 2002 and states that it continues to place a high priority on efforts to improve its security program. The IRS continues to develop an enterprise-wide approach to help employees understand their responsibilities for securing IRS systems and data and to implement the necessary controls. However, the IRS needs to do more to adequately secure its systems and data. Past audits have shown that the most significant areas of concern are compliance with mandated security configurations, implementation of access controls for its computer systems, and use of audit trails to detect computer intrusions and misuse. Additionally, the introductions of malware[7] into the IRS network *via* email and phishing schemes[8] are growing security concerns. TIGTA works closely with the IRS to identify and investigate these schemes. Between January and July 2008, more than 1,900 phishing sites pretending to represent the IRS were identified. The IRS continues to designate computer security as a material weakness under the *Federal Managers' Financial Integrity Act* of 1982.[9]

5 Treasury Inspector General for Tax Administration, Ref. No. 2008-10-148, *Emergency Preparedness at Internal Revenue Service Facilities Needs to Be Improved* (2008).

6 Pub. L. No. 107-347, tit. III, 116 Stat. 2899, 2946 (2002) (codified as amended at 44 U.S.C. §§ 3541-49).

7 Malware refers to a program inserted into a computer with the intent of compromising the confidentiality, integrity, or availability of the system's data, applications, or operating system. Examples of malware include viruses, spyware, Trojan horses, and rootkits.

8 Phishing is the act of sending an email to a user falsely claiming to be an established, legitimate enterprise in an attempt to scam the user into surrendering private information that could be used for identity theft.

9 31 U.S.C. §§ 1105, 1106, 1108, 1113, 3512 (2000). The *Federal Managers' Financial Integrity Act* (FMFIA) requires that agency management establish and maintain effective internal controls to achieve the objectives of 1) effective and efficient operations, 2) reliable financial reporting, and 3) compliance with applicable laws and regulations. The FMFIA also requires the head of each Executive agency to report annually to the President and Congress on the effectiveness of the internal controls and any identified material weaknesses in those controls. Reporting material weaknesses under the FMFIA is not limited to weaknesses over financial reporting.

Tax Compliance Initiatives

Another compelling challenge confronting the IRS is tax compliance. Tax compliance initiatives include the administration of tax regulations, collection of the correct amount of tax from businesses and individuals, and oversight of tax-exempt and government entities. Increasing voluntary compliance and reducing the Tax Gap are currently the focus of many IRS initiatives. Nevertheless, the IRS is facing significant challenges in 1) obtaining more complete and timely data, and 2) developing the methods necessary to interpret the data.

Businesses and Individuals

With the Tax Gap remaining center stage, TIGTA continues to focus considerable attention on the progress that the IRS is making to reduce the estimated difference between the amount of tax that taxpayers should pay and the amount that is paid voluntarily and on time. In August 2007, the Department of the Treasury and the IRS issued a report entitled *Reducing the Federal Tax Gap: A Report on Improving Voluntary Compliance*, which details the strategy being taken to address the Tax Gap by increasing voluntary compliance. TIGTA provided an evaluation of this strategy in 2008 and reported that the long-term success of the strategy will, in large part, be dependent on addressing several risk factors.

The IRS estimated the gross Tax Gap for Tax Year (TY) 2001 to be approximately $345 billion. Of this amount, about $54 billion (16 percent) is attributable to underreported employment taxes. In addition, the GAO recently reported that business taxpayers failed to pay to the IRS about $58 billion in Federal payroll taxes that they withheld from employees' wages over the past 10 years.

TIGTA has previously reported on both of these issues and has planned several audits to provide more insight into this growing problem, including audits of the misclassification of employees by employers,[10] the effectiveness of the IRS's SS-8 determination program,[11] the effectiveness of IRS actions on collection accounts, and the Trust Fund Recovery Penalty.[12]

The IRS must continue to seek accurate measures for the various components of the Tax Gap and the effectiveness of the actions taken to reduce it. Broader strategies and better research are needed to determine what actions are most effective in addressing noncompliance.

Tax-Exempt Entities

The IRS continues to face challenges in administering programs focused on ensuring that tax-exempt organizations comply with applicable laws and regulations to qualify for tax-exempt status. The IRS has noted that the non-profit

10 A recent report issued by the GAO states that, "In its last comprehensive misclassification estimate, the IRS estimated that 15 percent of employers misclassified 3.4 million workers as independent contractors in 1984, resulting in an estimated tax loss of $1.6 billion (or $2.72 billion in inflation-adjusted 2006 dollars) in Social Security tax, unemployment tax, and income tax."

11 The SS-8 program makes determinations of workers' employment tax status as employees or independent contractors. Workers may request determinations by submitting Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding (Form SS-8) to the IRS. An IRS determination of a worker's status has tax consequences for both the worker and the employer.

12 The Trust Fund Recovery Penalty is an enforcement tool the IRS uses to collect unpaid trust fund taxes. If a business taxpayer has failed to collect or pay trust fund taxes, the unpaid liability is assessed against the responsible officer(s). Although the IRS assesses this penalty on multiple taxpayers, these assessments represent only one liability. The IRS may collect the penalty from any combination of the business and related individual taxpayers.

community has not been immune from the recent trends toward bad corporate practices that have been highlighted in the for-profit area.[13]

For example, in a report issued in Fiscal Year 2008, we stated that the IRS needed to strengthen controls over examination closures to provide assurance that 1) capital raised from issuing tax-exempt bonds will be appropriately used for public works projects, and 2) examinations are conducted with integrity and fairness.[14] In addition, we reported that there was a need for the Exempt Organizations function to perform more detailed analyses of completed casework related to recently established tax-exempt organizations to determine if taxpayer funds allocated to this activity are being used wisely and tax-exempt organizations are being contacted only when necessary.[15]

Providing Quality Taxpayer Service Operations

Since the late 1990s, the IRS has increased its delivery of quality customer service to taxpayers. However, the first goal in the IRS's current strategic plan is to improve taxpayer service. In July 2005, Congress requested that the IRS develop a five-year plan, including an outline of which services the IRS should provide and how it will improve services for taxpayers. The IRS developed the plan the Taxpayer Assistance Blueprint which focuses on services that support the needs of individual filers who file or should file the Form 1040 series tax returns.[16]

The Blueprint identified strategic improvement themes by researching IRS services relative to taxpayers' needs and preferences. It recommended 55 improvement initiatives designed to enhance taxpayer service called the Taxpayer Assistance Blueprint Service Improvement Portfolio. The Portfolio is categorized into initiatives called Electronic Interaction Enablement,[17] Telephone Service Enhancements, Partner Services,[18] Outreach and Education, and Marketing and Promotion. The IRS has begun implementing the initiatives, but many are dependent on future funding.

The Blueprint Phase 2 report issued in April 2007 devoted an entire section to the Taxpayer Assistance Centers (TAC), which are the IRS's walk-in offices. It provided a step-by-step process for future decisions regarding TAC locations called the TAC Geographic Footprint. However, inaccurate and incomplete management information continues to delay implementation of the TAC Geographic Footprint. The IRS cannot measure the effectiveness of the TAC Program without accurate and complete data.

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13 Written Statement of Mark W. Everson, Commissioner of Internal Revenue, Before the Committee on Finance, United States Senate Hearing on Exempt Organizations: Enforcement Problems, Accomplishments, and Future Direction, April 5, 2005.

14 Treasury Inspector General for Tax Administration, Ref. No. 2008-10-052, *The Tax Exempt Bonds Office Has Established Controls, but Improvements Are Needed to Prevent Improprieties* (2008).

15 Treasury Inspector General for Tax Administration, Ref. No. 2008-10-057, *Performance Measures and Improved Case Tracking Would Help the Exempt Organizations Function Better Allocate Resources* (2008).

16 The Form 1040 series tax returns include any IRS tax forms that begin with "1040" such as the U.S. Individual Income Tax Return (Form 1040), U.S. Individual Income Tax Return (Form 1040-A), and Income Tax Return for Single and Joint Filers With No Dependents (Form 1040EZ).

17 The objective of the Electronic Interaction Enablement initiative is to maximize the taxpayer and partner value of the IRS Web site, making the electronic channel the first choice of taxpayers and partners for obtaining the information and services they need to comply with their tax obligations. The recommended initiatives for Electronic Interaction Enablement address services governance, content management, end-to-end portal and application monitoring, Web site design and usability, online support tools, publication search capability, evaluation of Frequently Asked Questions, and authentication for account-related tools.

18 The objective of the Partner Services initiative is to maximize assistance provided to tax practitioners, commercial preparers, community-based partners, and return preparation software vendors who are helping taxpayers understand and meet their tax obligations. The recommended initiatives for the Partner Services initiative address training and resources; tax practitioner, commercial preparer, and community-based partner collaboration; electronic and telephone resources; community coalition support; and coordination with Federal agencies.

The Blueprint also recognizes the significant role of tax return preparers because more than one-half of all taxpayers use preparers to file their tax returns. As a result, services to both taxpayers and the preparer community are essential to ensure effective tax administration.

Human Capital

In 2001, the President's Management Agenda designated Strategic Management of Human Capital as the first of its five government-wide initiatives. Despite significant focus and progress over the past few years, the GAO has designated human capital as a "high risk" government-wide concern and reported that ample opportunities exist for agencies to improve. The GAO also reported that a government-wide framework to advance human capital reform is needed.[19]

Like many other Federal Government agencies, the IRS has experienced workforce challenges over the past few years, including recruiting, training, and retaining employees, as well as an increasing number of employees who are eligible to retire. In addition, the IRS, along with other Federal Government agencies, is slowly moving toward changing pay, classification, and performance management systems to transition to a more market-based and performance-oriented culture. While the IRS has made some progress, the strategic management of human capital remains one of the IRS's major management challenge areas.

TIGTA has conducted audits in areas such as recruiting, workforce planning, training delivery, and employee turnover. As a result of these audits, we have made a significant number of recommendations for improvement. For example, in a report issued in Fiscal Year 2008, we stated that the IRS needed to complete significant work to ensure that future leaders are identified and developed, as the IRS might lose a large number of its leaders within the next several years.[20] In addition, we reported that while the IRS has established some key parts of a workforce planning foundation, it has not made substantial progress in developing and implementing an agency-wide process that will consistently and accurately project future human resource needs. If accurate projections are not made, the IRS might struggle to fill unforeseen vacancies, which could affect overall service to taxpayers.[21]

Erroneous and Improper Payments

As defined by the *Improper Payments Information Act of 2002*,[22] an improper payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts. For the IRS, improper and erroneous payments generally involve improperly paid refunds, tax return filing fraud, or overpayments to vendors or contractors.

Some tax credits, such as the Earned Income Tax Credit (EITC) and the Education Credit, provide opportunities for abuse in income tax claims. The IRS estimated that between $9.6 billion and $11.4 billion (23 percent to 28 percent) of the $41.3 billion in EITC claims paid for tax year 2004 returns should not have been paid.[23] While the EITC program has

19 U.S. Government Accountability Office, GAO-07-310, *High Risk Series: An Update* (2007).

20 Treasury Inspector General for Tax Administration, Ref. No. 2008-10-132, *Progress Has Been Made, but Important Work Must Be Completed to Ensure Timely Identification of Future Leaders* (2008).

21 An IRS contractor reported a five-year staffing forecast in March 2006 for Fiscal Years 2006 through 2010. The number of employees projected to retire is expected to steadily increase through 2010, from 5.1 percent (about 4,900 employees) to 8.3 percent (about 8,300 employees).

22 Pub. L. No. 107-300, 116 Stat. 2350.

23 Estimates for tax year 2004 include claims paid in error and a factor for erroneous payments identified and recovered by the IRS, as well as a factor for the impact of the tax year 2002 tax law changes.

been successful in helping millions of taxpayers, the IRS still receives a substantial number of excessive or incorrect EITC claims. Because of the potential EITC compliance problems, Congress passed legislation requiring taxpayers who had had the EITC denied during examinations to prove eligibility before receiving the EITC again. In response to this legislation, the IRS initiated the EITC Recertification Program, which has been successful in helping to reduce the high level of fraud and abuse in the EITC program. However, since Calendar Year 2005, the IRS has been limiting the number of recertification examinations, which reduces the effectiveness of the program.

The IRS's Criminal Investigation Division is responsible for detecting and combating tax refund fraud through its Questionable Refund Program, which was established to address the serious problem of refund fraud now estimated to exceed $1 billion annually. Although the IRS has taken actions to improve the Questionable Refund Program, we continue to have concerns with the growth of fraudulent refunds. The exponential growth in fraud in Processing Year 2007 presented a challenge for the IRS, which did not have the resources to handle the volume.[24] If this trend continues over the next few years, the IRS might issue an even greater number of fraudulent refunds, possibly resulting in a significant annual revenue loss to the Federal Government. As a result, additional burden is placed on honest taxpayers whose tax dollars are being used to support this criminal activity.[25]

Complexity of the Tax Law

Simplicity, transparency, and ease of administration are interrelated and desirable features of a tax system. Over the years, the Federal tax system, especially the Federal income tax, has become more complex, less transparent, and subject to frequent revision. Tax complexity and frequent revisions to the Internal Revenue Code make it more difficult and costly for taxpayers who want to comply with the system's requirements and for the IRS to explain and enforce the tax laws.

Tax law complexity continues to challenge the IRS and taxpayers. The IRS Office of Chief Counsel assists in tax administration by providing correct and impartial interpretation of the revenue laws. While providing tax advice to IRS functional employees auditing tax returns and collecting tax liabilities, Chief Counsel also issued 391 regulations, revenue rulings, revenue procedures, and notices during Fiscal Year 2007 through its Published Guidance Program, which is the IRS's primary means of providing tax guidance to the general public.26 Throughout the year, Chief Counsel receives significantly more requests to clarify tax laws than available resources permit and must prioritize suggestions in the development of its annual business plan for published guidance.

Tax law complexity results in higher costs for both tax administration and tax compliance. For example, in Calendar Year 2006, computer checks identified about 226,000 discrepancies between the Alternative Minimum Tax (AMT) figures reported by the taxpayers and the amounts computed by the IRS.27 These complexities hamper IRS efforts to assist taxpayers. Without meaningful simplification, the complexities of the current tax code will likely continue to contribute to the Tax Gap.

24 TIGTA estimated that the number of potentially fraudulent returns that would have been identified without dollar value and data-mining score restrictions rose by an alarming 70 percent between Processing Years 2006 and 2007. See Treasury Inspector General for Tax Administration, Ref. No. 2008-40-131, *While Progress Has Been Made, Limits on the Number of Examinations Reduce the Effectiveness of the Earned Income Tax Credit Recertification Program* (2008).

25 Treasury Inspector General for Tax Administration, Ref. No. 2008-10-172, *An Estimated $1.6 Billion in Fraudulent Refunds Was Issued During the 2006 and 2007 Filing Seasons* (2008).

26 To help taxpayers understand and meet their tax responsibilities and help the IRS apply the tax laws correctly and uniformly, Chief Counsel's Published Guidance Program provides interpretations of the tax code or new legislation that is formally available and legally relied upon by taxpayers, tax practitioners, and tax officials. The Published Guidance Program is coordinated with the Department of the Treasury Office of Tax Policy.

27 Treasury Inspector General for Tax Administration, Ref. No. 2008-40-146, *Procedures Were Not Always Followed When Resolving Alternative Minimum Tax Discrepancies* (2008).

Taxpayer Protection and Rights

The IRS continues to dedicate significant resources and attention to implementing the taxpayer rights provisions of the *IRS Restructuring and Reform Act of 1998* (RRA 98).[28] Annual audit reports are mandated for the following taxpayer rights provisions:

- Notice of Levy;
- Restrictions on the Use of Enforcement Statistics to Evaluate Employees;
- Fair Debt Collection Practices Act Violations;
- Notice of Lien;
- Seizures;
- Illegal Protestor Designations;
- Assessment Statute of Limitations;
- Restrictions on Directly Contacting Taxpayers Instead of Authorized Representatives; and
- Separated or Divorced Joint Filer Requests.

In general, the IRS has improved its compliance with these statutory taxpayer rights provisions. The IRS has shown improvement over prior years when documenting that taxpayers were informed of their rights. The percentage of case files without documentation has steadily decreased over the last five years. However, there were still instances in which there was no documentation in the related case files to show that taxpayers were advised of their rights regarding assessment statute extensions,[29] and the IRS did not always follow procedures for mailing notices to taxpayers or their representatives in Federal Tax Lien cases.

Some IRS management information systems do not track cases that require mandatory annual audit coverage.[30] Thus, neither TIGTA nor the IRS could evaluate the Service's compliance with certain RRA 98 provisions.

Processing Returns and Implementing Tax Law Changes

Each filing season tests the IRS's ability to implement tax law changes made by Congress. It is during the filing season that most individuals file their income tax returns and call the IRS with questions about specific tax laws or filing procedures. Correctly implementing tax law changes is a continuing challenge because the IRS must identify the tax law changes; revise the various tax forms, instructions, and publications; and reprogram the computer systems used for processing returns. Changes to the tax laws have a major effect on how the IRS conducts its activities, what resources are required, and how much progress can be made on strategic goals. Congress frequently changes the tax laws. Thus, some level of change is a normal part of the IRS environment. However, certain types of changes can significantly affect the IRS in terms of the quality and effectiveness of its service and how taxpayers perceive the Service.

For example, the 2008 Filing Season was successful despite the challenges of 1) late enactment of legislation to extend relief from the AMT, and 2) the need to provide taxpayers with Economic Stimulus Payments. Late enactment of AMT

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28 Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

29 Treasury Inspector General for Tax Administration, Ref. No. 2008-40-127, *Fiscal Year 2008 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (2008).

30 Treasury Inspector General for Tax Administration, Ref. No. 2008-40-099, *Fiscal Year 2008 Statutory Review of Disclosure of Collection Activity With Respect to Joint Returns* (2008) and Treasury Inspector General for Tax Administration, Ref. No. 2008-40-090, *Fiscal Year 2008 Statutory Review of Restrictions on Directly Contacting Taxpayers* (2008).

relief required the IRS to delay the processing of tax returns with certain forms until February 11, 2008, in order to update and test its systems for the needed changes to these forms without major disruptions to other return processing operations. For the Economic Stimulus Payments, which Congress expected to be in the hands of individuals as soon as possible, the IRS did not have the option to delay implementation until after the 2008 Filing Season. To receive an Economic Stimulus Payment, individuals were required to file a Tax Year 2007 return. The IRS estimated that potentially 20 million individuals will file tax returns that they normally would not have filed.[31]

The Economic Stimulus Payments will also affect the 2009 Filing Season because the payments are a credit for Tax Year 2008, even though the payments were estimated using information reported on Tax Year 2007 returns. Processes will need to be established for the 2009 Filing Season, because individuals who qualify for a larger payment as a result of changes between their Tax Year 2007 and Tax Year 2008 returns will receive the additional amount of payment. In addition, potential changes to the AMT and the possibility of another Economic Stimulus Payment might pose significant challenges for the IRS in the 2009 Filing Season.

Improving Performance and Financial Data for Program and Budget Decisions

While the IRS has made some progress in using performance and financial data for program and budget decisions, this area is still a major challenge. The IRS lacks a comprehensive, integrated system that provides accurate, relevant, and timely financial and operating data that describes performance measures, productivity, and associated costs of IRS programs. In addition, the IRS cannot produce timely, accurate, and useful information needed for day-to-day decisions, which hinders its ability to address financial management and operational issues to fulfill its responsibilities. TIGTA has continued to report that various IRS management information systems are insufficient to enable IRS management to measure costs, determine if performance goals have been achieved, or monitor progress in achieving program goals. For example, our review of performance-based acquisition (PBA)[32] found that lack of internal expertise within program offices on how to implement PBA as an acquisition strategy, insufficient time to complete procurements, lack of a vigorous planning phase, and the inability by program managers to define requirements contributed to underuse of PBA. As a result, the IRS has not achieved the desired PBA usage rates and might not have made the best use of its resources when acquiring goods and services.

PBA is a method for structuring all aspects of an acquisition around the need and outcome desired as opposed to the method by which the work should be done. For example, a need is identified for janitorial services with the desired outcome of clean office spaces. However, the Federal Government does not detail how the janitorial work should be done. This type of procurement shifts much of the risk from the Federal Government to industry because contractors become responsible for achieving the objectives in the work statement using their own best practices. It also allows the Federal Government to focus its monitoring efforts on the desired outcome rather than on how the contractor performs the work resulting in significantly fewer contract administration resources. When used properly, PBA increases performance, innovation, and competition among interested vendors and results in better value for the Federal Government.

31 Treasury Inspector General for Tax Administration, Ref. No. 2008-40-149, *Evaluation of Planning Efforts for the Issuance of Economic Stimulus Payments* (2008).

32 Treasury Inspector General for Tax Administration, Ref. No. 2008-10-098, *Due to the Lack of Experienced Users, the Benefits of Performance-Based Acquisition Are Not Being Fully Realized* (2008).

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Conclusion

These are the 10 major management challenges for the IRS in Fiscal Year 2009. TIGTA's *FY 2009 Annual Audit Plan* contains our planned audits and is organized by these challenges. If you have questions or wish to discuss TIGTA's views on the challenges in greater detail, please contact me at (202) 622-6500.

cc: The Deputy Secretary
Assistant Secretary for Management and Chief Financial Officer
Commissioner of Internal Revenue

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

November 17, 2008

MEMORANDUM FOR J. RUSSELL GEORGE
TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

FROM: Henry M. Paulson, Jr.

SUBJECT: Response to Management and Performance Challenges Facing the Internal Revenue Service

I am responding to your October 15, 2008, memorandum describing the most serious management and performance challenges facing the Internal Revenue Service (IRS). I appreciate your assessment of these challenges, and your acknowledgment of the progress made in addressing them.

The IRS has taken, and will continue to take, many actions to address its performance and management challenges. However, we note that many of these challenges represent inherent risks associated with the IRS mission and the environment in which the IRS operates, rather than deficiencies that can be eliminated. The IRS is taking the appropriate actions to mitigate these challenges to the extent practicable, and has made substantial progress thus far.

This memorandum provides information on the actions completed by the IRS in fiscal year (FY) 2008 and the actions planned for FY 2009 to address the ten management and performance challenges.

Challenge 1 - Modernization

In FY 2008, the IRS continued to make substantial progress in meeting targets for the Business Systems Modernization (BSM) projects, delivering 92% of the system releases within 10% of the estimated cost and schedule. Notable accomplishments in key modernization projects included: 1) a Customer Account Data Engine (CADE) release that processed returns and issued refunds on average five days faster than the legacy system, while expediting the processing of Economic Stimulus Package payments to taxpayers ahead of schedule; 2) new Modernized e-File (MeF) system capabilities for business taxpayers, which enabled the IRS to process 50% more electronic returns than in FY 2007, including a new electronic Form 1120F for foreign corporations

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and the new Form 990N, the electronic "postcard" for small, tax-exempt organizations; and 3) the implementation of an online address change capability for CADE accounts via the Accounts Management Services system.

The IRS also implemented several initiatives that continue to improve the information technology (IT) infrastructure. The IRS continued to use a consistent standardized governance approach that maps IT projects to a single framework and applies best practices across the entire IT portfolio. In addition, the IRS implemented a repeatable process to assess the condition of IT development, maintenance, and services to better equip decision makers. The process examines the "health" of all IRS IT projects across the portfolio and alerts management if a project is facing unusual challenges that may influence a critical IRS function such as the filing season.

In FY 2009, the IRS will continue to focus on modernization of the tax administration systems in manageable increments to provide additional benefits to taxpayers and maintain continuity of the program while mitigating risk through strict oversight.

Challenge 2 - Security

As part of its mission, the IRS is entrusted with sensitive information including personally identifiable information such as Social Security numbers (SSNs). Protecting this information is vital to maintaining the public trust that encourages voluntary compliance with the tax law and enables the IRS to conduct business effectively. In FY 2008, the IRS focused on establishing enterprise resilience for personal, physical, and IT security as well as disaster recovery capability of the tax administration systems.

Accomplishments in FY 2008 include the establishment of an Office of Online Fraud Detection and Prevention to address increasing and evolving online threats affecting the IRS and taxpayers; continued risk assessments of business processes to address identity protection; and analysis of the use of SSNs for reduction and elimination where possible. The IRS also implemented a process to encrypt removable storage devices; installed a program that automatically encrypts all files written on CD-DVD media; and conducted Operation R.E.D., an IRS-wide event to remind IRS employees of existing policies and procedures regarding safe-guarding of sensitive or personally identifiable information.

Security of infrastructure and IT systems continues to be a top priority for the IRS. In FY 2008, the IRS revised its corrective action plan to address all components of the Information Security material weakness, providing a comprehensive approach to addressing the issues. The actions address IT security training, systems auditing, access controls, systems security configuration control, and IT systems disaster recovery. The Certification and Accreditation and Security

Training components of the plan are closed pending Government Accountability Office (GAO) and Treasury Inspector General for Tax Administration (TIGTA) validation. As TIGTA indicated in its FY 2008 review of IRS compliance with the Federal Information Security Management Act (FISMA), the IRS has made steady progress in complying with FISMA requirements and continues to place a high priority on efforts to improve the security program.

Planned actions for FY 2009 include enhancements to the project lifecycle process to ensure security is part of project development, deployment of an automated means of identifying and accounting for IT assets connected to the network, and upgrading core security infrastructure components. During FY 2009, the IRS expects to develop the methodology and framework to close the Disaster Recovery component of the Information Security material weakness. Ongoing activities will take place to identify and assess new online computer fraud schemes.

Challenge 3 - Tax Compliance Initiatives

In FY 2008, the IRS expanded its research studies of filing, payment, and reporting compliance to provide an overall picture of taxpayer compliance levels. The IRS has begun using a rolling multi-year methodology to obtain more complete and timely data on individual tax filers and continues to conduct other research studies to ensure compliance with the tax code like the ongoing Subchapter S Corporations study. The IRS will use the data from these studies and others like them to continue to update the audit identification and selection tools and better leverage the limited enforcement resources. Studies in subsequent years will also allow the IRS to combine results to make annual updates to its voluntary compliance estimates.

GAO's downgrade of the Tax Revenue and Refunds audit material weakness in the FY 2008 IRS Financial Statement Audit Report was attributable in part to the IRS establishment of a governance body to improve collection efforts and the improved use of modeling to better target collection efforts.

Individuals and Businesses

In FY 2008, the IRS collected over $2.7 trillion in revenue, including $56.4 billion through examination and collection enforcement activities. The IRS focused enforcement presence where it was most needed on corrosive activities of certain types of corporations, high income taxpayers, and other major violators of the tax code to improve efficiency and reduce the burden on compliant taxpayers. The IRS increased analytics in critical programs such as Examination and Collection, and improved the systemic workload identification and selection models to target high risk cases. These actions resulted in increases in the total number of audits started and completed and in closures for the Collection and Automated Underreporter programs. The IRS also continued reengineering the Examination and Collection processes to expand coverage, reduce processing time, and increase yield.

As the flow of trade and capital moves more easily across borders, the global marketplace is developing at an ever increasing rate. With this continued growth, tax planning is increasingly focused on minimizing the worldwide effective tax rate. As a result, taxpayers often have an incentive to adopt structures or arrangements that maximize U.S. expenses or shift income abroad. While U.S. domestic law or treaty provisions clearly address many cross-border transactions, others involve emerging issues that may constitute unacceptable tax avoidance or evasion. Unless adequate compliance resources are provided to identify, develop, and pursue such issues where appropriate, international activities will pose increasingly serious risks to the U.S. tax base.

Planned actions for FY 2009 include testing alternative methods of selection for offshore entities, testing new business rules for identifying and reporting noncompliance, introduction of a new Schedule M-3 to gather information on foreign controlled corporations, improved case selection for Examination and Automated Underreporter cases, and testing of additional soft notices to provide taxpayers with opportunities to self-correct income reporting errors.

In addition, the FY 2009 IRS Budget Request includes a $51 million enforcement initiative to support and expand ongoing research studies of filing, payment, and reporting compliance to provide a comprehensive picture of the overall taxpayer compliance level. Research allows the IRS to better target specific areas of noncompliance, improve voluntary compliance, and allocate resources more effectively to reduce the tax gap.

Tax-Exempt Organizations

Maintaining a strong enforcement presence in the tax-exempt sector is particularly important because these entities can be misused by third parties to facilitate abusive transactions. The IRS expanded its enforcement presence in FY 2008, conducting reviews of executive compensation practices among tax-exempt organizations. The IRS developed new outreach tools, including web-based tools to help tax-exempt entities understand their federal tax requirements, and presentations for issuers and borrowers of tax-exempt bond proceeds to encourage improved compliance procedures after bond issuance.

The IRS has controls in place that are intended to ensure the integrity of the closing process for tax-exempt bond examinations. For example, in FY 2008, the IRS conducted a comprehensive review of administrative procedures related to the tax-exempt bond examination and refund claim closing processes, which resulted in the issuance of a new revenue procedure and development of revised internal procedures to ensure managers approve closing letters and refund claims.

In addition, the IRS increased awareness of IRS Pension Plan Correction Programs via an educational workshop marketed for small business practitioners and encouraged them to use new, online IRS "Fix-It Guides" to help their clients find, fix, and avoid common retirement plan mistakes.

In FY 2009, the IRS will continue to focus its efforts on tax shelter schemes and abusive transactions. The IRS also will continue efforts to improve its understanding of compliance issues in major segments of the exempt sector, including conducting a study of colleges and universities focusing on unrelated business income, endowments, and executive compensation practices.

Challenge 4 - Providing Quality Taxpayer Service Operations

The IRS continued to make improvements in key areas involving services for taxpayers in FY 2008, providing assistance to millions of taxpayers through toll-free call centers, the IRS.gov website, and the 400 Taxpayer Assistance Centers (TACs). The number of partnerships with community-based organizations assisting taxpayers with financial literacy, return preparation, and tax return filing increased. At over 12,000 Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites, the IRS provided free tax assistance to the elderly, disabled, and limited English proficient individuals, filing approximately 3.5 million returns on their behalf, a 34% increase over FY 2007 and a 15% increase in outreach efforts.

To increase the number of eligible taxpayers opting to claim the Earned Income Tax Credit (EITC), the IRS held the second EITC Awareness Day, during which the IRS, along with a cadre of national partners, reached out to the underserved EITC-eligible population, especially those with limited English proficiency.

Actions planned for FY 2009 include implementation of additional Taxpayer Assistance Blueprint (TAB) service improvement initiatives, including recommendation of a set of TAB Measures to serve as the basis for a taxpayer scorecard to measure service improvements; providing taxpayers who did not receive an Economic Stimulus Payment or received less than the maximum amount with information to claim the Recovery Rebate Credit; and completion of the TAC Evaluation Model, the decision tool for determining changes in the TAC geographic footprint.

Challenge 5 - Human Capital

Similar to most other federal agencies, the IRS continues to face major workforce challenges such as large numbers of retirements, competition with both the public and private sectors for critical talent, and ensuring the workforce is prepared to carry out the IRS mission.

Developing future leaders and ensuring adequate bench strength to lead the current organization are two tenets of the IRS succession planning strategy. In 2001, the IRS developed a Leadership Competency Model that enhanced the ability to analyze competency strengths and weaknesses for both individuals and across the Service. This model provided a foundation for the current Leadership Succession Review (LSR) process, designed to assist senior leadership in identifying qualified individuals to fill future leadership positions. In FY 2008, the IRS expanded the LSR process to include bargaining unit employees, allowing for a larger group of employees from which to identify individuals with the potential to become leaders. Individuals identified as ready for management in the next three to five years are encouraged to develop plans that include both training courses and detail opportunities to develop their skills.

In FY 2008, the IRS initiated a leadership coaching pilot to serve and support the current cadre of managers. The pilot program's success and the addition of external coaches validated the coaching concept, and the IRS plans to expand the program in the future. An analysis of the Employee Engagement Survey results for 2007 and 2008 indicates that coaching benefits both managers and employees and strengthens the workgroup.

The IRS is developing and documenting a high-level leadership succession strategy that establishes a process to assess the overall success of its leadership succession activities. The IRS also plans to improve the system in place to capture leadership succession data so the system can be used to quickly replace leaders when vacancies occur.

Additionally, the IRS recently implemented an exit survey process to identify the reasons why employees leave the Service. The survey was sent to individuals who separated in the six months before its implementation, and a preliminary analysis has been conducted. Also in FY 2008, the IRS established a Corporate Incentive Strategy to ensure consistency across the bureau in the use of incentives for hiring, relocation, and retention. The IRS will review the effectiveness of these incentives annually.

The IRS established a "Workforce of Tomorrow" task force to address recruitment and retention issues so the IRS has the necessary leadership and workforce to address the challenges of FY 2009 and beyond. The task force will drive several key workforce priorities, including valuing and retaining people, planning a dynamic hiring strategy, attracting the best candidates both internally and externally, streamlining the hiring process at the IRS, developing future leaders, and enhancing the role of managers.

Challenge 6 - Erroneous and Improper Payments

In 2008, the IRS protected over $3.2 billion in revenue through enforcement efforts for the Earned Income Tax Credit (EITC), which included the examination of over 500,000 returns claiming the EITC, 375,000 document matching reviews, and 425,000 math error corrections. The IRS reduced the number of erroneous and improper EITC payments by developing and implementing business process improvements and business enhancements that resulted from the ongoing analysis of the tax year 2001 National Research Program (NRP) study. The IRS also made a number of significant improvements to the EITC program by improving accuracy, automating release of suspended refunds where the EITC was in question, improving communications with taxpayers, and enhancing the training provided to tax examiners working on EITC cases. The IRS focused on EITC cases that presented the highest compliance risk, conducted a significant number of recertification audits, and provided necessary coverage of other components of EITC error.

In addition, the IRS Questionable Refund Program identified more than 332,000 potentially fraudulent returns claiming over $1.6 billion in refunds and stopped over $41 billion in fraudulent claims using the Electronic Fraud Detection System. Process improvements and automation improved the efficiency in verification routines by 16%.

In FY 2009, the IRS will continue to focus on reducing the number of erroneous and improper payments by analyzing the results from the first year of the multi-year NRP study begun in FY 2008. This study will provide an annual update of the EITC error rate and allow the IRS to more quickly explore research-based, cost-effective approaches to improve EITC participation and minimize errors more quickly than possible using the older data. The IRS will also complete activities associated with the fourth year of the EITC Return Preparer Study and analyze short-term outcomes, including penalties assessed, accuracy of returns prepared, and other outcomes from due diligence visits and education/compliance notices and phone calls to first-time EITC preparers.

Challenge 7 - Complexity of the Tax Law

To ease the burden associated with the complexity of the voluntary tax system and recent revisions to the law, the IRS continued to improve services through automation, outreach, and education of taxpayers. In FY 2008, the IRS.gov website had more than 2.1 billion hits as taxpayers accessed the site in record numbers to get the most up-to-date information. To assist individual taxpayers, the IRS designed a “1040 Central” page which contains news releases, fact sheets, and tax tips, all designed to keep taxpayers informed of changes as they happen. The IRS also developed a three-point plan that expanded EITC outreach initiatives, identified ways to simplify and improve the EITC forms, and outlined efforts to improve IRS.gov, making it more user friendly for EITC filers. To address potential compliance issues for small businesses and individuals with limited English proficiency, chapters in Publication 334, *Tax Guide for Businesses*, and Publication 17, *Your Federal Income Tax*, were translated into Spanish, and the IRS began to offer publications in more languages such as Chinese, Russian, Korean, and Vietnamese.

The complexity of the tax law and resulting transactions created a need for specialized knowledge and expertise in certain areas. Taxpayers increasingly operate in a global environment. New business enterprises are rapidly developing that give rise to increasingly complex tax issues, often crossing international tax jurisdictions. To address these issues, in FY 2008, the IRS reorganized its international resources and programs into one organization to provide for comprehensive, IRS-wide approaches to analyzing the dynamics of globalization and the resulting international tax issues.

In FY 2009, the IRS will continue to monitor proposed changes to the tax laws and prepare accordingly to ensure taxpayers and IRS employees have the necessary forms and information available for the filing season.

Challenge 8 - Taxpayer Protection and Rights

Taxpayer protection remains a high priority for the IRS. The IRS has expanded its taxpayer rights procedures, guidelines, and taxpayer notification processes to ensure compliance. In FY 2008, the IRS continued to monitor compliance with taxpayer rights provisions. Actions taken included quarterly managerial certifications and annual independent reviews of employee and manager files to ensure managers do not use enforcement statistics to evaluate employees and drive behavior in conflict with taxpayer rights. As TIGTA indicated in its reports, because of actions taken by the IRS, taxpayers are better informed of their rights during interviews than in the past, and employees are provided with sufficient guidance with respect to taxpayer rights.

In FY 2008, the IRS completed a Federal Payment Levy Program (FPLP) research project to make sure levies processed against certain benefit programs do not adversely impact certain low-income taxpayers. Further examination of the results is expected to identify recommendations for program changes. The IRS also completed an IRS-wide Return Preparer Strategy plan to address paid preparer noncompliance and establish treatment alternatives consistent with those used to address certain other paid preparer behaviors.

Actions planned for FY 2009 include establishment of an oversight review and approval process for preparer penalties to ensure uniform and consistent application of penalties, and development

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of metrics for the IRS paid preparer program. Efforts to remove or redact SSNs from outgoing correspondence will continue, as will efforts to identify reliable indicators of taxpayer ability to pay for the FPLP.

Challenge 9 - Processing Returns and Implementing Tax Law Changes

The IRS adeptly ensures that its forms and publications accurately reflect legislative changes, and quickly modifies the tax processing systems upon enactment of new tax law provisions. In February 2008, after the onset of the filing season, the President signed the Economic Stimulus Act of 2008, authorizing economic stimulus payments to over 130 million American households. Before the bill's enactment, the IRS had plans in place to identify taxpayers who qualified for the payment, to send notices to over 130 million taxpayers to alert them of their potential eligibility for the stimulus payments, and to generate publicity to ensure information on the stimulus payments reached the widest possible audience. Because the Economic Stimulus Act became law after the onset of the filing season, its implementation had a major impact on the IRS, requiring quick development of new forms for those taxpayers who normally would not have to file a return to use to claim the stimulus payments, the creation of new publications, and the re-programming of the 38 major filing systems. In addition, the IRS launched an extensive communication strategy that focused on educating the public by maximizing media reach and publicizing the Economic Stimulus Payments. This comprehensive approach to administering the refund allowed the IRS to successfully meet taxpayer and stakeholder expectations for these important tax law changes, all while delivering a successful filing season.

The IRS.gov website allows taxpayers to obtain real-time information on tax law changes. In FY 2008, taxpayers used the site to find out about changes to the alternative minimum tax, used the stimulus calculator to find out the amount of their payment, check on the status of the payment, and get answers to their questions. More than 39 million taxpayers used the traditional "Where's My Refund?" calculator to check on the status of their tax refund, including 317,000 taxpayers who used the new Spanish version, and an additional 38.7 million taxpayers used the "Where's My Stimulus Payment?" to check on the status of their payment.

The IRS will continue to plan and prepare for the 2009 filing season, continuing the focus on electronic filing, particularly for businesses. The rigorous planning and oversight the taxpaying public has come to expect will ensure that new and carry-over legislative provisions are accurately reflected in filing season forms, publications, and on IRS.gov.

Challenge 10 - Improving Performance and Financial Data for Program and Budget Decisions

The IRS has a detailed allocation methodology to provide full cost accounting to the five operating business units, and three complete years of fully allocated cost data in the Integrated Financial System (IFS). The IFS cost module produced the FY 2008 Statement of Net Cost. Also, the IRS developed a full cost return on investment (ROI) calculation for the EITC program, a key factor that allowed the IRS to downgrade the Federal Managers' Financial Integrity Act material weakness for the EITC program in FY 2008. Additionally, in the FY 2008 Financial Statement Audit Report, GAO downgraded the Tax Revenue and Refunds audit material weakness because of the significant progress the IRS made in FY 2008. Specifically, GAO indicated the IRS made substantial cost accounting improvements, including calculation of a full-cost ROI for EITC, improved use of ROI in budget initiatives, establishment of governance bodies to improve collection efforts, and improved use of modeling to better target collection efforts.

To more fully realize the benefits of Performance Based Acquisitions, the IRS implemented requirements to improve training and an on-going process to develop measures for use in tracking IRS progress in reaching the goals mandated by the Office of Management and Budget. The IRS created a training curriculum offering courses designed to train personnel in performance based methods, choosing the most appropriate procurement vehicle, and balancing procurement decisions against requirements for all IRS investments.

In FY 2009, the IRS will continue to use its managerial cost accounting system for cost analysis and cost estimations.

We look forward to working with you to further address these challenges.

cc: The Deputy Secretary
Assistant Secretary for Management and Chief Financial Officer
Commissioner of Internal Revenue

APPENDIX D: MATERIAL WEAKNESSES, AUDIT FOLLOW-UP, AND FINANCIAL SYSTEMS

This section consists of detailed descriptions of the Department's material weakness inventory, including a summary of actions taken and planned to resolve the weaknesses; tracking and follow-up activities related to the Department's GAO, OIG, and TIGTA audit inventory; an analysis of potential monetary benefits arising from audits performed by the Department's Inspectors General; and an update on the Department's financial systems framework.

TREASURY'S MATERIAL WEAKNESSES

Management may declare audit findings or internal situations as a material weakness whenever a condition exists that may jeopardize the Treasury mission or continued operations. Material weaknesses are required in these instances by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and the Federal Financial Management Improvement Act of 1996 (FFMIA).

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

The FMFIA requires agencies to establish and maintain internal control. The Secretary must annually evaluate and report on the controls (Section 2) and financial systems (Section 4) that protect the integrity of federal programs. The requirements of the FMFIA serve as an umbrella under which other reviews, evaluations, and audits should be coordinated and considered to support management's assertion about the effectiveness of internal control over operations, financial reporting, and compliance with laws and regulations. During fiscal year 2008, Treasury closed two material weaknesses: Treasury Departmental Offices Lack of Compliance with the FISMA, and IRS Overclaims in the Earned Income Tax Credit.

As of September 30, 2008, Treasury has four remaining material weaknesses under Section 2 of the FMFIA, summarized as follows:

Summary of FMFIA and FFMIA Material Weaknesses	Section 2	Section 4	Total
Balance at the Beginning of FY 2008	6	0	6
Closures/Downgrades during FY 2008	2	0	2
Reassessed during FY 2008	0	0	0
New MW declared during FY 2008	0	0	0
Balance at the End of FY 2008	4	0	4

Below are detailed descriptions of Treasury's four material weaknesses:

Material Weakness Description	
Internal Revenue Service - Improve Modernization Management Controls and Processes	
The IRS needs to improve its Business Systems Modernization program. Key elements: • Assess the recommendations from the Special Studies and Reviews of the Business Modernization program and projects • Implement and institutionalize procedures for validating contractor-developed costs and schedules • Establish effective contract management practices • Complete a human capital strategy • Improve configuration management practices	
Actions Completed	**What Remains to be Done**
✓ Added expertise in industry-best practice experience ✓ Enhanced capabilities in critical management process areas ✓ Completed Project Release Cost/Schedule milestones within acceptable threshold levels	❍ Allow assessment time to observe long-term effect of actions completed ❍ Targeted Downgrade/Closure: fiscal year 2011

Material Weakness Description	
Internal Revenue Service - Computer Security	
The IRS has various computer security controls that need improvement. Key elements: • Adequately restrict electronic access to and within computer network operational components • Adequately ensure that access to key computer application and systems is limited to authorized persons for authorized purposes • Adequately configure system software to ensure the security and integrity of system programs, files, and data • Appropriately delineate security roles and responsibilities within functional business operating and program units, as required by the Federal Information Security Management Act (FISMA) • Appropriately segregate system administration and security administration responsibilities • Sufficiently plan or test the activities required to restore certain critical business systems where unexpected events occur • Effectively monitor key networks and systems to identify unauthorized activities and inappropriate system configurations • Provide sufficient technical, security-related training to key personnel • Certify and accredit 90% of all systems	
Actions Completed	**What Remains to be Done**
✓ Completed technical security related training to key personnel ✓ Completed certification and accreditation area metrics ✓ Conducted compliance assessment to revalidate security roles and responsibilities ✓ Established an Authoritative Asset Inventory ✓ Certified and accredited 100% of all systems as of fiscal year 2008	❍ Restrict electronic access to and at the operating system level of network operational components ❍ Control access to systems software and applications ❍ Implement configuration management and change control to safeguard the security and integrity of system programs, files, and data ❍ Monitor user activity on network operating devices, operating systems, and applications ❍ Targeted Downgrade/Closure: fiscal year 2012

Material Weakness Description	
Internal Revenue Service - Accounting for Revenue	
The IRS needs to have detail data to support custodial financial reporting for revenue. Key elements: • Inability to provide detailed support for large types of revenue for employment and excise taxes • Lack of effective custodial supporting systems/subsidiary detail • Subsidiary ledger does not track and report one Trust Fund Recovery Penalty (TFRP) balance • Untimely posting of TFRP assessments and untimely review of TFRP accounts • Lack of a single, integrated general ledger to account for tax collection activities and the costs of conducting those activities • Inability to generate and report reliable cost-based performance data for collection activities to make informed resource allocation decisions • IRS's general ledger for its custodial activities does not use the standard federal accounting classification structure	
Actions Completed	What Remains to be Done
✓ Subsidiary payment systems placed into production ✓ Custodial Detail Database (CDDB) master files placed into production ✓ Completed Project Charter, IRS Project Management Plan, and tailoring plan for Redesign Revenue Accounting Control System (RRACS) ✓ Developed a cost accounting policy that provides guidance on managerial cost concepts and established an Office of Cost Accounting to implement the policy	❍ Completion of CDDB Releases to provide a single, integrated subsidiary ledger using standard federal accounting classification structure ❍ Targeted Downgrade/Closure: fiscal year 2010

Material Weakness Description	
Financial Management Service - Consolidated Government-wide Financial Statements	
The government does not have adequate systems, controls, and procedures to properly prepare the Consolidated Government-wide Financial Statements. Key elements: • The government lacks a process to obtain information to effectively reconcile the reported excess of revenue over net costs with the budget surplus • Weaknesses in financial reporting procedures in internal control over the process for preparing the Consolidated Financial Statements	
Actions Completed	What Remains to be Done
✓ Partially reconciled fiscal year 2007 operating revenues with budget receipts ✓ Developed a model to provide analysis of unreconciled transactions that affect the change in net position ✓ Accounted for intra-governmental differences through formal consolidating and elimination accounting entries using all reciprocal fund categories including the General Fund ✓ Federal agencies submit complete closing packages to GAO	❍ Complete reconciliation of operating revenues to budget receipts ❍ Complete reciprocal category for the Treasury General Fund ❍ Implement changes identified by the Fiscal Assistant Secretary as a result of their review of the Reporting Entity definitions per the Financial Accounting Standards Advisory Board (FASAB) criteria ❍ Establish traceability from agency footnotes to the Consolidated Financial Statements (CFS) for completeness ❍ Include all disclosures as appropriate ❍ Include all loss contingencies as appropriate ❍ Targeted Downgrade/Closure: fiscal year 2011

AUDIT FOLLOW-UP ACTIVITIES

During fiscal year 2008, Treasury placed renewed emphasis in both the general administration of internal control issues throughout the Department and the timely resolution of findings and recommendations identified by the Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), the Government Accountability Office, and external auditors. During the year, Treasury continued to implement enhancements to the tracking system called the "Joint Audit Management Enterprise System" (JAMES). JAMES is a Department-wide, interactive, web-based system accessible to the OIG, TIGTA, bureau management, Departmental management, and others. The system tracks information on audit reports from issuance through completion of all corrective actions required to address findings and recommendations contained in an audit report.

Potential Monetary Benefits

The Inspector General Act Amendments of 1988, Public Law 101-504, require that the Inspectors General and the Secretaries of Executive Agencies and Departments submit semiannual reports to the Congress on actions taken on audit reports issued that identify potential monetary benefits. The Department consolidates and analyzes all relevant information for inclusion in this report. The information contained in this section represents a consolidation of information provided separately by the OIG, TIGTA, and Department management.

In the course of their audits, the Inspectors General periodically identify questioned costs, make recommendations that funds be put to better use, and identify measures that demonstrate the value of audit recommendations to tax administration and business operations. "Questioned costs" include:

- a cost that is questioned because of an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds;
- a finding, at the time of the audit, that such costs are not supported by adequate documentation (*i.e.*, an unsupported cost); or
- a finding that expenditure of funds for the intended purpose is unnecessary or unreasonable.

The Department regularly reviews progress made by the bureaus in realizing potential monetary benefits identified in audit reports, and coordinates with the auditors as necessary to ensure the consistency and integrity of information on monetary benefit recommendations being tracked.

The statistical data in the following summary table and charts represent audit report activity for the period from October 1, 2007, through September 30, 2008. The data reflect information on reports that identified potential monetary benefits issued by the OIG and TIGTA.

Audit Report Activity With Potential Monetary Benefits For Which Management Has Identified Corrective Actions (OIG and TIGTA) October 1, 2007 through September 30, 2008 (Dollars in Millions)								
	Disallowed Costs		Better Used Funds		Revenue Enhancements		Totals	
	Reports	Dollars	Reports	Dollars	Reports	Dollars	Report Total*	Total Dollars
Beginning Balance	12	$36.0	7	$9.7	12	$698.3	29	$744.0
New Reports	4	.2	4	350.3	7	196.1	15	546.6
Total	16	36.2	11	360.0	19	894.4	44	1,290.6
Reports Closed	5	1.1	7	339.1	9	141.2	21	481.4
a. Realized or Actual	3	1.0	5	5.7	6	46.4	14	53.1
b. Unrealized - Written off	3	.1	3	333.4[1]	4	94.8[2]	11	428.3
ENDING BALANCE	11	$35.1	5	$20.9	10	$753.2	23	$809.2

* Reports column may not add due to inclusion of reports in multiple categories.

1 This category includes one report, with $3.28 million written off, for which IRS management did not concur with TIGTA's projected benefits; and one report, with $330 million written off, for which IRS management did not agree with TIGTA's recommended corrective action.

2 This category includes two reports, with $89.57 million written off, for which TIGTA does not agree with the IRS that the benefits have not been realized; and two reports, with $5.27 million written off, for which IRS management did not concur with TIGTA's projected benefits.

The following table provides a snapshot of OIG and TIGTA audit reports with significant recommendations reported in previous semiannual reports for which corrective actions had not been completed as of September 30, 2007, and September 30, 2008, respectively. There were no "Undecided Audit Recommendations" during the same periods.

Significant Unimplemented Recommendations				
	9/30/2007		9/30/2008	
	OIG	TIGTA	OIG	TIGTA
	No. of Reports	No. of Reports	No. of Reports	No. of Reports
Unimplemented	14	39	6	40

The following table presents a summary of TIGTA and OIG audit reports that were open for more than a year with potential monetary benefits at the end of PAR Report Year.

Number of Reports with Potential Monetary Benefits Open for More than One Year				
	PAR Report Year	FY 2006	FY 2007	FY 2008
TIGTA	No. of Reports	15	10	12
	$ Projected Benefits	$13,097.6 million	$66.5 million	$661.5 million
OIG	No. of Reports	0	1	1
	$ Projected Benefits	$0 million	$29.4 million	$29.4 million

The following tables present a summary of TIGTA and OIG audit reports on which management decisions were made on or before September 30, 2007, but the final actions have not been taken as of September 30, 2008.

Details of the Audit Reports with Potential Monetary Benefits on Which Management Decisions Were Made On or Before September 30, 2007, But Final Actions Have Not Been Taken as of September 30, 2008
(Dollars In Thousands)

Bureau	Report Number	Report Issue Date	Brief Description	Disallowed Costs	Funds Put to Better Use	Revenue Enhance-ment	Total	Due Date/Reason for Delay
IRS	2004-20-142	8/26/2004	The IRS should ensure the Storage Strategy Study addresses the data storage capacity deficiency and recommends a cost-effective virtual tape system solution to reduce maintenance and tape shipping costs.		200.0		200.0	Due 12/31/2010
2004	1				200.0		200.0	

Details of the Audit Reports with Potential Monetary Benefits on Which Management Decisions Were Made On or Before September 30, 2007, But Final Actions Have Not Been Taken as of September 30, 2008 (Continued)
(Dollars In Thousands)

Bureau	Report Number	Report Issue Date	Brief Description	Disallowed Costs	Funds Put to Better Use	Revenue Enhance-ment	Total	Due Date/Reason for Delay
IRS	2005-30-013	12/2/2005	Consider requiring the use of a standardized tool, such as Decision Point, or analysis tools in the offer evaluation process.			135.0	135.0	Delayed to 12/15/2008. Additional time is needed to complete the pilot and evaluate the results.
FY 2005	1					135.0	135.0	

Details of the Audit Reports with Potential Monetary Benefits on Which Management Decisions Were Made On or Before September 30, 2007, But Final Actions Have Not Been Taken as of September 30, 2008 (Continued)
(Dollars In Thousands)

Bureau	Report Numbers	Report Issue Date	Brief Description	Disallowed Costs	Funds Put to Better Use	Revenue Enhance-ment	Total	Due Date/Reason for Delay
BEP	OIG-06-010	12/2/2005	Full cost of BEP's Currency Operations is not reflected in its billing rates.			29,.400.0	29,400.0	Delayed to 10/1/2009
IRS	2006-1c-142	9/25/2006	The IRS Contracting Officer (CO) should use the results of the Defense Contract Auditing Agency (DCAA) report to fulfill his/her duties in awarding and administering contracts.	32,373.7			32,373.7	Due 8/15/2009
FY 2006	2			32,373.7		29,400.0	61,773.7	

Continued

Details of the Audit Reports with Potential Monetary Benefits on Which Management Decisions Were Made On or Before September 30, 2007, But Final Actions Have Not Been Taken as of September 30, 2008 (Continued)
(Dollars In Thousands)

Bureau	Report Numbers	Report Issue Date	Brief Description	Disallowed Costs	Funds Put to Better Use	Revenue Enhance-ment	Total	Due Date/Reason for Delay
IRS	2007-1c-013		The IRS CO will work with DCAA and the contractor to resolve the questioned costs applicable to IRS contracts.	17.1				Due 12/15/2009
IRS	2007-1c-040		The IRS CO will work with DCAA and the contractor to resolve the questioned costs applicable to IRS contracts.	103.6				Due 2/15/2010
IRS	2007-1c-041		The IRS CO will work with DCAA and the contractor to resolve the questioned costs applicable to IRS contracts.	2,247.0				Due 3/15/2010
IRS	2007-1c-044		The IRS CO will work with DCAA and the contractor to resolve the questioned costs applicable to IRS contracts.	22.1				Due 3/15/2010
IRS	2007-30-062		Ensure the revised Form 4137 is used effectively to identify and assess the employer's share of Social Security and Medicare taxes on unreported tip income.			541,124.0		Due 1/15/2009
IRS	2007-10-076		Initiate a legislative proposal to exempt the IRS from issuing a deficiency notice for disallowance of the EITC and other refundable credits when the deficiency and credits are the result of fraudulent returns, if its current efforts through a regulatory change are not successful.			81,500.0		Due 1/31/2009
IRS	2007-20-123		Collect and review lessons learned from the use of independent estimates to determine whether independent estimates can become a consistently more useful negotiation tool.		3,683.0			Due 3/1/2009
IRS	2007-1c-149		The IRS CO will work with DCAA and the contractor to resolve the questioned costs applicable to IRS contracts.	62.1				Due 9/15/2010
IRS	2007-1c-154		The IRS CO will work with DCAA and the contractor to resolve the questioned costs applicable to IRS contracts.	1.2				Due 9/15/2010
FY 2007	9			2,453.1	3,683.0	622,624.0	628,760.1	
TOTAL	13			34,826.8	3,883.0	652,159.0	690,868.8	

PLAN FOR FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

Overview

The Department of the Treasury's financial management systems structure consists of financial and mixed systems maintained by the Treasury bureaus and the Department-wide Financial Analysis and Reporting System (FARS). The bureau systems process and record the detailed financial transactions and submit summary-level data to FARS on a scheduled basis. FARS maintains the key financial data necessary for consolidated financial reporting. In addition, the FARS modules also maintain data on performance management and the status of audit-based corrective actions. Under this systems structure, the bureaus are able to maintain financial management systems that meet their specific business requirements. On a scheduled basis, the required financial and performance data are submitted to FARS to meet Departmental analysis and reporting requirements. The Department uses FARS to produce its periodic financial and performance reports as well as the annual Performance and Accountability Report. This structured financial systems environment enables Treasury to receive an unqualified audit opinion and supports its required financial management reporting and analysis requirements.

The FARS structure consists of the following components: bureau core and financial management systems that process and record detailed financial transactions; the Treasury Information Executive Repository (TIER) data warehouse; CFO Vision to produce monthly financial statements and analyze financial results; the Joint Audit Management Enterprise System (JAMES) to capture information on audit findings, recommendations, and planned corrective actions; and the Performance Reporting System (PRS) to track the status of key performance measures. Bureaus submit summary-level financial data to TIER on a monthly basis, within three business days of the month-end. The data are then used by CFO Vision to generate financial statements and reports on both a Department-wide and bureau-level basis. This structure enables the Department to produce its monthly and audited annual financial statements. During fiscal year 2008, Treasury continued to upgrade its FARS applications to take advantage of improvements in system technology. This included the continued roll-out of CFO Vision to additional Treasury bureaus. CFO Vision provides the bureaus with direct system access for enhanced reporting capabilities and financial analysis.

Treasury continues with its plans to enhance the financial management systems structure. As of September 2008, the Department's inventory of financial management systems lists 60 financial and mixed systems compared to 64 in September 2007. As part of the Department's enhancement effort, twelve Treasury bureaus and reporting entities are cross-serviced for core financial systems by the Bureau of the Public Debt's Administrative Resource Center. Cross-servicing enables these bureaus to have access to core financial systems without having to maintain the necessary technical and systems architectures. In an effort to continue to streamline its financial systems environment, Treasury will work with the remaining bureaus to develop plans to migrate to a Shared Service Provider for core financial systems in accordance with the Financial Management Line of Business requirements. In addition, as part of the Department's implementation of the e-Travel initiative, all bureaus but one have eliminated their legacy travel systems. The remaining bureau began to implement GovTrip during 2008.

Continued Improvement

Treasury's target financial management systems structure will build upon the current FARS foundation. As processing and reporting requirements change and FARS is expanded to collect additional financial and performance data, it may be necessary to implement additional applications to support these new requirements. FARS will provide management with the appropriate tools needed to analyze Department and bureau performance.

In fiscal year 2005, the IRS implemented the Integrated Financial System (IFS) as its new core financial system. IFS provides timely financial statements and reports in accordance with the federal accounting and reporting standards, including information for budgeting, analysis, and government-wide reporting. In addition, IFS provides the core processes of General Ledger, Accounts Payable, Accounts Receivable, Budget Execution, Cost Accounting, Administrative Tax and Travel Accounting, Cost Allocations, some tax processing functionality for Health Care Tax Credit Payments (HCTC), Budget Formulation, Labor Forecasting, and Budget Execution decision support. Detailed financial, cost accounting, property accounting, and procurement data are available for authorized users. Significant accomplishments for fiscal year 2008 include:

- Successful migration of all interfaces to a secure protocol
- Integration of E-Government data for travel posting and payment
- Enhancement of the HCTC interface to support payment increases from legislative changes

In fiscal year 2009, IRS will continue updating its business requirements to upgrade the IFS and migrate to a Shared Service Provider.

The IRS implemented the Custodial Detail Database (CDDB) in fiscal year 2006. CDDB is an enhancement to the Financial Management Information System (FMIS), which serves as the sub-ledger for the Interim Revenue Accounting Control System (IRACS). CDDB maintains detailed records of IRS revenue, refunds, and unpaid assessments. CDDB addresses a Government Accountability Office (GAO) material weakness by providing detailed data to support custodial financial reporting. Full CDDB functionality will be accomplished with the implementation of Release 4 in 2009. During fiscal year 2008, the IRS implemented several enhancements to CDDB. In January, IRS implemented the Trace ID to add all other pre-posted revenue receipt transactions (federal tax deposits, lockbox, integrated submission, and remittance processing), and created a revenue transaction subsidiary ledger. In March, the IRS used CDDB to accelerate revenue and refund processing, and by June GAO determined specific components for review during the fiscal year 2008 financial audit. In July, GAO agreed to test the Electronic Federal Tax Payment System (EFTPS) pre-posted revenue receipt transactions from CDDB Release 3 during the fiscal year 2008 financial audit. EFTPS accounts for approximately 78 percent of the revenue receipts received during the year. The IRS anticipates full use of CDDB for the fiscal year 2009 financial statement audit.

The 2008 Customer Account Data Engine (CADE) release was delivered in time for the filing season. CADE processed 30.6 million returns, a substantial increase from the 2007 posting of 11.2 million returns, and issued over 28.9 million refunds, totaling more than $44.1 billion. CADE is the highest priority business systems modernization project for the IRS and represents the core foundation of modernized systems. With CADE, the IRS will have the flexibility to respond more quickly to complex tax law and policy initiatives – changes which the existing Master File system cannot easily or cost-effectively accommodate.

CADE settles on a daily basis, rather than weekly as with the legacy system. As a result, CADE processes refunds on average five days faster than the legacy system and updates taxpayer account information immediately for improved customer service. The IRS is using a phased, multi-year approach for CADE by processing increasingly more complex tax returns. When fully operational, the CADE database will house tax information for more than 200 million individual and business taxpayers.

As previously indicated, the Bureau of the Public Debt's Administrative Resource Center cross-services twelve Treasury bureaus and reporting entities for core financial systems. In addition to the cross-servicing for core financial systems, Treasury bureaus are also cross-serviced for other financial management services, such as electronic travel and human resource processing. This cross-servicing has resulted in a reduction in the number of financial management systems maintained by the Department.

Federal Financial Management Improvement Act (FFMIA) Compliance

The FFMIA requires agencies to have financial management systems that substantially comply with the federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. Financial management systems shall have general and application controls in place to support management decisions by providing timely and reliable data. The Secretary shall make a determination annually about whether the agency's financial management systems substantially comply with the FFMIA. If the systems are found not to be compliant, management shall develop a remediation plan to bring those systems into substantial compliance. Management shall determine whether non-compliances with FFMIA should also be reported as non-conformances with Section 4 of FMFIA.

As of September 30, 2008, the Treasury Department's financial management systems were not in substantial compliance with FFMIA due to deficiencies with the IRS's financial management systems. The IRS has a remediation plan in place to correct the deficiencies. For each FFMIA recommendation, the remediation plan identifies specific remedies, target dates, responsible officials, and resource estimates required for completion. This plan is reviewed and updated quarterly.

The Redesign Revenue Accounting Control System (RRACS) Release 1 is an IRS fiscal year 2009 Modernization, Vision, and Strategy (MV&S) initiative that will replace the Interim Revenue Accounting Control System (IRACS). It provides new functionality to address GAO material weaknesses, reduces the risk of failure to sustain future clean audit opinions, and streamlines financial reporting. Specifically, RRACS incorporates the USSGL as required by the Core Financial Systems Requirements and the FFMIA. RRACS adds traceability between the revenue, refunds, and unpaid assessments summary records and the IRS processing systems' detail records. Additionally, RRACS will perform all the functionality of the existing IRACS system, which is the IRS custodial accounting system of record. In March 2008, Release 1 business requirements and the high-level project schedule were completed with an implementation date of January 2010. In May 2008, an integrated project team was established to include a project manager, contractor lead, and project management support. In June 2008, IRS held a project kick-off for all IRS partners and completed the project charter for executive signatures. In July 2008, the Project Charter, IRS Project Management Plan, and Tailoring Plan for RRACS Release 1 were completed. Full deployment of RRACS will allow the IRS to address the financial accounting of revenue material weakness and improve IRS statement of custodial activity reporting and Treasury Information Executive Repository submissions.

APPENDIX E: FULL REPORT OF THE TREASURY DEPARTMENT'S FISCAL YEAR 2008 PERFORMANCE MEASURES BY FOCUS AND STRATEGIC GOAL

Fiscal Year 2008 Performance Summary

This section reports the results of the Department of the Treasury's official performance measures by focus and strategic goal, and further by bureau/organization, for which targets were set in the *Fiscal Year 2008 Performance Plan*, as presented in the *Fiscal Year 2009 Congressional Justification for Appropriations and Performance Plans*. For each performance measure, there is a definition of the measure, performance levels and targets for three previous fiscal years (where available), the performance target and actual for the reporting year, and proposed performance targets for the next fiscal year (where available). The report examines unrealized performance targets and presents actions for improvement.

The purpose of the Treasury Department's strategic management effort is to develop effective performance measures to achieve the Department's goals and objectives, and provide recommendations that will improve results delivered to the American public.

Overall, the Department of the Treasury had 167 performance targets in fiscal year 2008; 15 of these measures were baseline, and 24 were discontinued, resulting in 143 measures. Targets exceeded, met, improved and unmet are shown below for two calculations: 1) including baseline and discontinued measures, and 2) including baseline and discontinued measures.

Fiscal Year 2008 Treasury-wide Performance Summary for Active Measures (Excluding Baseline and Discontinued)

Total Measures	Target Exceeded	Target Met	Target Unmet	Target Improved
143	90 (63%)	33 (23%)	17 (12%)	3 (2%)

Fiscal Year 2008 Treasury-wide Performance Summary (Including Baseline and Discontinued)

Total Measures	Target Exceeded	Target Met	Target Unmet	Target Improved	Baseline	Discontinued
167	90 (54%)	18 (11%)	17 (10%)	3 (2%)	15 (9%)	24 (14%)

Definitions and Other Important Information

Determination of Official Measures: A rigorous process is followed to maintain internal controls when establishing or modifying performance measures. If a performance measure is in the performance budget for the year in question, it must be included in the *Performance and Accountability Report,* and must be approved by the Performance Reporting System administrator. Performance measures that are not in the performance budget may also be included in the Performance and Accountability Report.

Actual: For most of the measures included in this report, the fiscal year 2008 actual data is final. Some of the actual data for fiscal year 2008 are estimates at the time of publication, which are indicated by an asterisk (*). Actual data for these estimated measures will be presented in the *Fiscal Year 2010 Congressional Justification for Appropriations* and the *Fiscal Year 2009 Performance and Accountability Report*. The actual data for previous years throughout this report is the most current data available and may not reflect previous editions of the Performance and Accountability Report and the Congressional Justification.

Target: The targets shown for fiscal year 2009 are proposed targets and are subject to change. The final targets will be presented in the *Fiscal Year 2010 Congressional Justification for Appropriations*. Also included in this report are the previous year's final targets for each performance measure.

Target Met: For each fiscal year that there is a target and an actual number, the report tells the reader whether the target was met or not. If the target is exceeded or met, "Y" will be shown. If the target has improved from the prior year (but was not met), or was not met, "N" will be shown.

Definition: All performance measures in this report have a detailed definition describing the measure and summarizing the calculation.

Source: The basis for the data is included in this report.

Future Plans/Explanation for Shortfall: If a performance target is not met, the report includes an explanation as to why Treasury did not meet its target, and what it plans to do to improve performance in the future. If a performance target is met, the report includes what future plans Treasury has to either match fiscal year 2008 performance, or improve on that performance in future years. Explanations may also include justification for any expected degradation in performance.

Discontinued: Some measures will be discontinued in the *Fiscal Year 2010 Congressional Justification for Appropriations* and the *Fiscal Year 2009 Performance and Accountability Report*. New measures are sometimes developed in order to better measure performance; when this happens, the measure being replaced is discontinued, and an explanation is provided.

Baseline Measures: There are 15 new measures in fiscal year 2008 included in this report. Baseline values facilitate target-setting in the future. The target value for a new measure is "baseline," and the actual value is the initial data point. These targets are considered met since the objective was to establish the initial value in the first year of measurement. Targets are then established for subsequent years.

Additional Information: Additional Information relating to Treasury's performance management can be found at *Office of Performance Budgeting and Strategic Planning webpage*.

Legend:	
*	Indicates actual data is estimated and subject to change
Oe	Outcome Measure
E	Efficiency Measure
Ot	Output Measure

*These tables do not include measures that were discontinued prior to fiscal year 2009.

Cash Resources are Available to Operate the Government

Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Revenue Collected When Due Through a Fair and Uniform Application of the Law								
Dollar amount of collections processed through Pay.gov government-wide Internet collections portal ($ billions)	FMS	$40.00	$48.70	122%	Exceeded	$43.00	▲	▲
Percentage collected electronically of total dollar amount of federal government receipts	FMS	79%	80%	101%	Exceeded	80%	▼	▲
Unit cost to process a federal revenue collection transaction	FMS	$1.30	$1.23*	105%	Exceeded	$1.30	▼	▲
Amount of delinquent debt collected per $1 spent	FMS	$40.00	$54.82 +	137%	Exceeded	$43.00	▲	▲
Amount of delinquent debt collected through all available tools ($ billions)	FMS	$3.40	$4.41 +	130%	Exceeded	$3.90	▲	▲
Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral	FMS	95%	99%	104%	Exceeded	97%	▲	▲
Amount of revenue collected per program dollar	TTB	Baseline	$313.00	100%	Met	$300.00	B	B
Percent of voluntary compliance from large taxpayers in filing tax payments timely and accurately (in terms of revenue)	TTB	Baseline	94%	100%	Met	92%	B	B
Automated Collection System (ACS) accuracy	IRS	92%	95.3%	104%	Exceeded	92%	▲	▲
Automated Underreporter (AUR) coverage	IRS	2.5%	2.55%	102%	Exceeded	2.5%	▲	▲
Automated Underreporter (AUR) efficiency	IRS	1,961	1,982	101%	Exceeded	2,022	▲	▲
Percent of BSM projects within +/- cost variance	IRS	Baseline	92%	100%	Met	90%	B	B
Percent of BSM projects within +/- schedule variance	IRS	Baseline	92%	100%	Met	90%	B	B
Collection coverage - Units	IRS	53%	55.2%	104%	Exceeded	54.74%	▲	▲
Collection efficiency - Units	IRS	1,835	1,926	105%	Exceeded	1,935	▲	▲
Conviction efficiency rate (Cost per conviction)	IRS	$317,625	$315,751	101%	Exceeded	$317,100	▼	▲
Conviction rate	IRS	92%	92.3%	100.3%	Exceeded	92%	▶	▲
Criminal investigations completed	IRS	4,000	4,044	101%	Exceeded	3,900	▲	▲
Customer accuracy - Customer accounts (Phones)	IRS	93.5%	93.7%	100.2%	Exceeded	93.7%	▲	▲
Customer accuracy - Tax law phones	IRS	91%	91.2%	100.2%	Exceeded	91%	▲	▲
Customer contacts resolved per staff year	IRS	8,000	12,634	158%	Exceeded	9,686	▲	▲
Customer Service Representative (CSR) Level of Service (%)	IRS	82%	52.8%	64%	Unmet	77%	▼	▼

(continued)

Cash Resources are Available to Operate the Government								
Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Examination coverage - Business corporations > $10 million	IRS	6.6%	6.1%	92%	Unmet	5.8%	▼	▼
Examination Coverage – individual (%)	IRS	1%	1%	100%	Met	1%	▲	▲
Examination Efficiency – individual (1040 Form)	IRS	133	138	104%	Exceeded	140	▲	▲
Examination Quality (LMSB) - Coordinated industry	IRS	96%	97%	101%	Exceeded	96%	▲	▲
Examination Quality (LMSB) - Industry	IRS	88%	88%	100%	Met	88%	▲	▲
Field collection embedded quality	IRS	86%	79%	92%	Unmet	80%	▼	▼
Field examination embedded quality	IRS	87%	86%	99%	Improved	87%	▶	▲
Health Care Tax Credit cost per taxpayer served	IRS	$14.25	$16.94	81%	Unmet	$17.00	▲	▲
Number of convictions	IRS	2,135	2,144	100.4%	Exceeded	2,135	▶	▶
Office examination embedded quality	IRS	90%	90%	100%	Met	90%	▲	▲
Percent of business returns processed electronically	IRS	20.8%	19.4%	93%	Improved	22.9%	▲	▲
Percent of individual returns processed electronically	IRS	61.8%	57.6%	93%	Improved	64%	▲	▲
Refund timeliness - Individual (paper)	IRS	98.4%	99.1%	101%	Exceeded	98.4%	▶	▲
Health Care Tax Credit sign-up time (days)	IRS	97	94	103%	Exceeded	97	▶	▲
Taxpayer self assistance rate	IRS	51.5	66.8	130%	Exceeded	64.2	▲	▲
Tax Exempt and Government Entities determination case closures	IRS	100,600	10,0050	99%	Unmet	94,000	▼	▼
Timeliness of critical filing season tax products to the public	IRS	86%	92.4%	107%	Exceeded	92%	▲	▲
Timeliness of critical other tax products to the public	IRS	86%	89.5%	104%	Exceeded	89%	▲	▲
Timely and Accurate Payments at the Lowest Possible Cost								
Percentage of paper check and electronic funds transfer (EFT) payments made accurately and on-time	FMS	100%	100%	100%	Met	100%	▶	▶
Percentage of Treasury payments and associated information made electronically	FMS	79%	79%	100%	Met	80%	▲	▲
Percentage of federal agency customers indicating an overall service rating of satisfactory or better	FMS	85%	88%	104%	Exceeded	87%	▲	▲
Unit cost for federal government payments	FMS	$0.40	$0.39*	103%	Exceeded	$0.40	▲	▲
Government Financing at the Lowest Possible Cost Over Time								
Cost per debt financing operation	BPD	$263,306	$237,636*	110%	Exceeded	$275,610	▲	▲
Cost per federal funds investment transaction	BPD	$75.55	$57.81*	123%	Exceeded	$69.11	▼	▼

(continued)

Cash Resources are Available to Operate the Government								
Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Percent of auction results released in two minutes +/- 30 seconds	BPD	95%	100%	105%	Exceeded	95%	▶	▲
Cost per TreasuryDirect assisted transaction	BPD	$9.25	$7.23*	122%	Exceeded	$9.34	▲	▼
Cost per TreasuryDirect online transaction	BPD	$4.34	$3.76*	113%	Exceeded	$4.34	▲	▲
Number of Government Agency Investment Services control processes consolidated	BPD	2	2	100%	Met	0	▼	▶
Percentage of retail customer service transactions completed within 12 business days	BPD	90%	99.86%	111%	Exceeded	90%	▶	▲
Effective Cash Management								
Variance between estimated and actual receipts (annual forecast)	DO	5%	4.6%	108%	Exceeded	5%	▶	▼
Accurate, Timely, Useful Transparent and Accessible Financial Information								
Cost per summary debt accounting transaction	BPD	$9.91	$8.29*	116%	Exceeded	$10.01	▼	▼
Release federal government-wide statements on time	DO	Met	Met*	100%	Met	Met	▶	▶
Percentage of government-wide accounting reports issued accurately	FMS	100%	100%	100%	Met	100%	▶	▶
Percentage of government-wide accounting reports issued timely	FMS	100%	100%	100%	Met	100%	▶	▶
Unit cost to manage $1 million dollars of cash flow	FMS	$11.72	$9.21*	121%	Exceeded	$13.39	▲	▲

Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Improved Economic Opportunity, Mobility, and Security with Robust, Real, Sustainable Economic Growth at Home and Abroad								
Strong U.S. Economic Competitiveness								
Administrative cost per number of Bank Enterprise Award (BEA) applications processed	CDFI	$1,455	$3,070	-11%^	Unmet	$1,455	▲	▲
Administrative costs per financial assistance application processed	CDFI	$6,920	$7,200	96%	Unmet	$6,920	▲	▲
Administrative costs per number of Native American CDFI Assistance applications processed	CDFI	$9,090	$10,990	79%	Unmet	$9,090	▼	▲
Administrative costs per number of New Markets Tax Credit (NMTC) applications processed	CDFI	$4,875	$7,400	48%	Unmet	$4,875	▼	▲
Annual percentage increase in the total assets of Native CDFIs	CDFI	15%	19%	127%	Exceeded	15%	▼	▼
Commercial real-estate properties financed by BEA Program applicants that provide access to essential community products and services in underserved communities	CDFI	285	287	100%	Exceeded	285	▶	▶
Community Development Entities' annual investments in low-income communities ($ billion)	CDFI	$2.5	$3.3	132%	Exceeded	$2.5	▲	▲
Community Development Entities' cumulative investments in low-income communities ($ billion)	CDFI	$6.0	$8.9	148%	Exceeded	$8.0	▲	▲
Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance ($ million)	CDFI	$750	$621	83%	Unmet	$635	▲	▼
Increase in community development activities over prior year for all BEA program applicants ($ million)	CDFI	$180	$232	129%	Exceeded	$202	▲	▲
Increase in the percentage of eligible areas served by a CDFI	CDFI	15%	17.8%	119%	Exceeded	15%	▲	▲
Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI program awardees	CDFI	28,676	29,539	103%	Exceeded	30,000	▲	▲
Number of small businesses located in underserved communities financed by BEA Program applicants	CDFI	329	906	275%	Exceeded	288	▼	▲
Percent of CDFIs that increased their total assets (cumulative)	CDFI	70%	87%	124%	Exceeded	70%	▶	▲
Percent of CDFIs that increased their total assets over the previous year (annual)	CDFI	70%	80%	114%	Exceeded	70%	▶	▲

(continued)

Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Improved Economic Opportunity, Mobility, and Security with Robust, Real, Sustainable Economic Growth at Home and Abroad								
Percentage of eligible areas served by one or more CDFI	CDFI	3.0%	3.4%	113%	Exceeded	3.0%	▲	▲
Percentage of loans and investments that went into severely distressed communities	CDFI	66%	73%	111%	Exceeded	66%	►	▲
Average number of days to process an original permit application at the National Revenue Center	TTB	Baseline	64	100%	Met	72	B	B
National Revenue Center (NRC) customer satisfaction survey	TTB	Baseline	90%	100%	Met	85%	B	B
Percent of electronically filed Certificate of Label Approval applications	TTB	52%	62%	119%	Exceeded	52%	▲	▲
Percentage of instances where the utilization of the International Trade Database System identified importers without permits as a percentage of total permits on file	TTB	Baseline	15%	100%	Met	16%	B	B
Free Trade and Investment								
Number of new trade and investment negotiations underway or completed	DO	Baseline	14	100%	Met	6	B	B
Number of specific new trade actions involving Treasury interagency participation in order to enact, implement and enforce U.S. trade law and international agreements	DO	Baseline	68	100%	Met	68	B	B
Prevented or Mitigated Financial and Economic Crises								
Changes that result from project engagement (Impact)	DO	Baseline	3.1	100%	Met	3.1	B	B
Scope and intensity of engagement (Traction)	DO	Baseline	3.7	100%	Met	3.7	B	B
Percent of national banks with composite CAMELS rating of 1 or 2	OCC	90%	92%	102%	Exceeded	90%	►	▼
Percentage of licensing applications and notices completed with established timeframes	OCC	95%	95%	100%	Met	95%	►	►
Percentage of national banks that are categorized as well capitalized	OCC	95%	99%	104%	Exceeded	95%	►	►
Percentage of national banks with consumer compliance rating of 1 or 2	OCC	94%	97%	103%	Exceeded	94%	►	▲
Rehabilitated national banks as a percentage of problem national banks one year ago (CAMELS 3, 4 or 5)	OCC	40%	47%	118%	Exceeded	40%	►	▲
Total OCC costs relative to every $100,000 in bank assets regulated	OCC	$9.55	$8.39	112%	Exceeded	$9.22	▼	▼
Percent of safety and soundness exams started as scheduled	OTS	90%	94%	104%	Exceeded	90%	►	▲
Percent of thrifts that are well capitalized	OTS	95%	98.4%	104%	Exceeded	95%	►	▼

(continued)

Improved Economic Opportunity, Mobility, and Security with Robust, Real, Sustainable Economic Growth at Home and Abroad

Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Percent of thrifts with a compliance examination rating of 1 or 2	OTS	90%	95.8%	106%	Exceeded	90%	►	▲
Percent of thrifts with composite CAMELS ratings of 1 or 2	OTS	90%	90%	100%	Met	90%	►	▼
Total OTS costs relative to every $100,000 in savings association assets regulated	OTS	$15.08	$15.10	99.99%	Unmet	$15.07	▲	▲
Decreased Gap in Global Standard of Living								
Improve International Monetary Fund (IMF) effectiveness and quality through periodic review of IMF programs	DO	90%	93%	103%	Exceeded	90%	►	▲
Percentage of grant and loan proposals containing satisfactory frameworks for results measurement	DO	90%	94%	104%	Exceeded	90%	►	▲

Trust and Confidence in U.S. Notes and Coins

Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Commerce Enabled Through Safe, Secure U.S. Notes and Coins								
Manufacturing costs for currency (dollar costs per thousand notes produced)	BEP	$33.00	$29.47	111%	Exceeded	$37.00	▲	▲
Maintain International Organization for Standardization certification	BEP	Met	Met	100%	Met	Met	►	►
Currency production (billion notes)	BEP	7.7	7.7	100%	Met	6.8	▼	▼
Other financial losses	BEP	$0	$0	100%	Met	$0	►	▼
Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements	BEP	99.9%	100%	100.1%	Exceeded	99.9%	►	►
Currency shipment discrepancies per million notes	BEP	0.01%	0.01%	100%	Met	0.01%	►	►
Security costs per 1,000 notes delivered	BEP	$5.65	$5.63	100.4%	Exceeded	$5.65	▼	▼
Total regulatory fines and claims paid	BEP	$27,500	$0	200%^	Exceeded	$20,000	▼	▼
Improper and/or erroneous payments or purchases	BEP	$500	$0	200%^	Exceeded	$500	▼	▼
Total Financial Losses	BEP	$28,000	$0	200%^	Exceeded	$20,500	▼	▼
Conversion costs per 1,000 coin equivalents ($)	Mint	$7.09	$8.46	80.7%	Unmet	$7.99	▲	▲
Conversion costs per 1,000 coin equivalents (% deviation from target)	Mint	Baseline	11.0%	100%	Met	0%	B	B
Protection cost per square foot	Mint	$32.50	$31.76	102%	Exceeded	$31.75	▲	▼
Employee confidence in protection	Mint	86%	81%	94%	Unmet	83%	▼	▼

Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Pre-Empted and Neutralized Threats to the International Financial System and Enhanced U.S. National Security								
Removed or Reduced Threats to National Security from Terrorism, Proliferation of Weapons of Mass Destruction, Drug Trafficking and Other Criminal Activity on the Part of Rogue Regimes, Individuals, and Their Support Networks								
Number of open civil penalty cases that are resolved within the Statute of Limitations period	DO	120	233	194%	Exceeded	Discontinued	▲	▲
Increase the number of outreach engagements with the charitable and international financial communities	DO	70%	80%	114%	Exceeded	Discontinued	▼	▼
Number of countries that are assessed for compliance with the Financial Action Task Force (FATF) 40 + 9 recommendations	DO	12	12	100%	Met	Discontinued	▼	▼
Percent of forfeited cash proceeds resulting from high impact cases	Treasury Forfeiture Fund	75%	86.91%	116%	Exceeded	75%	▶	▲
Safer and More Transparent U.S. and International Financial Systems								
Average time to process enforcement matters (in years)	FinCEN	1	0.7%	130%	Exceeded	1	▶	▼
Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule	FinCEN	5.2%	2.5%	152%	Exceeded	5.2%	▶	▼
Percentage of FinCEN's Regulatory Resource Center customers rating the guidance received as understandable	FinCEN	90%	94%	104%	Exceeded	90%	▶	▶
Median time taken from date of receipt of Financial Institution Hotline Tip SAR to transmittal of a written analytical report to law enforcement or the intelligence community (days)	FinCEN	16	3	181%	Exceeded	15	▼	▼
Percentage of complex analytical work completed by FinCEN analysts	FinCEN	38%	27%	71%	Unmet	39%	▶	▼
The percent of countries/jurisdictions connected to the Egmont Secure Web within one year of Egmont membership	FinCEN	98%	98%	100%	Met	98%	▶	▶
The percentage of domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable	FinCEN	79%	83%	105%	Exceeded	80%	▲	▲
The percentage of private industry or financial institution customers finding FinCEN's Suspicious Activity Report (SAR) products highly valuable	FinCEN	74%	75%	101%	Exceeded	76%	▲	▲
Cost per BSA form E-Filed	FinCEN	$0.15	$0.13	113%	Exceeded	$0.15	▼	▼
Number of largest BSA report filers using E-Filing	FinCEN	374	386	103%	Exceeded	454	▲	▲

(continued)

Pre-Empted and Neutralized Threats to the International Financial System and Enhanced U.S. National Security								
Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Number of users directly accessing BSA data	FinCEN	8,000	9,649	121%	Exceeded	10,000	▲	▲
Percentage of customers satisfied with the BSA E-Filing	FinCEN	90%	93%	103%	Exceeded	90%	▶	▲
Percentage of customers satisfied with WebCBRS and secure outreach	FinCEN	Baseline	81%	100%	Met	81%	B	B
Share of BSA filings submitted electronically	FinCEN	63	71	113%	Exceeded	67	▲	▲
Percent of federal and state regulatory agencies with memoranda of understanding/ information sharing agreements	FinCEN	Baseline	41%	100%	Met	45%	B	B
Percent of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve the BSA consistency and compliance of the financial system	FinCEN	Baseline	64%	100%	Met	66%	B	B

Enabled and Effective Treasury Department								
Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
A Citizen-Centered, Results-Oriented and Strategically Aligned Organization								
Percent of complainants informally contacting Equal Employment Opportunity (EEO) (for the purposes of seeking counseling or filing a complaint) who participate in the Alternative Dispute Resolution Process)	DO	30	45	150%	Exceeded	30	▲	▲
Completed investigations of EEO complaints within 180 Days	DO	50	56	112%	Exceeded	50	▶	▲
Injury and illness rate Treasury-wide, including DO	DO	1.4	1.29*	108%	Exceeded	1.4	▼	▼
Customer satisfaction approval rating-Financial Management Administrative Support Services	Franchise Fund	80%	97%	121%	Exceeded	74%	▲	▲
Operating expenses as a percentage of revenue – Consolidated/ Integrated Administrative Management	Franchise Fund	12%	17.7	53%	Unmet	Discontinued	▲	▲
Operating expenses as a percentage of revenue – Financial Management Administrative Support	Franchise Fund	12%	3.6%	170%	Exceeded	Discontinued	▶	▲
Operating expenses as a percentage of revenue – Financial Systems, Consulting and Training	Franchise Fund	12%	6.5%	146%	Exceeded	Discontinued	▶	▼

(continued)

Enabled and Effective Treasury Department

Performance Measure	Bureau	FY 2008 Target	FY 2008 Actual	Percent of Target Achieved	Performance Rating	FY 2009 Target	Target Trend	Actual Trend
Exceptional Accountability and Transparency								
Number of material weaknesses (Significant management problems identified by GAO, the IGs and/or bureaus) closed	DO	3	2	67%	Unmet	0	▼	▼
Number of completed audit products	OIG	56	64	114%	Exceeded	60	▲	▲
Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action	OIG	105	93	89%	Unmet	105	▲	▲
Percent of statutory audits completed by the required date	OIG	100%	100%	100%	Met	100%	►	►
Percentage of audit products delivered when promised to stakeholders	TIGTA	60%	65%	108%	Exceeded	65%	▲	▼
Percentage of recommendations made that have been implemented	TIGTA	80%	85%	106%	Exceeded	83%	▲	▼
Percentage of results from investigative activities	TIGTA	76%	78%	103%	Exceeded	78%	▲	▼

Legend	Symbol
Favorable upward trend	▲
Favorable downward trend	▼
Unfavorable upward trend	▲
Unfavorable downward trend	▼
No change in trend, no effect	►
No change in trend, favorable effect	►
No change in trend, unfavorable effect	►
Baseline	B
Estimate	*
Data does not include offset collections from the stimulus package	+
Percent of target achieved is calculated as (Actual/Target) for measures where a rising trend is favorable (*e.g.* efficiency measures, customer satisfaction measures). Percent of target achieved is calculated as [1 - {(Actual-Target)/Target}] for measures where a declining trend is favorable (*e.g.* cost measures or measures related to losses). Using this latter formula, measures with an actual result of zero and positive trend will show percent of target as 200 percent; more than double the target will produce a negative result.	^

STRATEGIC GOAL:
Effectively Managed U.S. Government Finances

STRATEGIC OBJECTIVE: Cash Resources are Available to Operate the Government

OUTCOME: Revenue Collected When Due Through a Fair and Uniform Application of the Law

Financial Management Service

Measure: Dollar Amount of Collections Processed Through Pay.Gov Government-Wide Internet Collections Portal ($ billions) (Ot)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	12	15	30	40	43
Actual	6	29.5	37.94	48.7	
Target met?	N	Y	Y	Y	

Definition: Pay.gov is a financial management transaction. It offers a suite of online electronic financial services that FA can use to meet their responsibilities towards the public.

Indicator Type: Measure

Data Capture and Source: Pay.Gov has been developed to meet the FMS commitment to process collections electronically using Internet technologies. Pay.Gov is a secure government-wide collection portal. The application is web-based allowing customers to access their accounts from any computer with Internet access. The Pay.Gov application is comprised of four services: Collections (ACH and Credit Card), Forms, Billing/Notification, and Reporting.

Data Verification and Validation: Data is verified and validated on a monthly, quarterly, and yearly basis. Reporting is presented from the Federal Reserve Bank of Cleveland, as well as through CA$H-LINK and Fifth Third Bank (credit Card only). These numbers are cross checked to verify accuracy.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal and plans to meet its future goals with its efficient operations.

Measure: Percentage Collected Electronically of Total Dollar Amount of Federal Government Receipts (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	82	83	80	79	80
Actual	79	79	79	80	
Target met?	N	N	N	Y	

Definition: Electronic collections data are retrieved from the CA$H-LINK system, which encompasses eight collection systems.

Indicator Type: Measure

Data Capture and Source: This measure considers the percentage of government collections that are collected by electronic mechanisms (Electronic Federal Tax Payment System, Plastic Card, FEDWIRE Deposit System, Automated Clearinghouse (ACH)) compared to total government collections. The system receives deposit and accounting information from local depositories and provides detailed accounting information to STAR, FMS' central accounting and reporting system.

Data Verification and Validation: The agencies that report collections are responsible for ensuring the deposit reports are correct. Financial institutions and Federal agencies report deposits into the CA$H-LINK deposit reporting system using an Account Key which identifies the collection mechanism (lockbox, which is non-electronic or ACH, electronic) through which the collection was made. FMS analysts gather deposit information from CA$H-LINK reports and then report totals and percentages on a monthly Collections Summary Report and on the Total Government Collections Report. The Total Government Collections Report totals all deposits divided into electronic/non-electronic mechanisms and tax and non-tax totals within the mechanisms.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. FMS will continue to work with agencies to promote the use of web and electronic technologies for revenue collection.

Measure: Unit Cost to Process a Federal Revenue Collection Transaction (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	1.4	1.37	1.33	1.3	1.3
Actual	1.2	1.1	1.19	1.23*	
Target met?	Y	Y	Y	Y	

Definition: The unit cost to process a revenue collection transaction.

Indicator Type: Measure

Data Capture and Source: The cost data is captured through an activity based costing process. The unit cost is the calculated ratio of total direct and indirect costs over total government-wide collection transactions.

Data Verification and Validation: At the end of each year actual costs for collections are accumulated and calculated for electronic and non-electronic collections. In addition, the number of transactions is calculated for each collection system. This information is calculated in conjunction with and verified by the program office, and is reviewed by senior level executives.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. In the future, FMS will continue to expand electronic collection tools to other agencies in an effort to improve efficiency and keep costs low. FMS has initiated a comprehensive effort to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. This effort will improve financial performance by enabling FMS and government agencies to more effectively manage financial transaction information and improve the efficiency of the collections information reporting processes.

Measure: Amount of Delinquent Debt Collected Per $1 Spent (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	41.09	36.4	36.5	40	43
Actual	36.23	39.97	53.55	54.82*	
Target met?	N	Y	Y	Y	

Definition: This measure shows the efficiency of the Debt Collection program. The costs include all debt collection activities and all funding sources.

Indicator Type: Measure

Data Capture and Source: Collection of data and reporting on the cost of the debt collection program are performed on an annual basis.

Data Verification and Validation: Data from FMS' collection program systems is validated against data contained in FMS' Debt Management Accounting System by program staff and verified by senior management. Program costs are derived from FMS' accounting system and budget reports. The methodology and the origin of the data are consistent from year to year.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. FMS will continue to look for efficiencies to lower program costs by streamlining debt management systems while increasing delinquent debt collected.

Measure: Amount of Delinquent Debt Collected Through All Available Tools ($ billions) (Ot)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	3	3.1	3.2	3.4	3.9
Actual	3.25	3.34	3.76	4.41	
Target met?	Y	Y	Y	Y	

Definition: This measure provides information on the total amount collected, in billions, through debt collection tools operated by Debt Management Services.

Indicator Type: Measure

Data Capture and Source: The process of collecting and reporting the debt collection data is performed on a monthly basis. The methodology and the origin of the data are consistent from month to month. The collection data is generated by the program systems (TOP and DMSC) and is reported on a monthly basis. The tools include: tax refund offset, administrative offset, private collection agencies, demand letters, and credit bureau reporting. FMS also collects debt through the State debt program and tax levy.

Data Verification and Validation: The data from the program systems is validated against the data contained in the Debt Management Account System (DMAS).

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS had record collections in fiscal year 2008 as a result of program efficiencies, streamlining systems and increased volumes in the Federal Payment Levy program. For the future, FMS will continue these efforts as well as work to incorporate additional payment types into the payment offset and levy programs.

Measure: Percentage of Delinquent Debt Referred to FMS for Collection Compared To Amount Eligible For Referral (Ot)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	92	93	94	95	97
Actual	97	95	100	99	
Target met?	Y	Y	Y	Y	

Definition: The measure tracks the percentage of the dollar volume of debt referred to the total dollar volume that is eligible for referral.

Indicator Type: Measure

Data Capture and Source: The process of collecting and reporting the debt collection data is performed on a monthly basis. The methodology and the origin of the data are consistent from month to month. The referral data is contained in the program systems (TOP and DMSC). The referral data is loaded from the files received from Federal Program Agencies (AFPAs).

Data Verification and Validation: The agencies are responsible for certifying the debt referrals to Treasury.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met the target performance measure for fiscal year 2008. FMS will continue to educate and encourage agencies to refer all eligible delinquent debt in a timely manner.

Alcohol and Tobacco Tax and Trade Bureau

Measure: Amount of Revenue Collected Per Program Dollar (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	300
Actual				313	
Target met?	N/A	N/A	N/A	Y	

Definition: Represents the amount of federal excise taxes collected divided by the amount of resources expended to collect the taxes.

Indicator Type: Measure

Data Capture and Source: Taxes collected are captured by the Federal Excise Tax database; expense data are maintained in Oracle Financials.

Data Verification and Validation: Both of these components represent information that is subject to annual audits and routine reconciliation.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TTB discontinued the “Resources as a percentage of revenue” measure and instituted this new measure in fiscal year 2008 with a revised compilation methodology. In fiscal year 2009, TTB expects a slight decline in revenues, largely due to the erosion of tobacco collections (an average loss of $50 million each year), related to public policy surrounding tobacco products. Any decline in revenues, caused by fluctuating demand for alcohol and tobacco products or public policy decisions, affects our return on the public investment in the Collect the Revenue program. Still, this measure offers an important gauge of TTB’s effectiveness in using its budget efficiently to collect excise tax. To improve upon our efficiency in fiscal year 2009, TTB will explore options for an automated permit application system that will greatly reduce the processing time and turnaround for permits. If this system were to be implemented, taxpayers will be able to commence business sooner and thus remit taxes sooner. Additionally, the Tax Audit Division has developed an aggressive annual audit plan that incorporates a new risk model that takes effect in fiscal year 2009; the risk model is reviewed and updated annually. In fiscal year 2008, TTB found unpaid tax liabilities resulting from the industry’s misuse of alcohol for fuel use and unsupported exports. By continuing to focus on these areas, TTB can potentially detect and collect millions in additional tax revenue rightfully due under the Internal Revenue Code. TTB also is developing procedures to fully investigate and audit persons suspected of being involved in diversion schemes to avoid payment of taxes.

Measure: Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely and Accurately (In Terms of Revenue) (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	92
Actual				94	
Target met?	N/A	N/A	N/A	Y	

Definition: The percentage of total revenue dollars from taxpayers who file over $50,000 in tax payments annually collected on or before the scheduled due date (without notification of any delinquency from the National Revenue Center).

Indicator Type: Measure

Data Capture and Source: The NRC maintains all tax return and payment information in the FET system.

Data Verification and Validation: The National Revenue Center (NRC) generates reports to identify late-filed returns and payments in the Federal Excise Tax (FET) system.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The National Revenue Center (NRC) consistently achieved a voluntary compliance rate of 90 percent or higher in fiscal year 2008 from large taxpayers (owing $50,000 or more in excise tax payments annually). However, due to the influx of newly permitted taxpayers combined with the saturation of Pay.gov by longer term taxpayers, TTB expects more modest improvements in voluntary compliance in fiscal year 2009. We will focus our efforts on educational programs, such as TTB Expo 2009, in which our staff will provide advanced instruction on how to properly report operations and pay excise taxes.

Measure: Cumulative Percentage of Excise Tax Revenue Audited Over 3 Years (Ot) [DISCONTINUED FY 2008]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	65	90	12	Discontinued	Discontinued
Actual	82	93	16		
Target met?	Y	Y	Y	N/A	

Definition: The portion of total excise tax revenue that is audited in the fiscal years covered in the 5-year period.

Indicator Type: Measure

Data Capture and Source: TTB tracks completion of all scheduled audits.

Data Verification and Validation: Audit results–we designed the audit to verify and validate the accuracy of the revenue collected for the entity (ies) audited in the given fiscal year.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008. TTB's historical audit results have shown more pervasive industry member non-compliance and potential excise tax liability among small and mid-size taxpayers as well as among those operating outside the regulatory system. Discontinuing this external measure gives TTB the flexibility to leverage its limited resources to audit the high-risk industry members identified in risk models while still maintaining a visible presence with its largest taxpayers.

Measure: Percentage of Total Tax Receipts Collected Electronically (%) (E) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	98	98	98	Discontinued	Discontinued
Actual	98	98	98		
Target met?	Y	Y	Y	N/A	

Definition: The portion of total tax collected from taxpayers via electronic funds transfer (EFT).

Indicator Type: Measure

Data Capture and Source: Data on tax payments made electronically are recorded in Cashlink (Deposit reporting and cash concentration system). The Revenue Accounting Unit retrieves the wire transfer information from Cashlink. The detail records are input into the Electronic Wire Transfer table using the Federal Excise Tax System.

Data Verification and Validation: When the tax return is processed the system displays all unmatched EFT messages for the taxpayer. The NRC selects the payment that matches the tax return. The system then records the control number of the tax return in the Electronic Wire Transfer table, updates the Returns table to show the return closed and posts tax liability and payment transactions to the Audit table.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008 as part of a review of its performance measures. TTB determined that its goal in measuring our performance in EFT collections has been met.

Measure: Percentage of Voluntary Compliance in Filing Tax Payments Timely and Accurately (In Terms of Number of Compliant Industry Members) (Oe) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	70	74	74	Discontinued	Discontinued
Actual	70	75.95	75		
Target met?	Y	Y	Y	N/A	

Definition: The portion of total taxpayers that file payments on or before the scheduled due date, without notification of any delinquency.

Indicator Type: Measure

Data Capture and Source: TTB maintains late-filed tax payments in FETS.

Data Verification and Validation: TTB runs reports to identify late-filed returns and payments in FET.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008 and developed a new measure with revised methodology - "Percentage of voluntary compliance from large taxpayers in filing tax payments timely and accurately (in terms of revenue)." TTB determined that measuring timely and accurate payments is a more reliable indicator of compliance versus the number of compliant industry members. The new parameters account for the timeliness and accuracy of payments, and center on large taxpayers owing more than $50,000 in excise tax annually. This group has less flexibility in the method and frequency of payment, eliminating the need for estimation in reporting the percentage of voluntary compliance. Also, "large" taxpayers constitute 99.8 percent of TTB tax collections on an annual basis, which provides a true indication of the compliance level of industry.

Measure: Percentage of Voluntary Compliance in Filing Timely and Accurate Tax Payments (In Terms of Revenue) (Oe) [DISCONTINUED FY 2008]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	84	86	86	Discontinued	Discontinued
Actual	86.3	87.2	86.37		
Target met?	Y	Y	Y	N/A	

Definition: The portion of total taxpayers, by revenue, that file payments on or before the schedule due date without notification of any delinquency.

Indicator Type: Measure

Data Capture and Source: Late filed tax payments are maintained in the Federal Excise Tax system (FET).

Data Verification and Validation: The Unit Supervisor has the capability to run canned reports to identify late filed returns and payments in FET.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008 and developed a new measure with revised methodology - "Percentage of voluntary compliance from large taxpayers in filing tax payments timely and accurately (in terms of revenue)." New legislation that allows the quarterly filing of tax returns for qualified industry members nullified the assumptions involved in the original compilation methodology regarding the frequency of payment. The new parameters account for the timeliness and accuracy of payments, and center on large taxpayers owing more than $50,000 in excise tax annually. This group has less flexibility in the method and frequency of payment, eliminating the need for estimation in reporting the percentage of voluntary compliance. Also, "large" taxpayers constitute 99.8 percent of TTB tax collections on an annual basis, which provides a true indication of the compliance level of industry.

Measure: Resources as a Percentage of Revenue (E) [DISCONTINUED FY 2008]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	.4	.34	.34	Discontinued	Discontinued
Actual	.37	.31	.31		
Target met?	Y	Y	Y	N/A	

Definition: Represents the amount of resources expended to collect taxes, divided by the amount of taxes collected.

Indicator Type: Measure

Data Capture and Source: Taxes collected is captured by the Federal Excise Tax database; expense data is maintained in Oracle Financials.

Data Verification and Validation: Both of these components represent information that is subject to annual audits and routine reconciliation.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008 and replaced it with a new measure, "Amount of revenue collected per program dollar," and revised the compilation methodology.

Measure: Unit Cost to Process an Excise Tax Return (E) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target			76	Discontinued	Discontinued
Actual		76	61		
Target met?	N/A	Y	Y	N/A	

Definition: The cost of resources that it takes to process one excise tax return.

Indicator Type: Measure

Data Capture and Source: Capturing excise tax returns: Tax returns are submitted via mail and the Pay.gov system. Mail submissions are assigned a unique control number and date of receipt is logged into the Integrated Revenue Information System (IRIS). Pay.gov assigns a unique number and date of submission automatically. This information is then transmitted and consolidated in IRIS. TTB generates a report from IRIS indicating the number of tax returns processed. Capturing resource cost data: NRC captures resource expenses in the Status of Funds Report in Discoverer (Oracle Financial Reporting System).

Data Verification and Validation: Capturing excise tax returns: TTB reconciles the returns received vs. logged returns daily. Capturing resource cost data: Resource data is captured and available four times a day in Discoverer.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008 as part of a review and revision that resulted in a new suite of measures that better represent the Bureau's performance.

Internal Revenue Service

Measure: Automated Collection System (ACS) Accuracy (%) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	88	88	91	92	92
Actual	88.5	91	92.9	95.3	
Target met?	Y	Y	Y	Y	

Definition: Percent of taxpayers who receive the correct answer to their ACS question.

Indicator Type: Measure

Data Capture and Source: The Centralized Quality Review System (CQRS) monitors the calls as they are reviewed. Data is input to the Quality Review Database for product review and reporting.

Data Verification and Validation: 1.CQRS management samples QRDbv2 records and validates that sample plans have been followed. 2. CQRS management reviews QRDbv2 employee input DCIs for consistency and coding. 3. CQRS tracks and reviews rebuttals quarterly, and an annual sample of each product line's rebuttals are performed. 4. A rebuttal web site is used to share technical and coding issues in CQRS.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS will leverage the process improvements made in prior years and use prior year accuracy statistics to better focus managerial reviews.

Measure: Automated Underreporter Coverage (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	2.3	2.5	2.5	2.5
Actual	2.2	2.4	2.5	2.55	
Target met?	Y	Y	Y	Y	

Definition: The sum of all individual returns closed, by SB/SE and W&I AUR divided by the total individual return filings for the prior calendar year. Effective: 10/2006

Indicator Type: Measure

Data Capture and Source: NUMERATOR: The sum of all individual returns closed will be extracted as follows: SB/SE AUR: AUR MISTLE Report W&I AUR: AUR MISTLE Report DENOMINATOR: The source for the total individual return filings for the prior calendar year is the Office of Research Projections of return filings as shown in IRS Document 6187 (Table 1A). AUR MISTLE AUR Management Information System for Top Level Executives (MISTLE)

Data Verification and Validation: 1.AUR run controls are reviewed to see if the weekend processing has been completed and are accurate. 2. MISTLE reports are reviewed with other AUR reports to see if processing has been completed and are accurate. 3. MISTLE reports are reviewed to see if information is complete and accurate.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS plans to leverage prior process improvements implemented to improve workload selection and productivity, reducing the number of cases closed without taxpayer contact.

Measure: Automated Underreporter (AUR) Efficiency (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	1701	1759	1932	1961	2022
Actual	1701	1832	1956	1982	
Target met?	Y	Y	Y	Y	

Definition: The sum of all individual returns closed by AUR in SB/SE and W&I divided by the Total staff years expended in relation to those individual returns. Effective: 10/2006

Indicator Type: Measure

Data Capture and Source: Each case initiated in AUR results in a closure either in the pre-notice or notice phases. All closing actions are posted on the system through the use of process codes that describe the reason& type of closure. Pre-notice closures (no taxpayer contact) include screenouts (discrepancy accounted for on the return), transfers and referrals. Pre-notice closures are included in the Efficiency Measure numerator. Notice phase closures can be posted at the CP2501, CP2000 or Statutory phases. Tax examiners evaluate taxpayer/practitioner responses to the notice and close cases using process codes that denote the respondent's full or partial agreement or disagreement, no change to the original tax liability, transfer or referral. Time: Examiners complete Form 3081 to record time charged to each program code. The Form 3081 is input onto the WP&C system and a Resource Allocation Report generated. Source: Management Information System for Top Level Executives (MISTLE).

Data Verification and Validation: Closures – 1.AUR run controls are reviewed to see if the weekend processing has been completed and are accurate. 2. MISTLE Reports are reviewed with other AUR reports to see if processing has been completed and are accurate. 3. MISTLE reports are reviewed to see if information is complete and accurate. Time - 1.Managers review Form 3081 prior to input to verify that time is appropriately charged. 2. WP&C monitored to ensure appropriate time usage.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS will leverage the process improvements implemented in fiscal year 2008 to improve workload selection and productivity and reduce the number of cases closed with taxpayer contact.

Measure: Percent of BSM Projects Within +/- Cost Variance (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	90
Actual				92	
Target met?	N/A	N/A	N/A	Y	

Definition: The percent of projects that were within +/- 10% cost variance by release/sub-release of a Business Systems Modernization (BSM) funded project's initial approved cost estimate versus current, approved cost estimate. Cost variances less than or equal to +/- 10% are categorized as being within acceptable tolerance thresholds. Cost variances greater than +/- 10% of the variance are categorized as being outside of acceptable thresholds.

Indicator Type: Measure

Data Capture and Source: The data is collected from the approved and enacted Expenditure Plan and subsequent modifications resulting from changes to project cost plans as approved via the BSM Governance Procedures and documented by the Resource Management Office.

Data Verification and Validation: The baseline data will be reviewed/ validated by the Program Performance Management (PPM) Team and Manager. To indicate the baseline is valid and approved, the manager will send a notification that the data (Excel spreadsheets) may be placed in the PPM shared library. Before the measure is reported, the PPM Team and Manager will review/ validate the report. The PPM Manager will provide the monthly report to the Deputy Associate CIO for Business Integration for approval. Concurrence will be obtained from the Associate CIO for BSM. To indicate the report is validated and approved, the manager will send a notification to store the report in the PPM shared library and report on Improvement Measure externally.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS will continue reporting on the cost variance measure in accordance with the agreed upon performance methodology. Variance exceeding the +/- 10 percent threshold is subject to IRS change notification process review, Executive Steering Committee approval and, if applicable, Modernization and Information Technology Services Enterprise Governance Committee approval.

Measure: Percent of BSM Projects Within +/- Schedule Variance (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	90
Actual				92	
Target met?	N/A	N/A	N/A	Y	

Definition: The percent of projects that were within +/- 10% schedule variance by release/sub-release of a BSM funded project's initial approved schedule estimate versus current, approved schedule estimate. Schedule variances less than or equal to +/- 10% will be categorized as being within acceptable tolerance thresholds. If schedule variances are greater than +/- 10%, the variance will be categorized as being outside of acceptable thresholds.

Indicator Type: Measure

Data Capture and Source: The data is collected at the time of Expenditure Plan creation and subsequent modifications resulting from changes to project schedule plans as approved via the BSM Governance Procedures and documented by the Resource Management Office.

Data Verification and Validation: The baseline data will be reviewed/ validated by the Program Performance Management (PPM) Team and Manager. To indicate the baseline is valid and approved, the manager will send a notification that the data (Excel spreadsheets) may be placed in the PPM shared library. Before the measure is reported, the PPM Team and Manager will review/ validate the report. The PPM Manager will provide the monthly report to the Deputy Associate CIO for Business Integration for approval. Concurrence will be obtained from the Associate CIO for BSM. To indicate the report is validated and approved, the manager will send a notification to store the report in the PPM shared library and report on Improvement Measure externally.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS will continue reporting on the schedule variance measure in accordance with the agreed upon performance methodology. Variance exceeding the +/- 10 percent threshold is subject to IRS change notification process review, Executive Steering Committee approval and, if applicable, Modernization and Information Technology Services Enterprise Governance Committee approval. Schedule variances exceeding +/- 10 percent or $1 million require Congressional notification. At each review juncture, management ensures that proposed project changes as reported in the BSM expenditure plan are valid and that mitigation plans are in place when applicable.

Measure: Collection Coverage - Units (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		52	54	53	54.74
Actual		54	54	55.2	
Target met?	N/A	Y	Y	Y	

Definition: The volume of collection work closed as compared to the volume of collection work available.

Indicator Type: Measure

Data Capture and Source: The data comes from the Collection Activity Report (CAR.)

Data Verification and Validation: 1. Changes to programming of Collection Activity Reports are generally made once a year. Those changes are tested and verified by program analysts at headquarters before the first new report is released. Monthly spot checks are also done to verify they match the data sent to the DataMart. 2. Accuracy of Automated Offer in Compromise database is validated by management checks in the operating units.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS plans to continue to facilitate the process for allocating its resources and planning for program delivery through the Collection Governance Council. This will ensure enterprise-wide coordination of case selection and delivery decisions.

Measure: Collection Efficiency - Units (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	1650	1723	1835	1935
Actual	1514	1677	1828	1926	
Target met?	Y	Y	Y	Y	

Definition: The total work disposed (sum of all modules) by the Automated Collection System and the Collection field function divided by the total FTE realized for those areas (Total work disposed = delinquent accounts, investigations, offer-in-compromise, automated substitution for return).

Indicator Type: Measure

Data Capture and Source: The data comes from the Collection Activity Report (CAR) and the Integrated Financial System (IFS).

Data Verification and Validation: 1.Changes to programming of Collection Activity Reports is generally made once a year. Those changes are tested and verified by program analysts at headquarters before the first new report is released. Monthly spot checks are also done to verify they match the data sent to the DataMart. 2. Accuracy of Automated Offer in Compromise database is validated by management checks in the operating units.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS plans to continue to facilitate the process for allocating its resources and planning for program delivery through the Collection Governance Council to ensure enterprise-wide coordination of case selection and delivery decisions.

Measure: Conviction Efficiency Rate (Cost Per Conviction) (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	332194	339565	314008	317625	317100
Actual	295316	328750	301788	315751	
Target met?	Y	Y	Y	Y	

Definition: The cost of CI's program divided by the number of convictions. The number of convictions is the total number of cases with the following CIMIS statuses: guilty plea, nolo contendere, judge guilty or jury guilty. The Criminal Investigation financial plan includes all appropriations and reimbursements for the entire year. It is the fully loaded cost, including employees' salaries, benefits, and vacation time, as well as facility costs (office space, heating, cleaning, computers, security, etc.), and other overhead costs.

Indicator Type: Measure

Data Capture and Source: The final fiscal year-end expenses as documented in IFS plus corporate costs as determined by the Chief Financial Officer divided by the number of convictions reported for the year. The source: CI Management Information System (CIMIS) and the Integrated Financial System (IFS)

Data Verification and Validation: Criminal Investigation management dictates that the lead agent assigned to the investigation and/or the agent's manager(s) input investigation data directly into CIMIS. Agents and management are to enter status updates into CIMIS within five calendar days of the triggering event. Further, upper management directs first line managers to review individual work group CIMIS reports for accuracy each month to ensure any system input errors or omissions are corrected within 30 days of the initial issuance of the monthly data tables. The CFO, Associate CFO for Internal Financial Management, and Associate CFO Corporate Performance Budgeting ensure the functionality and accuracy of the Integrated Financial System-the Service's core accounting system of records. (Rev. 1-07)

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The Conviction Efficiency Rate (CER) 2009 target was reduced to $317,100 from $321,940, an amount calculated last year. The CER is calculated by dividing the entire Criminal Investigation financial plan including all appropriations and reimbursements for the entire year by the number of Convictions for the year. The fiscal year 2009 Budget Continuing Resolution coupled with anticipated lower reimbursable and asset forfeiture amounts over last year will result in a smaller financial plan number, the numerator in the equation. Criminal Investigation has adjusted the target to better reflect this lower dollar amount and smaller Conviction Efficiency Rate result.

Measure: Conviction Rate (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	92	92	92	92	92
Actual	91.2	92	90.2	92.3	
Target met?	N	Y	N	Y	

Definition: The percent of adjudicated criminal cases that result in convictions. The conviction rate is defined as the total number of cases with CIMIS status codes of guilty plea, nolo-contendere, judge guilty, or jury guilty divided by these status codes and nolle prosequi, judge dismissed and jury acquitted.

Indicator Type: Measure

Data Capture and Source: Cases are tracked in CIMIS with frequent updates to the status code.

Data Verification and Validation: Criminal Investigation management dictates that the lead agent assigned to the investigation and/or the agent's manager(s) input investigation data directly into CIMIS. Agents and management directs first line managers to review individual work group CIMIS reports for accuracy each month to ensure any system input errors or omissions are corrected within 30 days of the initial issuance of the monthly data tables. (Rev. 1-07) Standardized reports extract data related to the status codes sited above on a monthly basis. This calculation is performed monthly.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Criminal Investigation's conviction rate historically has been among the highest of any Federal law enforcement agency. One of the ambitious goals CI has set for itself is to obtain a conviction rate of 92%. For fiscal year 2008 CI narrowly exceeded this goal by achieving a conviction rate of 92.3%.

Measure: Criminal Investigations Completed (Ot)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	3895	3945	4000	4000	3900
Actual	4104	4157	4269	4044	
Target met?	Y	Y	Y	Y	

Definition: The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.

Indicator Type: Measure

Data Capture and Source: Criminal Investigations Management Information System (CIMIS)

Data Verification and Validation: The guidance and direction given by upper management to first line managers is that the first line managers should review their individual work group CIMIS data tables at the beginning of each month. The use of this procedure will assure that system input errors are corrected no later than 30 days after the error is initially reported in the monthly CIMIS data tables. Additionally, national standard monthly reports and statistical information are circulated among the senior staff and headquarter analysts for their review and use. If the published information on the official critical measure appears to be out of line with what is normal or expected, headquarters analysts or senior staff request that the CI research staff verify that the published and circulated information and/or report is accurate. If the published and circulated information is not accurate, then the CI research staff corrects the error and issues revised data for the month.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Criminal Investigation will continue to utilize a balanced enforcement program to facilitate the development and prosecution of quality financial investigations. The intent of enforcement efforts is to produce a strong deterrent effect, enhancing voluntary compliance and promoting confidence in the fairness of the tax system. The focus of CI's resources in fiscal year 2009 will be on the development of complex, high impact investigations, training of new hires, and enhanced efforts to reduce the escalating pipeline inventory. Declining investigative resources, however, are expected to negatively influence the number of investigation completed. The target for completed investigations has consequently been reduced from 4025 in fiscal year 2008 to 3900 in fiscal year 2009.

Measure: Customer Accuracy - Customer Accounts (Phones) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	89.8	92	93.3	93.5	93.7
Actual	91.5	93.2	93.4	93.7	
Target met?	Y	Y	Y	Y	

Definition: The percentage of correct answers provided by a telephone assistor. The measure indicates how often customers receive the correct answer to their account inquiry and/or had their case resolved correctly based upon all available information and Internal Revenue Manual required actions.

Indicator Type: Measure

Data Capture and Source: Quality reviewers on the Centralized Quality staff complete a data collection instrument as calls are reviewed. Data is input to the Quality Review Database for product review and reporting.

Data Verification and Validation: Field 715 on the DCI is coded by the CQRS monitor as calls are reviewed. Data is input to the NQRS. The NQRS contains several levels of validation that occur as part of the review process. The input records are validated requiring entries and combinations of entries based upon the relationships inherent in different product lines or based upon an entry in a quality attribute. The national reviews conducted by CQRS site staff on telephone product lines are sampled by local management and management officials at the CQRS site. In addition, every review is available on-line to the site for verification purposes. Sites monitor their review records daily and have a small rebuttal period to contest any review.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Incremental improvement in performance is expected in fiscal year 2009 and beyond from continued improvement efforts such as the development of new online tools for assistors to research taxpayer questions.

Measure: Customer Accuracy - Tax Law Phones (%) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	82	90	91	91	91
Actual	89	90.9	91.2	91.2	
Target met?	Y	Y	Y	Y	

Definition: The percentage of correct tax law answers provided by a telephone assistor. The measure indicates how often customers receive the correct answer to their tax law inquiry based upon all available information and Internal Revenue Manual required actions.

Indicator Type: Measure

Data Capture and Source: Quality reviewers on the Centralized Quality staff complete a data collection instrument as calls are reviewed. Data is input to the Quality Review Database for product review and reporting.

Data Verification and Validation: Field 715 on the DCI is coded by the CORS monitor as calls are reviewed. Data is input to the NQRS. The NQRS contains several levels of validation that occur as part of the review process. The input records are validated requiring entries and combinations of entries based upon the relationships inherent in different product lines or based upon an entry in a quality attribute. The national reviews conducted by CORS site staff on telephone product lines are sampled by local management and management officials at the CORS site. In addition, every review is available on-line to the site for verification purposes. Sites monitor their review records daily and have a small rebuttal period to contest any review.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS will maintain Tax Law Accuracy above 90 % in fiscal year 2009. The type and complexity of tax law questions changes each year as new and often complex tax laws are enacted.

Measure: Customer Contacts Resolved Per Staff Year (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	7261	7477	7702	8000	9686
Actual	7585	7414	7648	12634	
Target met?	Y	N	N	Y	

Definition: The number of Customer Contacts resolved in relation to time expended based on staff usage. Customer Contacts Resolved are derived from all telephone and paper inquiries received by Accounts Management, in which all required actions have been taken, and the taxpayer has been notified as appropriate. The measure includes all self-service, Internet-based applications, such as the "Where's My Refund?" service available on www.irs.gov.

Indicator Type: Measure

Data Capture and Source: Contacts resolved volumes are derived from internal telephone management systems and modernization project websites. Staff year data is extracted from the weekly Work Planning & Control report and consolidated and included in the weekly resource usage report.

Data Verification and Validation: 1. Data is compiled from several sources (see individual components below). Each area is responsible for component accuracy: Enterprise Telephone Data (ETD) Snapshot Report, Accounts Management Information Report (AMIR), Internet Refund/Fact of Filing, MIS Reporting Tool, Electronic Tax Administration (ETA) Website, Work Planning & Control (WP&C) Report, Resource Allocation Report (RAR)

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The Service continued to handle customer contacts effectively with the resources available. The Customer Contacts Resolved per Staff Year (CCR) rate was above the planned rate due to the continued impact of the Economic Stimulus Payment. Usage of the web service continued to show a significant increase, reporting 38.7 million completions. The total usage of all web services was 83 million completions which is 113% above plan. The IRS is expecting efficiency to continue to increase as more taxpayers choose to use automated means to contact the IRS instead of traditional, labor intensive methods.

Measure: Customer Service Representative (CSR) Level of Service (%) (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	82	82	82	82	77
Actual	82.6	82	82.1	52.8	
Target met?	Y	Y	Y	N	

Definition: The number of toll-free callers that either speak to a Customer Service Representative or receive automated informational message divided by the total number of attempted calls.

Indicator Type: Measure

Data Capture and Source: Enterprise Telephone Database (ETD)

Data Verification and Validation: 1. Validation of monthly report data by W&I P&A staff. 2. The JOC validates CSR LOS data prior to publication of the weekly official Snapshot report. Independent weekly CSR LOS source data is also gathered and validated by comparing data with the data used to produce the official Snapshot report.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: For fiscal year 2008, the CSR Level of Service (LOS) was 52.8%, roughly 29 percentage points below the target of 82%. The shortfall was caused by the high call volume from the Economic Stimulus Payments (ESP) issuance. Assistor Services were 119.7% of plan and Calls Answered were 123% of plans as a result of ESP demand. The IRS realigned resources to answer calls and seasonal employees were kept on board longer.

Measure: Examination Coverage - Business Corporations >$10 million (%) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	7	7.3	8.2	6.6	5.8
Actual	7.8	7.4	7.2	6.1	
Target met?	Y	Y	N	N	

Definition: The number of Large and Mid-Size Business customer returns with assets greater than $10 million examined and closed during the current fiscal year, divided by filing of the same type returns from the preceding calendar year.

Indicator Type: Measure

Data Capture and Source: The number of returns examined and closed during the Fiscal Year is from the Audit Information Management System (AIMS) closed case database, accessed via A-CIS (an MS Access application). Filings are from Document 6186, which is issued by the Office of Research, Analysis and Statistics.

Data Verification and Validation: 1. Examination Support & Processing (ESP) group (SBSE) validates data on AIMS (Detroit server) and makes necessary correction. 2. LMSB picks closing codes and downloads data down to (A-CIS) Access database (Atlanta server). Charles Johnson (Plantation, FL) validates data, uploads to A-CIS. 3. (LMSB - Chicago) downloads LMSB version of data and performs data validation before providing data to CPP. 4. The information is Document 6186 is validated by the Office of Research, Analysis and Statistics before it is released.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: IRS exceeded its large business return closures goal of 13,059 returns, closing 13,186 returns. However, the coverage percentage dropped to 6.1% due to higher than estimated return fillings. The IRS' emphasis on streamlining and improving the examination process, coupled with better risk analysis, will continue to provide for early resolution of post-filing examination issues and enhance large business examination coverage.

Measure: Examination Coverage - Individual (Oe) (%)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	.9	.9	1	1	1
Actual	.9	1	1	1	
Target met?	Y	Y	Y	Y	

Definition: The sum of all individual returns closed by SB/SE, W&I, and LMSB (Field Examination and Correspondence Examination) divided by the total individual return filings for the prior calendar year. In fiscal year 2005, Automated Underreported (AUR) cases were included as part of this measure. In fiscal year 2006, AUR is covered as a separate measure.

Indicator Type: Measure

Data Capture and Source: The data comes from the Audit Information Management System (AIMS) closed case data base, the automated underreporter Management Information System for Top Level Executives (MISTLE) reports and Research projections for individual return filings.

Data Verification and Validation: new measure - verification and validations will be supplied

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS will continue to balance its audit coverage to emphasize reduction of the tax gap.

Measure: Examination Efficiency – Individual (1040 form) (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	121	121	136	133	140
Actual	121	128	137	138	
Target met?	Y	Y	Y	Y	

Definition: The sum of all individual returns closed by SB/SE, W&I, and LMSB (Field Examination and Correspondence Examination) divided by the Total Full Time Equivalents (FTE) expended in examining those individual returns. In fiscal year 2005, Automated Underreporter (AUR) cases were included as part of this measure.

Indicator Type: Measure

Data Capture and Source: The data comes from the Audit Information Management System (AIMS) closed case data base, the automated underreporter Management Information System for Top Level Executives (MISTLE) reports and Exams time reporting system and the Integrated Financial System.

Data Verification and Validation: Closures and AIMS Closures - 1.Case closing documents are reviewed for accuracy during sample reviews by managers and quality reviewers. 2. AIMS data is validated prior to distribution. 3. Queries used to retrieve data are reviewed for thoroughness and accuracy. Frivolous Filers (Non-AIMS Closures): 1. Cases are reviewed by managers for accuracy, timeliness and completeness at any point in the process. 2. Headquarters Analyst reconciles WP&C data to Summary Report in order to validate data. SB/SE AUR: Closures – 1.Managerial review samples (phone calls, open and closed cases). 2. Checks and balances exist in the AUR Control System to validate the input. 3. Sample physical review of cases closed on the AUR Control System by Program Analysis System ("PAS") for accuracy and appropriateness of actions.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Future plans include leverage National Research Program (NRP) data to improve return selection criteria, streamline automation, emphasis on multi-year non-compliance and utilization of risk analysis/assessment in all business processes.

Measure: Examination Quality (LMSB) - Coordinated Industry (%) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	90	92	97	96	96
Actual	89	96	96	97	
Target met?	N	Y	N	Y	

Definition: The average of the percentage of critical elements passed on Coordinated Industry cases reviewed.

Indicator Type: Measure

Data Capture and Source: The Large & Mid-Size Business (LMSB) Quality Measurement System (LQMS) database.

Data Verification and Validation: The Examination Teams make a reasonable effort to keep the CEMIS database accurate and timely with milestone completion information. The LQMS Industry Review Team Managers regularly review the work being performed by the Reviewers. Each Review Group has two senior Review Team Leaders (GS-14 employees) and they are actively involved in overseeing the reviews being conducted by their team members. The groups have regularly scheduled meetings at which consistent determinations on issues is reviewed by the entire group of Reviewers. The team of Managers and Analysts that prepare the quarterly reports are involved in reviewing the conclusions for mistakes and inconsistencies. The Coordinated Industry LQMS Program Managers also performs reviews of the work processes in the Coordinated Industry LQMS Groups. The review of Specialty issues (such as International, Engineering, Economist, etc.) is done by Specialists in those areas.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS plans to identify areas that warrant further attention and improvement.

Measure: Examination Quality (LMSB) - Industry (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	78	80	88	88	88
Actual	77	85	87	88	
Target met?	N	Y	N	Y	

Definition: The average of the percentage of critical quality attributes passed on Industry cases (corporations, S-corps (pass through corporations) and partnerships with assets over $10 million) reviewed.

Indicator Type: Measure

Data Capture and Source: The Large & Mid-Size Business (LMSB) Quality Measurement System (LQMS) database.

Data Verification and Validation: There are controls and validity checks built into the ERCS database that ensure that is captures all closed cases. The LQMS Industry Review Team Managers regularly review the work being performed by the Reviewers. Each Review Group has two senior Review Team Leaders (GS-14 employees) and they are actively involved in overseeing the reviews being conducted by their team members. The groups have regularly scheduled meetings at which consistent determinations on issues is reviewed by the entire group of Reviewers. The team of Managers and Analysts that prepare the quarterly reports are involved in reviewing the conclusions for mistakes and inconsistencies. The Industry LQMS Program Managers also performs reviews of the work processes in the Industry LQMS Groups.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS plans to identify areas that warrant further attention and improvement.

Measure: Field Collection Embedded Quality (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		84.2	86	86	80
Actual		84.2	84	79	
Target met?	N/A	Y	N	N	

Definition: The number of EQ quality attributes that are scored as "met" by an independent centralized review staff divided by the total attributes measured (meets + not met) in a sample of closed cases. All measured attributes have the same weight when calculating the score.

Indicator Type: Measure

Data Capture and Source: Monthly reports supplied from the EQMS database.

Data Verification and Validation: Cases are sent to the review sites to be reviewed. The cases are then reviewed and results are recorded into the CQMS EQ database. A validity check is conducted by EQ review site management. Once the data has been validated the information is transmitted to the EQ website.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: For fiscal year 2008, the quality score was 79%, 7% points below the target of 86%. Effort to reduce the number of aged cases in the quality inventory, coupled with the overall quality of the older cases had an impact on the cumulative quality score. Improvements to job aids, continuation of quarterly reviews and an annual "Quality Summit" focusing on specific quality attributes in need of improvement are on-going to focus attention on case quality.

Measure: Field Examination Embedded Quality (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		85.9	87	87	87
Actual		85.9	85.9	86	
Target met?	N/A	Y	N	N	

Definition: The score awarded to a reviewed Field Examination case by a Quality Reviewer using the Examination Quality Measurement System (EQMS) quality standards.

Indicator Type: Measure

Data Capture and Source: Monthly reports supplied from the EQMS database.

Data Verification and Validation: A manual validation for inconsistencies in the data input is completed at the end of each monthly cycle. Potential errors are sent to the EQMS site managers for either verification or correction. Monthly consistency meetings are held with EQMS management, analyst and reviewers to ensure consistent application of the quality ratings.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: During fiscal year 2008, a quality action plan was implemented to address weaknesses identified within the Timeliness, Income Probe and Multi-year Pick Up attributes. In addition, area quality improvement teams were established to address area specific quality weaknesses. As a result of these efforts, significant improvements with the quality score were realized during the second half of fiscal year 2008.

Measure: HCTC Cost Per Taxpayer Served (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	14.25	14.25	17
Actual		13.71	14.93	16.94	
Target met?	N/A	Y	N	N	

Definition: Costs associated with serving the taxpayers including program kit correspondence, registration and program participation. [IFS Monthly Disbursement – (83% IT Cost + 60% Program Management Costs + Special Projects and Costs + (IRS Non-Labor Costs – Printing))] divided by Taxpayers Served * 1.6 Where Taxpayers Served is the unique count of SSNs for primary candidates that are enrolled, and/or interact with the customer contact center including correspondence and program kits, 1.6 is a factor attributed to the average number of taxpayers served per primary enrollee, to reflect affected Qualified Family Members.

Indicator Type: Measure

Data Capture and Source: IRS costs and exclusions: IFS disbursement report Accenture costs and exclusions: Monthly Work Request report. Taxpayers served: Health Care Tax Credit Siebel system provides data extracts to the HCTC reporting database, and further queries and reports are created from there.

Data Verification and Validation: 1.Health Care Tax Credit Program office reviews IFS disbursement, 2.Health Care Tax Credit PMO team reviews and checks Contractor costs and exclusions 3.PMO reporting team verifies the source data against previous months of IFS data and Work Request data

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: For fiscal year 2008, the cumulative cost per taxpayer served was $16.94, 19% above the target of $14.25. A decrease in the number of taxpayers eligible for the credit and taxpayers gaining a better understanding of the invoicing and payment cycle are reasons for the decline in the number of taxpayers served volume.

Measure: Number of Convictions (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	2260	2069	2135	2135
Actual	2151	2019	2155	2144	
Target met?	Y	N	Y	Y	

Definition: Convictions are the total number of cases with Criminal Investigation Management Information System (CIMIS) status codes of guilty plea, nolo-contendere, and judge guilty or jury guilty.

Indicator Type: Measure

Data Capture and Source: Standardized reports extract data related to the status codes sited above on a monthly basis.

Data Verification and Validation: Cases are tracked in CIMIS with frequent updates to the status code.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: CI is committed to the identification and development of complex, high-impact investigations by emphasizing management accountability at all levels. Devoting greater resources to pipeline investigations contributes to successful prosecutions, which in turn generates positive publicity, fosters deterrence, and enhances voluntary compliance.

Measure: Office Examination Embedded Quality (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		88.2	89	90	90
Actual		88.2	89.4	90	
Target met?	N/A	Y	Y	Y	

Definition: The score awarded to a reviewed Office Examination case by a Quality Reviewer using the Examination Quality Measurement System (EQMS) quality standards.

Indicator Type: Measure

Data Capture and Source: Examination Quality Measurement System

Data Verification and Validation: A manual validation for inconsistencies in the data input is completed at the end of each monthly cycle. Potential errors are sent to the EQMS site managers for either verification or correction. Monthly consistency meetings are held with EQMS management, analyst and reviewers to ensure consistent application of the quality ratings.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: For fiscal year 2009 and beyond, the IRS will use results to drive improvements in work products and help improve the taxpayer's experience.

Measure: Percent of Business Returns Processed Electronically (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	17	18.6	19.5	20.8	22.9
Actual	17.8	16.6	19.1	19.4	
Target met?	Y	N	N	N	

Definition: The number of electronically filed business returns divided by the total business returns filed.

Indicator Type: Measure

Data Capture and Source: Work Planning and Control reports from W&I Submission Processing campuses.

Data Verification and Validation: 1. At each Submission Processing Center, managerial oversight is used to ensure that the balancing instructions for the Balance Forward Listing are followed and that necessary adjustments are made. 2. Management Officials review Program Analysis Reports prior to its release to Headquarters personnel. 3. Headquarters Personnel release preliminary data for peer and managerial review prior to releasing data for the measure.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: fiscal year 2008 target was based on a Fall 2007 projection of 20.8% which was modified in the Spring 2008 to 19.6%. A significant decrease (nearly 28.5%) in projected volume of electronically filed Forms 1041, primarily due to a regulation change allowing certain grantor trusts to be reported on Form 1099 instead of Form 1041, contributed to the decline.

Measure: Percent of Individual Returns Processed Electronically (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	51	55	57	61.8	64
Actual	51.1	54.1	57.1	57.6	
Target met?	Y	N	Y	N	

Definition: Number of electronically filed individual tax returns divided by the total individual returns filed.

Indicator Type: Measure

Data Capture and Source: Working Planning and Control reports from W&I Submission Processing campuses.

Data Verification and Validation: 1. At each Submission Processing Center, managerial oversight is used to ensure that the balancing instructions for the Balance Forward Listing are followed and that necessary adjustments are made. 2. Management Officials review "II" Report prior to its release to Headquarters personnel. 3. Headquarters Personnel release preliminary data for peer and managerial review prior to releasing data for the measure.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: For fiscal year 2008, the Percent of Individual Returns Processed Electronically was 57.6% which is 4.2 percentage points below the target of 61.8%. Excluding taxpayers who filed solely to claim a stimulus payment, the percentage of e-file returns would have been 63 percent.

Measure: Refund Timeliness - Individual (paper) (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	98.4	99.2	99.2	98.4	98.4
Actual	98.3	99.3	99.1	99.1	
Target met?	N	Y	N	Y	

Definition: Percentage of refunds from paper returns processed within 40 days.

Indicator Type: Measure

Data Capture and Source: Submission Processing Measures Analysis and Reporting Tool (SMART). Data is extracted from a Generalize Mainframe Framework computer run that processes data input by the processing centers.

Data Verification and Validation: The calculation for Refund Timeliness is a ratio of untimely IMF paper refunds in a sample compared against the total number of IMF paper refunds reviewed in a sample. The result of the ratio is weighted against the entire volume of refund returns a center has processed on a monthly basis. The monthly results are tabulated to determine the performance rating at the corporate and site level.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS expects its performance for refund timeliness to remain stable under the current processing system and within resource constraints.

Measure: HCTC Sign-up Time (days) (Ot)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	97	97	97
Actual		98.7	93.3	94	
Target met?	N/A	Y	Y	Y	

Definition: The calculation of this measure is the median number of calendar days that elapse per registration from the date the Program Kit is mailed to the date the first payment is received from the participant. This is calculated based on queries and reports from system data.

Indicator Type: Measure

Data Capture and Source: 1.Dates captured in system during operations, 2.Data queried by Health Care Tax Credit Program Evaluation and Reporting team, 3.Measure calculated by Health Care Tax Credit Program Evaluation and Reporting team. Source: Siebel via Microsoft Systems Reporting.

Data Verification and Validation: 1.Data is reviewed by Health Care Tax Credit Program Evaluation and Reporting function and compared with previous months, 2.Diagnostic reports will be available for further review

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, the IRS will continue to explore program enhancements and efficiencies to minimize the time it takes to enroll for Health Care Tax Credit.

Measure: Taxpayer Self Assistance Rate (E)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	42.5	45.7	48.6	51.5	64.2
Actual	42.5	46.8	49.5	66.8	
Target met?	Y	Y	Y	Y	

Definition: The percent of contacts that are resolved by automated self-assistance applications.

Indicator Type: Measure

Data Capture and Source: Enterprise Telephone Data (ETD) Snapshot Report, Accounts Management Information Report (AMIR), Internet Refund/Fact of Filing Project Site, MIS Reporting Tool, Electronic Tax Administration (ETA) Website, Microsoft Excel Spreadsheet tracking (Kiosk Visits)

Data Verification and Validation: Automated Calls Answered + Web Services Completed Divided by: Assistor Calls Answered + Automated Calls Answered + Web Services Completed + Electronic Interactions + Customer Accounts Resolved (Paper) Taxpayer Assistance Centers Contact. This measure summarizes the following self-service activities: telephone automated calls answered, and web services (IRFOF, Internet EIN, Disclosure Authorization, P-TIN) compared to the volume of all interactions, including correspondence and amended returns, electronic interactions such as from electronic interactions such as ETLA, & I-EAR and assistor calls answered.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS expects performance to continue to increase as more taxpayers choose to use automated applications to resolve issues and questions instead of more traditional methods such as contact with the IRS by telephone and correspondence.

Measure: TEGE Determination Case Closures (Ot)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	131700	112400	118200	100600	94000
Actual	126481	108462	109408	100050	
Target met?	N	N	N	N	

Definition: Cases established and closed on the Employee Plans-Exempt Organizations Determination System (EDS) includes all types of tax exempt and employee plan application cases.

Indicator Type: Measure

Data Capture and Source: Tax Exempt and Government Entities (TE/GE) Determination System (EDS) Table 2A

Data Verification and Validation: 1. Group managers review data entered on closing documents by determination specialists prior to approving the case for closing. 2. Error registers/reports are generated for data not meeting system consistency checks

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS was within 99% of its target. The shortfall resulted from the increasing number of applications that are subject to an in-depth review for potential abuses in the Exempt Organizations Determination program. These applications, along with others identified for potential promoter or fraud issues during the screening process, required more extensive development and coordination than the traditional determination workload, resulting in higher per case. The shortfall was minimized due to the increase in merit closures, which required fewer hours to complete.

Measure: Timeliness of Critical Filing Season Tax Products to the Public (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	80	92	85.2	86	92
Actual	91.4	83	83.5	92.4	
Target met?	Y	N	N	Y	

Definition: The percentage of Critical Tax Products, paper and electronic, made available to the public timely. Critical Tax Products are business tax products, Tax Exempt and Government Entities and miscellaneous tax products. This measure contains two components: (1) percentage of paper tax products that meet the scheduled start to ship date within five business days of the actual start to ship date and (2) percentage of scheduled electronic tax products that is available on the Internet within five business days of the ok-to-print date. The intent is to have the tax products available to the public 30 days before the form is required to be filed.

Indicator Type: Measure

Data Capture and Source: Publishing Services Data (PSD) System

Data Verification and Validation: Nightly processes provide analysts and management with reports concerning production status, missing data problems, and past due situations.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS expects to continue to timely deliver tax products to the public in fiscal year 2009.

Measure: Timeliness of Critical Other Tax Products to the Public (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	80	85	79.6	86	89
Actual	80	61.2	84	89.5	
Target met?	Y	N	Y	Y	

Definition: The percentage of Critical Other Tax Products, paper and electronic, made available to the public timely. Critical Other Tax Products are business tax products, Tax Exempt and Government Entities and miscellaneous tax products. This measure contains two components: (1) percentage of paper tax products that meet the scheduled start to ship date within five business days of the actual start to ship date and (2) percentage of scheduled electronic tax products that is available on the Internet within five business days of the ok-to-print date. The intent is to have the tax products available to the public 30 days before the form is required to be filed.

Indicator Type: Measure

Data Capture and Source: Publishing Services Data System (PSD)

Data Verification and Validation: Nightly processes provide analysts and management with reports concerning production status, missing data problems, and past due situations.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS expects to continue to timely deliver tax products to the public in fiscal year 2009.

Measure: BSM Project Cost Variance by Release/Subrelease (E) [DISCONTINUED FY 2008]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		0	10	Discontinued	Discontinued
Actual		0	10		
Target met?	N/A	Y	Y	N/A	

Definition: Percent variance by release/sub-release of a BSM funded project's initial, approved cost estimate versus current, approved cost estimate. Cost variances < or = to +/- 10% are categorized as being within acceptable thresholds. Cost variances greater than +/- 10% are considered outside acceptable thresholds.

Indicator Type: Measure

Data Capture and Source: The data is collected from the approved and enacted Expenditure Plan and subsequent modifications resulting from changes to project cost plans as approved via the BSM Governance Procedures and documented by the Resource Management Office.

Data Verification and Validation: The baseline data will be reviewed/ validated by the Program Performance Management (PPM) Team and Manager. To indicate the baseline is valid and approved, the manager will send a notification that the data (Excel spreadsheets) may be placed in the PPM shared library. Before the measure is reported, the PPM Team and Manager will review/ validate the report. The PPM Manager will provide the monthly report to the Deputy Associate CIO for Business Integration for approval. Concurrence will be obtained from the Associate CIO for BSM. To indicate the report is validated and approved, the manager will send a notification to store the report in the PPM shared library and report on Improvement Measure externally.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: This measure is being discontinued in fiscal year 2008 and is being replaced with a new cost variance measure because there was a change in methodology.

Measure: BSM Project Schedule Variance by Release/Subrelease (E) [DISCONTINUED FY 2008]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		0	10	Discontinued	Discontinued
Actual		0	0		
Target met?	N/A	Y	N	N/A	

Definition: Percent variance by release/sub-release of a BSM funded project's initial, approved schedule estimate versus current, approved schedule estimate. Schedule variances < or = to +/- 10% are categorized as being within acceptable thresholds. Schedule variances greater than +/- 10% are considered outside acceptable thresholds.

Indicator Type: Measure

Data Capture and Source: The data is collected at the time of Expenditure Plan creation and subsequent modifications resulting from changes to project schedule plans as approved via the BSM Governance Procedures and documented by the Resource Management Office.

Data Verification and Validation: The baseline data will be reviewed/ validated by the Program Performance Management (PPM) Team and Manager. To indicate the baseline is valid and approved, the manager will send a notification that the data (Excel spreadsheets) may be placed in the PPM shared library. Before the measure is reported, the PPM Team and Manager will review/ validate the report. The PPM Manager will provide the monthly report to the Deputy Associate CIO for Business Integration for approval. Concurrence will be obtained from the Associate CIO for BSM. To indicate the report is validated and approved, the manager will send a notification to store the report in the PPM shared library and report on Improvement Measure externally.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: This measure is being discontinued in fiscal year 2008 and is being replaced with a new schedule variance measure because there was a change in methodology.

OUTCOME: Timely and Accurate Payments at the Lowest Possible Cost

Financial Management Service

Measure: Percentage of Paper Check and Electronic Funds Transfer (EFT) Payments Made Accurately And On-Time (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	100	100	100	100	100
Actual	100	100	100	100	
Target met?	Y	Y	Y	Y	

Definition: Accurately refers to the percentage of check and EFT payments that FMS makes which are not duplicate or double payments. On time means that FMS releases checks to the U.S. Postal Service and EFT payments to the Federal Reserve Bank such that normal delivery by them results in timely receipt by payees.

Indicator Type: Measure

Data Capture and Source: Accuracy data is captured through FMS' Regional Financial Centers which submit statistics on duplicate payments and data for the performance measure. The payments are balanced with payment certifications submitted to FMS by Federal Program Agencies. On time data on check and EFT volumes are captured monthly in a report from FMS' Production Reporting System.

Data Verification and Validation: Accuracy is ensured through payment processes and accounting systems that are subject to numerous internal controls and audit reviews. RFC managers validate payment controls. Systems and accounting reports are used to independently validate payment accuracy and identify the number of duplicate payments. RFCs balance the input to the PRS with a payment control file. The volume of checks released to the USPS is verified against the volume of checks listed on Postal Form 3600. USPS timeliness is ensured through Form 3600, which contains the time and date of release of checks from RFCs to the USPS. For EFT timeliness verification, the volume of payments released is verified against the volume of payments listed on the transmission report which also states the time and date of transmission from an RFC to the Federal Reserve Bank.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. FMS plans to continue to issue 100% of payments accurately and on-time. The Secure Payment System (SPS) used by program agencies to certify checks, clearinghouses, or wire payments to recipients in a secure environment is a critical component in achieving the performance goal.

Measure: Percentage of Treasury Payments and Associated Information Made Electronically (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	76	78	78	79	80
Actual	76	77	78	79	
Target met?	Y	N	Y	Y	

Definition: The portion of the total volume of payments that is made electronically by FMS. Electronic payments include transfers through the automated clearinghouse and wire transfer payments through the FEDWIRE system.

Indicator Type: Measure

Data Capture and Source: The volume of payments is tracked through FMS' Production Reporting System. The amount and number of payments are also maintained under accounting control.

Data Verification and Validation: Accounting controls provide verification that the number of payments, both checks and EFT, is accurately tracked and reported. The number of inquires made against Federal check payments, whether disbursed by FMS or by other agencies, is separately tracked and reported. Additionally, payment files are balanced with payment authorizations that are electronically certified and submitted to FMS by Federal program agencies. The Federal Reserve Banks also validate the payment files.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. FMS will continue to implement the successful Go-Direct Campaign to expand and market the use of electronic media to deliver federal payments, improve service to payment recipients, and reduce government program costs. In April 2008, FMS launched the nationwide Direct Express card program to target the un-banked customers of benefit payments. It is available now to all SSA and SSI recipients. To date over 100,000, enrollments have been processed.

Measure: Percentage of Federal Agency Customers Indicating an Overall Rating of Satisfactory or Better (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	80	81	81	85	87
Actual	80	80	88	88	
Target met?	Y	N	Y	Y	

Definition: The percentage of customers who utilize our collections network who are at least satisfied with the process.

Indicator Type: Measure

Data Capture and Source: The survey is sent out via e-mail with a link to a specially designed website to complete the survey. Data is captured in the website.

Data Verification and Validation: FMS' Agency Relationship Management Division sends out a survey every year to all the agencies (approximately 100 CFO and non-CFO agencies) asking for their feedback on a number of things such as people, policies, products, etc. These agencies are asked to rate these categories as very satisfied, satisfied, neutral, dissatisfied and very dissatisfied. The satisfied and very satisfied responses are added to give the satisfaction measure.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal and plans to meet its future goals by providing effective and efficient customer service.

Measure: Unit Cost For Federal Government Payments (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	.35	.35	.39	.4	.4
Actual	.355	.37	.39	.39*	
Target met?	N	N	Y	Y	

Definition: Unit cost combines both paper and electronic payment mechanisms and includes the aftermath processes (reconciliation and claims) for both types of payment mechanisms.

Indicator Type: Measure

Data Capture and Source: The cost data is captured through an activity based costing process. The unit cost is the calculated ratio of cost per payment.

Data Verification and Validation: At the end of each fiscal year, actual costs for issuing payments are accumulated and calculated for checks and EFT payments. This information is calculated in conjunction with and verified by the program office and is reviewed by senior executives. Additional accounting controls provide verification that the number of payments is accurately tracked and reported.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. In the future FMS will continue to expand and market the use of electronic media to deliver federal payments, improve service to payment recipients, and reduce government program costs. This helps decrease the number of paper checks issued and minimize costs associated with postage, the re-issuance of lost, stolen and misplaced checks, and inefficiencies associated with the non-electronic delivery of benefits.

OUTCOME: Government Financing at the Lowest Possible Cost Over Time

Bureau of the Public Debt

Measure: Cost Per Debt Financing Operation (E)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	133683	228409	263306	275610
Actual	126828	148926	235172	237636*	
Target met?	Y	N	N	Y	

Definition: This performance measure divides debt financing operations costs, determined by an established cost allocation methodology, by the number of auctions and buybacks.

Indicator Type: Measure

Data Capture and Source: The number of debt financing operations is captured in the Global Securities Services (GSS) system and on-line at TreasuryDirect.gov. Costs are captured in BPD's administrative accounting system.

Data Verification and Validation: Analysts manually count the number of auctions in the GSS system and cross-reference this number to the historical information query on-line at www.TreasuryDirect.gov to determine the number of debt financing operations. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Based upon the third quarter year-to-date figures, the cost per debt financing operation falls below the fiscal year 2008 target of $263,306. The projected cost for fiscal year 2009 of $275,610 includes increases for inflation and upgrades to the Treasury Automated Auction Processing System (TAAPS). These upgrades to TAAPS will ensure that Public Debt keeps pace with technology changes and conducts financing operations timely and with 100 percent accuracy. *Cost per item does not include fourth quarter data and therefore represents an estimate of year-end numbers.

Measure: Cost Per Federal Funds Investment Transaction (E)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	90.15	72.33	75.55	69.11
Actual	88.74	62.64	68.53	57.81*	
Target met?	Y	Y	Y	Y	

Definition: This performance measure divides the federal funds investment costs, determined by an established cost allocation methodology, by the number of issues, redemptions, and interest payments for more than 200 trust funds, as well as the Treasury managed funds.

Indicator Type: Measure

Data Capture and Source: The automated investment accounting system captures and reports transaction counts. Costs are captured in Public Debt's administrative accounting system.

Data Verification and Validation: Accountants review transaction reports for reasonableness and any unusual trends are investigated. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Based upon third quarter year-to-date figures, Public Debt forecasts the cost per federal funds investment transaction to fall below the target of $75.55. Due to inflationary cost increases and constant transaction volumes coupled with reducing the number of systems used to support GAIS, Public Debt establishes a target for fiscal year 2009 of $69.11. *Cost per item does not include fourth quarter data and therefore represents an estimate of year-end numbers.

Measure: Percent of Auction Results Released in Two Minutes +/- 30 Seconds (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	95	95	95	95	95
Actual	95	100	99.1	100	
Target met?	Y	Y	Y	Y	

Definition: This measures the elapsed time from the auction close to the public release of the auction results. The annual percentage of auctions meeting the release time target of 2 minutes plus or minus 30 seconds is calculated for the fiscal year.

Indicator Type: Measure

Data Capture and Source: BPD's automated auction processing systems

Data Verification and Validation: For each auction, analysts verify and validate the system time stamps that record the auction close and auction posting times.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: A key component of Public Debt's mission is to borrow the money required to run the federal government at the lowest possible cost to the taxpayer. Public Debt fulfills this mission by creating an investment environment that is predictable and reliable. Public Debt's ability to meet the performance measure of releasing Treasury auction results to the public in two minutes +/- 30 seconds, 95 percent of the time demonstrates the ability to reliably publish security information to financial markets and contributes to its overall mission. In fiscal year 2008, Public Debt achieved an auction release time performance of 100 percent, exceeding the stated goal of 95 percent for timely releases. For the upcoming fiscal year, Public Debt continues to focus on identifying and correcting any auction system defects in order to ensure ongoing success with this performance metric.

Measure: Cost Per TreasuryDirect Assisted Transaction (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	7.75	6.16	9.25	9.34
Actual	8.51	4.97	6.65	7.23*	
Target met?	Y	Y	N	Y	

Definition: This performance measure divides TreasuryDirect customer service transaction costs, determined by an established cost allocation methodology, by the number of customer requests completed with assistance by a customer service representative.

Indicator Type: Measure

Data Capture and Source: For customer service transactions received by mail and for some requests received by phone or internet, Public Debt (BPD) obtains volumes from an automated tracking system. Simple phone and internet requests are manually counted. Costs are captured in BPD's administrative accounting system.

Data Verification and Validation: The accuracy of the system-generated volumes is verified twice a year by customer service staff performing manual counts. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Based upon the third quarter year-to-date figures, the cost per TreasuryDirect assisted transaction falls below the fiscal year 2008 target of $9.25. The fiscal year 2009 target is $9.34. Public Debt continues to realign resources to handle a changing mixture of customer transactions that result from a growing number of accounts and an expansion of services available in TreasuryDirect. *Cost per item does not include fourth quarter data and therefore represents an estimate of year-end numbers.

Measure: Cost Per TreasuryDirect Online Transaction (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	2.99	2.96	4.34	4.34
Actual	3.43	3.06	3.24	3.76*	
Target met?	Y	N	N	Y	

Definition: This performance measure divides TreasuryDirect online transaction costs, determined by an established cost allocation methodology, by the number of TreasuryDirect online transactions.

Indicator Type: Measure

Data Capture and Source: Workload figures are captured from information stored in TreasuryDirect. Costs are captured in Public Debt's administrative accounting system.

Data Verification and Validation: Workload figures are electronically verified by the Treasury Direct system. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Based upon the third quarter year-to-date figures, the cost per TreasuryDirect online transaction falls below the fiscal year 2008 target of $4.34. The fiscal year 2009 target is $4.34. Public Debt continues to promote customer self-sufficiency in TreasuryDirect—an internet-accessed system that provides one-stop shopping, account management, and product information. *Cost per item does not include fourth quarter data and therefore represents an estimate of year-end numbers.

Measure: Number of Government Agency Investment Services Control Processes Consolidated (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target			Baseline	2	0
Actual			3	2	
Target met?	N/A	N/A	Y	Y	

Definition: Government Agency Investment Services (GAIS), one of the Bureau of Public Debt's primary Lines of Business (LOB), is responsible for the accounting of the Federal Investments, Special Purpose Securities, and Loans Receivable programs. In July 2005, Public Debt management announced a strategic direction to reduce the number of systems used to support GAIS. Through systems reduction, Public Debt will streamline the diversity of technology involved in supporting this business line. Additionally, this effort will allow Public Debt to consolidate and standardize the internal controls over processes common to all GAIS programs. The control environment consists of 18 processes that will be transformed into 6 standardized processes. The processes are funds management, investment accounting, standard reporting, customer interface, account maintenance, and enhanced reporting.

Indicator Type: Measure

Data Capture and Source: The Project Manager (PM) is responsible for tracking the status of the project using a project plan detailing all stages of the System Development Life Cycle (SDLC). This plan includes milestones that help to measure significant accomplishments. This information is routinely shared with management of the program areas as part of an established and well-documented IT governance and change management process.

Data Verification and Validation: The Project Manager (PM) for the systems consolidation project is responsible for keeping management informed of the project plan and implementation dates of the system consolidation effort. The PM coordinates with program areas on all system related efforts to ensure the control environment is reduced with each system consolidation effort. With each milestone achieved in the systems consolidation project, there is a corresponding standardization and reduction of controls in the GAIS program. For example, in fiscal year 2007 the loans receivable program consolidated funds management, investment accounting, and standard reporting. This would bring the total processes from 18 to 15 with the ultimate goal of 6 standardized processes by fiscal year 2012.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: For fiscal year 2008, Public Debt met its goal to consolidate two Government Agency Investment Services (GAIS) control processes. During fiscal year 2008, the Borrowings program consolidated customer interface and account maintenance bringing the total number of control processes from 15 to 13 with the ultimate goal of 6 standardized processes by fiscal year 2012. The project manager (PM) continues to monitor the scope, time, and cost of the project against the approved baseline, and the PM keeps management informed of the project plan and implementation dates of the system consolidation effort.

Measure: Percent of Retail Customer Transactions Completed Within 12 Business Days (Ot)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	90	90	90	90	90
Actual	88.7	98	99.43	99.86	
Target met?	N	Y	Y	Y	

Definition: The length of time to complete a customer service transaction is measured from the date each transaction is received to the date it is completed.

Indicator Type: Measure

Data Capture and Source: For customer service transactions received by mail and for some requests received by phone or e-mail, Public Debt uses an automated tracking system that measures the length of time it takes to complete the transactions. Simple phone and internet requests are manually tracked.

Data Verification and Validation: The accuracy of system-generated data is crosschecked at least twice a year by customer service staff performing manual counts.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Public Debt met its fiscal year 2008 target for completing 90 percent of time-sensitive retail customer service transactions within 12 business days. In fiscal year 2009, Public Debt will shorten the processing expectation for these transactions to 90 percent completion within 11 business days. This is an important step towards meeting the long-term goal of completing 90 percent of time-sensitive retail customer service transactions within 10 business days by fiscal year 2010. Public Debt continues to streamline work processes and increase the volume of electronic business actions in order to meet this goal.

Measure: Percentage of Government Agency Customer Initiated Transactions Conducted Online (Oe) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		65	75	Discontinued	Discontinued
Actual	72.7	97.03	97.31		
Target met?	Y	Y	Y	N/A	

Definition: Public Debt (BPD) administers three programs in which government agencies conduct transactions: 1. Government Account Series Securities (Federal Investments) 2. Treasury Loans Receivable (Borrowings) 3. State and Local Government Series securities. Prior to an initiative to make BPD systems available on the internet, customers faxed all requests to Public Debt, and BPD manually entered the transactions into the various systems. BPD's long-term goal is to have 80 percent of customer-initiated transactions completed online by the end of fiscal year 2008.

Indicator Type: Measure

Data Capture and Source: Total transaction counts are captured from the investment accounting systems in automated reports that differentiate online transactions from other transactions entered into the systems.

Data Verification and Validation: Accountants review the total online transaction counts for reasonableness and unusual volumes are investigated.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Discontinued in fiscal year 2008.

OUTCOME: Effective Cash Management

Departmental Offices

Measure: Variance Between Estimated and Actual Receipts (Annual Forecast) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	5	5	5	5	5
Actual	5	3.9	2.1	4.6	
Target met?	Y	Y	Y	Y	

Definition: Percentage error measures the accuracy of the Mark receipt forecasts produced monthly by the Office of Fiscal Projections. It measures the relative amount of error or bias in Office of Fiscal Projection receipt forecasts.

Indicator Type: Measure

Data Capture and Source: The Office of Fiscal Projections within the Office of the Fiscal Assistant Secretary compiles receipts data by major categories (i.e., withheld income taxes, individual taxes, FICA, corporate, customs deposits, estate and excise) as well as by types of collection mechanisms (electronic and paper coupons). The Office of Fiscal Projections is also responsible for forecasting the daily tax receipts in order to manage the federal government's cash flow. Data on monthly and daily federal tax receipts of actual and forecasts are compiled by the office and are used to report on the United States' monthly, weekly, and daily cash position in addition to determining the optimal financing for cash management.

Data Verification and Validation: The percentage error is computed by subtracting the forecast value of tax receipts from the actual (At -Ft), and dividing this error of forecast by the actual value, and then multiplying it by 100. PEt = ((At - Ft)/At) *100 At is actual value of receipts at time t, and Ft is forecasted value of receipts at time t. The average percentage error is more general measure that will be used to compare the relative error in the forecasts. This measure adds up all the percentage errors at each point and divides them by the number of time point APE = |(?t=1TPEt)|/T where PEt is the percentage error of forecasts in (1) and T is the total number of time point. The absolute value of the average percentage error will be used to measure the magnitude of error or bias in the receipts forecasts.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2009, Treasury anticipates that forecasting government receipts and outlays will continue to be challenging. Volatility caused by changing economic conditions and new programs and initiatives enacted by Congress to address systemic risks and market concerns is added to the forecasting mix. Treasury's investments may need to be of a shorter duration, giving up some higher returns normally associated with longer-term investments.

OUTCOME: Accurate, Timely, Useful, Transparent and Accessible Financial Information

Bureau of the Public Debt

Measure: Cost Per Summary Debt Accounting Transaction (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	11.59	10.98	9.91	10.01
Actual	12.62	10.96	9.29	8.29*	
Target met?	Y	Y	Y	Y	

Definition: This performance measure divides summary debt accounting transaction costs, determined by an established cost allocation methodology, by the number of summary debt accounting transactions.

Indicator Type: Measure

Data Capture and Source: Public Debt's investment accounting systems capture and report transaction counts. Costs are captured in Public Debt's administrative accounting system.

Data Verification and Validation: Accountants review transactional activity reports for reasonableness and any unusual trends are investigated. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Based upon third quarter year-to-date figures, Public Debt forecasts the cost per summary debt accounting transaction to fall below the fiscal year 2008 target of $9.91. Due to inflationary cost increases and constant transaction volumes, Public Debt establishes a target for fiscal year 2009 of $10.01. Public Debt will continue to maintain and support strong accounting controls to ensure integrity of the operations and accuracy of the information provided to the public. *Cost per item does not include fourth quarter data and therefore represents an estimate of year-end numbers.

Departmental Offices

Measure: Release Federal Government-Wide Financial Statements on Time (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	1	1	1	1	1
Actual	Met	Met	Met	Met*	
Target met?	Y	Y	Y	Y	

Definition: This report is the audited consolidated financial report of the Federal Government required by the Government Management Reform Act.

Indicator Type: Measure

Data Capture and Source: Data are collected from the audited financial results of all federal agencies and is audited by GAO.

Data Verification and Validation: Report is released to the public with a release date that can be independently verified. Due date is established by Treasury/OMB policy decision since it exceeds the statutory requirement of March 31.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: This data is not available until December 15, 2008, after this report is published. Treasury will evaluate the information at that time and determine what actions to take in the 2009.

Measure: Audit Opinion Received on Government-wide Financial Statements (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	1	1	1	Discontinued	Discontinued
Actual	Met	Met	Met		
Target met?	Y	Y	Y	N/A	

Definition: This is the independent audit opinion rendered on the financial statements by GAO. Treasury expects to receive a disclaimed audit opinion until fiscal year 2007.

Indicator Type: Measure

Data Capture and Source: GAO is the statutorily prescribed auditor.

Data Verification and Validation: Opinion is included in the published financial report and is also available directly from GAO.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: There are material weaknesses in DOD and DHS which will not be resolved in the near term, making this measure an inappropriate gauge of Treasury's performance. As a result, prior data is invalid. A new measure will be developed in fiscal year 2009 to replace this measure. Based on OIG comments, Treasury is considering developing a measure that would track the timeliness and accuracy of the statements that Treasury delivers.

Financial Management Service

Measure: Percentage of Government-Wide Accounting Reports Issued Accurately (%) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	100	100	100	100	100
Actual	100	100	100	100	
Target met?	Y	Y	Y	Y	

Definition: All government-wide financial data that FMS publishes relating to U.S. Treasury cash-based accounting reports (i.e., the Daily Treasury Statement, the Monthly Treasury Statement, and the Annual Combined Report) will be 100% accurate.

Indicator Type: Measure

Data Capture and Source: A monthly tracking system reports on the various published statements and monitors errata as it pertains to this data.

Data Verification and Validation: There are no errata in any of the published government-wide financial information.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. FMS will continue to revamp government-wide accounting processes to provide more useful and reliable financial information on a regular basis. FMS is building and implementing a system to improve the exchange of financial information among FMS, Federal Program Agencies (FPA), Office of Management and Budget and the banking community. Once completed, this Government-wide Accounting Modernization Project will comprehensively replace current government-wide accounting functions and processes that are both internal and external to FMS. It will improve the reliability, usefulness, and timeliness of the government's financial information, provide FPAs and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies. FMS is also moving forward on a project called Financial Information Reporting Standardization which will integrate budgetary and proprietary accounting data as well as several accounting data collection systems to improve the integrity and accuracy of government-wide financial information and reports.

Measure: Percentage of Government-Wide Accounting Reports Issued Timely (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	100	100	100	100	100
Actual	100	100	100	100	
Target met?	Y	Y	Y	Y	

Definition: All Government-wide financial data that FMS publishes relating to U.S. Treasury cash-based accounting reports (i.e., the Daily Treasury Statement, the Monthly Treasury Statement, and the Annual Combined Report) will be on time 100% of the time.

Indicator Type: Measure

Data Capture and Source: A monthly reporting system is used to track the release dates to the public of all of the various government-wide statements.

Data Verification and Validation: Procedures are in place to validate that the statements are released on time to the public 100% of the time.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. FMS is building and implementing a system to improve the exchange of financial information among FMS, Federal Program Agencies (FPA), Office of Management and Budget (OMB) and the banking community. Once completed, this Government-wide Accounting (GWA) Modernization Project will comprehensively replace current government-wide accounting functions and processes that are both internal and external to FMS. It will improve the reliability, usefulness, and timeliness of the government's financial information.

Measure: Unit Cost to Manage $1 Million Dollars of Cash Flow (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	10.69	11.72	13.39
Actual		8.5	10.36	9.21*	
Target met?	N/A	Y	Y	Y	

Definition: This Unit Cost Measure assesses Government Wide Accounting's (GWA's) Cost to Manage Government Operations. The Government Operations consists of total GWA costs which consist of all Directorates, Systems, Administrative Overhead, and major initiatives performed within GWA. On a monthly basis the Cost-per-Million of Cash Flow managed by GWA is calculated.

Indicator Type: Measure

Data Capture and Source: The Total GWA Cost data is retrieved from the year ending Cost Accounting Report. The Operating Cash, which is rounded in millions, is determined from the final DTS of each month for the fiscal year. The ratio of total costs to GWA per month over Deposits and Withdrawals (Excluding Transfers) gives us the cost to manage $1 Million dollars of cash flow. This ratio is calculated for GWA alone to determine controllable costs, and using Information Resources / TWAI and Management Overhead to determine the uncontrollable costs attributed to GWA.

Data Verification and Validation: At the beginning of each month, the actual operating cash of the United States in the form of Deposits and Withdrawals is obtained from the Last Daily Treasury Statement (DTS) of the previous month. GWA total costs are broken down and retrieved from the Cost Accounting Report that is prepared at the end of the fiscal year. This information is verified and excludes Financial Services. Additional data is retrieved from this source and included in the report and is reviewed by senior executives.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2008 performance goal. Though cash flow is beyond the control of FMS, FMS plans to continue its efforts in improving efficiencies and lowering its costs in managing the nation's money.

STRATEGIC GOAL:
U.S. and World Economies Perform at Full Economic Potential

STRATEGIC OBJECTIVE: Improved Economic Opportunity, Mobility, and Security with Robust, Real, Sustainable Economic Growth At Home And Abroad

OUTCOME: Strong U.S. Economic Competitiveness

Community Development Financial Institution Fund

Measure: Administrative Costs Per Number of Bank Enterprise Award (BEA) Applications Processed (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	1280	1455	1455	1455
Actual	1280	1630	1950	3070	
Target met?	Y	N	N	N	

Definition: The fixed and variable cost per application for Bank Enterprise Award (BEA) applications.

Indicator Type: Measure

Data Capture and Source: The Fund will analyze the cost of materials as well as staff time and contractor's time to determine the total cost per application.

Data Verification and Validation: The Fund will conduct an analysis of the total cost of processing a single BEA application. The analysis will include both fixed and variable costs for the project.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Admin cost increased from previous fiscal year due to: 1) an incorrect number of applications reported in FY07. FY07 restated with correct number of applications results in an administrative cost per application of $2,272; 2) an increase in salary and benefits and training cost primarily a result of FY08 being the first full fiscal year with new dedicated FTE to program; 3) a significant increase in IT costs from the previous year; and 4) the inclusion of application intake cost (FY07 does not include application intake cost).

Measure: Administrative Costs Per Financial Assistance Application Processed (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	5130	6920	6920	6920
Actual	5130	8710	7180	7200	
Target met?	Y	N	N	N	

Definition: The cost per application for Financial Assistance (FA) applications.

Indicator Type: Measure

Data Capture and Source: The Fund will analyze the cost of materials as well as staff time and contractor's time to determine the total fixed and variable cost per application.

Data Verification and Validation: The Fund will conduct an analysis of the total cost of processing a single FA application. The analysis will include both fixed and variable costs for the project.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Admin cost increased from previous year. Percent increase in costs higher than percent increase in number of applications from 2007 to 2008. As a result of an independent assessment performed by a contractor and approved by the CDFI Fund, new SOPs to streamline the application and award process have been developed. By late 2009, the CDFI Fund should be able to determine the effectiveness of the new SOPs currently being implemented.

Measure: Administrative Costs Per Number of Native American CDFI Assistance Applications Processed(E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	10050	9090	9090	9090
Actual	10050	8130	13510	10990	
Target met?	Y	Y	N	N	

Definition: The Fund will determine the total cost associated with Native American CDFI Assistance (NACA) applications based on fixed and variable costs.

Indicator Type: Measure

Data Capture and Source: The Fund will capture this information through budget documentation.

Data Verification and Validation: The Fund will determine the total cost of a single NACA application based on material costs as well as the amount staff and contractor time per application.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Admin cost decreased from previous year. Percent increase in applications much greater than percent increase in costs from 2007 to 2008. As a result of an independent assessment performed by a contractor and approved by the CDFI Fund, new SOPs to streamline the application and award process have been developed. By late 2009, the CDFI Fund should be able to determine the effectiveness of the new SOPs currently being implemented.

Measure: Administrative Costs Per Number of New Markets Tax Credit (NMTC) Applications Processed (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	5390	4875	4875	4875
Actual	5390	4360	5320	7400	
Target met?	Y	Y	N	N	

Definition: The cost per application for New Markets Tax Credit (NMTC) applications.

Indicator Type: Measure

Data Capture and Source: The Fund will analyze the cost of materials as well as staff time and contractor's time to determine the total fixed and variable cost per application.

Data Verification and Validation: The Fund will conduct an analysis of the total cost of processing a single NMTC application. The analysis will include both fixed and variable costs for the project.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Admin cost increased from previous year. Percent increase in costs higher than percent increase in number of applications from 2007 to 2008. As a result of an independent assessment performed by a contractor and approved by the CDFI Fund, new SOPs to streamline the application and award process have been developed. By late 2009, the CDFI Fund should be able to determine the effectiveness of the new SOPs currently being implemented.

Measure: Annual Percentage Increase In The Total Assets of Native CDFIs (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	35	33	33	15	15
Actual	103	182	19	19	
Target met?	Y	Y	N	Y	

Definition: Measure the percent change in total assets that Native CDFIs report from one year to the next. The Fund will calculate: [Total Assets in Current Year - Total Assets in Previous Year] / [Total Assets in Previous Year]

Indicator Type: Indicator

Data Capture and Source: The Native CDFIs financial data is captured through the annual Institution Level Report.

Data Verification and Validation: Native CDFIs report their total assets to the Fund in their Institution Level Report. The Fund verifies the total assets reported against the organization's submitted balance sheet. Organizations are contacted regarding any discrepancies in the data reported. The Fund compares the total assets of CDFIs from year-to-year.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Based on 2007 reporting. Increased assets indicate a stronger financial institution which also indicates a maturing CDFI industry as a whole. It is expected that CDFIs receiving awards from the CDFI Fund should be able to maintain the target level. Please note that the asset growth rate target for Native CDFIs is significantly lower than for other CDFIs.

Measure: Commercial Real-Estate Properties Financed by BEA Program Applicants That Provide Access to Essential Community Products And Services In Underserved Communities (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target			Baseline	285	285
Actual			301	287	
Target met?	N/A	N/A	Y	Y	

Definition: Number of commercial real-estate projects financed by BEA applicants.

Indicator Type: Measure

Data Capture and Source: Each BEA Program applicant is required to submit an application containing a Report of Transactions. The BEA Program Unit administers the BEA application. All reports are submitted electronically and the data is stored in the Fund's databases.

Data Verification and Validation: The data is self-reported by applicants during the application process.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The number of commercial real estate loans provided by BEA applicants has remained level over the past three years. Given the current credit crunch, the Fund maintains an assumption of no growth in this area.

Measure: Community Development Entities' Annual Investments In Low-Income Communities ($ billions) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	1.4	1.6	2.1	2.5	2.5
Actual	1.1	2	2.5	3.3	
Target met?	N	Y	Y	Y	

Definition: Amount of investments in Low Income Communities that Community Development Entities have made with capital raised through their New Markets Tax Credits (NMTC) allocations. The Fund will report NMTC Qualified Low-Income Community Investments (QLICIs) that are supported by NMTC Qualified Equity Investments (QEIs).

Indicator Type: Measure

Data Capture and Source: The Fund will capture the data in the CDEs' annual Institution Level and Transaction Level Reports.

Data Verification and Validation: CDEs will attract private sector equity in the form of QEIs. CDEs will have 12 months to invest these QEIs in QLICIs. The CDEs will self-report QLICIs in their annual Transaction Level Report. The Fund uses these reports for research, reporting, and compliance. The Fund is confident that CDEs will accurately report, as the consequence of misinformation may be recapture of the New Markets Tax Credits.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Reported in 2007. This measure is directly tied to the performance and target of the measure "CDEs cumulative investments in low-income communities". The cumulative actual performance in 2008 is $8.9B. The target set in 2009 is $11.4B. This is a difference of $2.5B, which is the 2009 target set for this specific measure.

Measure: Community Development Entities' Cumulative Investments in Low-Income Communities ($ billion) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	1.4	2	4	6	11.4
Actual	1.1	3.1	5.6	8.9	
Target met?	N	Y	Y	Y	

Definition: Amount of cumulative investments in Low Income Communities that Community Development Entities have made with capital raised through their New Markets Tax Credits (NMTC) allocations in billions. The Fund will report NMTC Qualified Low-Income Community Investments (QLICIs) that are supported by NMTC Qualified Equity Investments (QEIs).

Indicator Type: Measure

Data Capture and Source: The Fund will capture the data in the CDEs' annual Institution Level and Transaction Level Reports.

Data Verification and Validation: CDEs will attract private sector equity in the form of QEIs. CDEs will have 12 months to invest these QEIs in QLICIs. The CDEs will self-report QLICIs in their annual Transaction Level Report. The Fund uses these reports for research, reporting, and compliance. The Fund is confident that CDEs will accurately report, as the consequence of misinformation may be recapture of the New Markets Tax Credits.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Cumulative thru 2007. As the NMTC program continues to receive funding, this measure will increase as the allocation will go directly to the Community Development Entities (CDEs) to raise Qualified Equity Investments (QEIs). Based on past funding trends, the CDFI Fund expects to have a minimum allocation of $2.0 billion available to be awarded in 2009.

Measure: Dollars of Private and Non-CDFI Fund Investments That CDFIs are Able To Leverage Because of Their CDFI Fund Financial Assistance. ($ million) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	500	1100	861	750	635
Actual	1800	1400	778	621	
Target met?	Y	Y	N	N	

Definition: This measure represents the dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance (FA) award. For CDFIs, leverage is defined as the one-to-one non-federal match (as required by the FA program), plus funds the CDFI is able to leverage with CDFI Fund FA grant and equity dollars, plus dollars that the awardees' borrowers leverage for projects. (Project leverage example - Of the total financing needed for a housing development is $5 million and the awardee lends $1 million, while other investors lend the remaining $4 million, then the $4 million is the project leverage).

Indicator Type: Measure

Data Capture and Source: FA award disbursements are made once CDFIs provide documentation showing that they have received or been committed matching funds. Disbursements of FA are tracked by the Financial Manager and are used as the proxy for matching funds raised. The CDFI Program annual Institution Level Report captures the leverage ratio for FA grants and equity dollars, as well as project level leverage.

Data Verification and Validation: CDFI awardees' one-to-one match is equal to the amount disbursed to awardees. The FA grant and equity dollar leverage ratio is taken from the awardees' financial statements. (In most cases, the financial statements have been audited.) Project level leverage is reported by the awardee and is not verifiable by the Fund.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The shortfall was due to a drop of FA disbursements from $40M (in 2006) to $28M (in 2007). Although this is a drop in the overall leverage, the single dollar leverage increased from the previous year went from 1:19 in 2007 to 1:22 in 2008, respectively. FA disbursements are dependent on how much money the CDFI Fund has available so the single dollar leverage is a better indicator of the effectiveness of the grants being provided.

Measure: Increase in Community Development Activities Over Prior Year For All BEA Program Applicants ($ million) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	134	81	100	180	202
Actual	103	318	227	232	
Target met?	N	Y	Y	Y	

Definition: This measures the Bank Enterprise Award (BEA) applicants' increase in qualified community development activities over prior year.

Indicator Type: Measure

Data Capture and Source: Each BEA Program applicant is required to submit an application containing a Report of Transactions. The BEA Program Unit administers the BEA application. All reports are submitted electronically and the data is stored in the Fund's databases.

Data Verification and Validation: The data is self-reported by applicants during the application process.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: BEA activity increased this funding round due to an increased level of financial support provided to certified CDFIs and small businesses in economically distressed areas. The Fund will continue to support these efforts through the BEA awards.

Measure: Increase in the Percentage Of Eligible Areas Served by a CDFI (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	5	8	15	15
Actual	3.3	13.5	19.5	17.8	
Target met?	Y	Y	Y	Y	

Definition: From 2000 census data, there are 24,795 geographic tracts in the U.S. that are designated as eligible to be served by CDFIs. The CDFI Fund captures portfolio data at the specific project address level from organizations receiving awards. By having this information, it can be determined how many eligible tracts CDFIs are serving in an annual reporting year.

Indicator Type: Measure

Data Capture and Source: Each awardee collects and tracts their portfolio data in its own management information system(s). It is then uploaded into the CDFI Fund's Community Investment Impact System (CIIS). This information is self-reported by the awardees.

Data Verification and Validation: The CDFI Fund will collect portfolio data thru the annual transaction level reports. Data provided is compared to the awardees' actual financial statements for accuracy and "reasonableness" as defined by the CDFI Fund. Awardees are contacted regarding any discrepancies.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Portfolio data shows that CDFIs have projects in 4,407 out of 24,795 CDFI eligible tracts (17.8%) for reporting year 2007. As the CDFI industry expands and more investments/projects are finalized, there should be an increase in coverage of projects in distressed communities.

Measure: Number of Full-Time Equivalent Jobs Created Or Maintained In Underserved Communities By Businesses Financed by CDFI Program Awardees (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	26995	29158	34009	28676	30000
Actual	23656	22329	35022	29539	
Target met?	N	N	Y	Y	

Definition: Jobs maintained are jobs at the business at the time the loan or investment is made. Jobs created are new jobs created after the loan or investment is made. Jobs created and maintained serve as an important indicator of the economic vitality of underserved areas. Underserved communities are those that qualify as CDFI Program Target Markets (which include a specific geography called an Investment Area or a specific community of people with demonstrated lack of access to credit, equity, or financial services called a Low-Income Targeted Population or an Other Targeted Population).

Indicator Type: Measure

Data Capture and Source: Each awardee and allocatee collects and tracks job data in its own management information system(s). The information is self-reported by awardees and allocatees. Many organizations track the number of jobs projected to be created. A smaller number collect annual information on actual number of jobs created. Some do not collect the data and respond "don't know." Each CDFI Financial Assistance awardee and NMTC Allocatee is required to complete a Transaction Level Report. CDFI awardees report FTE data in the Institution Level Report or Transaction Level Report, while NMTC Allocatees report FTE data in the Transaction Level Report only.

Data Verification and Validation: The Fund will collect FTE through the annual Institution Level and Transaction Level Reports. Data provided is compared to the awardees' and allocatees' actual financial statements for accuracy and "reasonableness" as defined by the Fund. Awardees and allocatees are contacted regarding any discrepancies.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Based on 2007 reporting. Job creation will be of great importance during this economic down turn. As CDFIs receive funding from the CDFI Fund, they will be able to continue investing in projects that will improve low-income communities and create jobs.

Measure: Number of Small Businesses Located In Underserved Communities Financed by BEA Program Applicants (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target			Baseline	329	288
Actual			375	906	
Target met?	N/A	N/A	Y	Y	

Definition: Number of loans provided to small businesses financed by BEA applicants.

Indicator Type: Measure

Data Capture and Source: Each BEA Program applicant is required to submit an application containing a Report of Transactions. The BEA Program Unit administers the BEA application. All reports are submitted electronically and the data is stored in the Fund's databases.

Data Verification and Validation: The data is self-reported by applicants during the application process.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In 2007, there was a significant rise in the number of loans provided to small business owners in economically distressed areas. Given the uncertainty in the lending markets, the Fund does not predict this level of growth to continue but to more closely resemble the cycle experience in the past three years.

Measure: Percent of CDFIs that Increased Their Total Assets (Cumulative) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	69	70	70	70	70
Actual	74	84	82	87	
Target met?	Y	Y	Y	Y	

Definition: Measure the # of CDFIs that reported an increase in total assets in the current year compared to the original year that was first reported to the CDFI Fund.

Indicator Type: Measure

Data Capture and Source: CDFIs financial data is captured through the annual Institutional Level Report.

Data Verification and Validation: CDFIs report their total assets to the CDFI Fund in their Institutional Level Report. The CDFI Fund verifies the total assets reported against the organization's submitted balance sheet. Organizations are contacted regarding any discrepancies in the data reported.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Assets increased in 117 out of 134 CDFIs for reporting year 2007 compared to the original reporting year. Increased assets indicate a stronger financial institution which also indicates a maturing CDFI industry as a whole. It is expected that CDFIs receiving awards from the CDFI Fund should be able to maintain the target level.

Measure: Percent of CDFIs that Increased Their Total Assets Over the Previous Year (Annual) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	69	69	70	70	70
Actual	73	82	74	80	
Target met?	Y	Y	Y	Y	

Definition: Measure the # of CDFIs that reported an increase in total assets over the previous year.

Indicator Type: Measure

Data Capture and Source: The CDFIs financial data is captured through the annual Institution Level Report.

Data Verification and Validation: CDFIs report their total assets to the CDFI Fund in their Institutional Level Report. The CDFI Fund verifies the total assets reported against the organization's submitted balance sheet. Organizations are contacted regarding any discrepancies in the data reported. The CDFI Fund compares the total assets of CDFIs from year-to-year.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Assets increased in 103 out of 128 CDFIs for reporting year 2007. Increased assets indicate a stronger financial institution which also indicates a maturing CDFI industry as a whole. It is expected that CDFIs receiving awards from the CDFI Fund should be able to maintain the target level.

Measure: Percentage of Eligible Areas Served by One Or More CDFI (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	1	1	3	3
Actual	.1	1.6	4.2	3.4	
Target met?	Y	Y	Y	Y	

Definition: Same definition as the measure "CDFI - Increase in the pct. of eligible areas served". The difference is that this measure focuses on one or more CDFI serving the same geographic tract, which would indicate demand for CDFIs.

Indicator Type: Measure

Data Capture and Source: Each awardee collects and tracts their portfolio data in its own management information system(s). It is then uploaded into the CDFI Fund's Community Investment Impact System (CIIS). This information is self-reported by the awardees.

Data Verification and Validation: The CDFI Fund will collect portfolio data thru the annual transaction level reports. Data provided is compared to the awardees' actual financial statements for accuracy and "reasonableness" as defined by the CDFI Fund. Awardees are contacted regarding any discrepancies.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Portfolio data shows that 832 out of 24,795 CDFI eligible tracts (3.4%) are being served by one or more CDFI for reporting year 2007. As the CDFI industry expands and more investments/projects are finalized, there should be an increase in coverage of projects in distressed communities.

Measure: Percentage of Loans and Investments that Went Into Severely Distressed Communities (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	66	66	66	66
Actual	64	71	76	73	
Target met?	Y	Y	Y	Y	

Definition: Portfolio data being reported by allocatees' at the project level is used to determine the percentage of loans going into a distressed community. A distressed community is composed of any of the following criteria: 1)Poverty > 30% 2)Median Income < 60% 3)Unemployment Rate 1.5x National Average

Indicator Type: Measure

Data Capture and Source: Each allocatee collects and tracts their portfolio data in its own management information system(s). It is then uploaded into the CDFI Fund's Community Investment Impact System (CIIS). This information is self-reported by the awardees.

Data Verification and Validation: The CDFI Fund will collect portfolio data thru annual transaction level reports. Data provided is compared to the awardees' actual financial statements for accuracy and "reasonableness" as defined by the CDFI Fund. Awardees are contacted regarding any discrepancies.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Cumulative thru 2007, 1,453 out of 1,980 projects are considered to be located in severely distressed communities. With more emphasis on assisting rural communities in the latest award round, this measure should easily exceed the projection for the next reporting year.

Alcohol and Tobacco Tax and Trade Bureau

Measure: Average Number of Days to Process an Original Permit Application at the National Revenue Center (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	72
Actual				64	
Target met?	N/A	N/A	N/A	Y	

Definition: The average numbers of days to process an original permit application (including those rejected) at the National Revenue Center (NRC). An application is stamped when received and recorded when processed.

Indicator Type: Measure

Data Capture and Source: The NRC generates statistical reports, searches, and queries from the IRIS system.

Data Verification and Validation: The NRC maintains data in the Integrated Revenue Information System (IRIS) database that reflects the receipt date of the application and the permit issue or close date. The IRIS system contains built-in data integrity controls to validate the information.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB used fiscal year 2008 results to baseline this measure and set a performance target for fiscal year 2009. In setting the target, TTB took into consideration that the National Revenue Center (NRC) is currently experiencing an eight percent annual growth in permit applications. This has led to growth in the backlog of applications and to the expenditure of unplanned overtime costs for the NRC. The NRC will review its business processes and explore funding options for an automated permit application system that will greatly reduce the processing time for permits.

Measure: National Revenue Center (NRC) Customer Satisfaction Survey Results (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	85
Actual				90	
Target met?	N/A	N/A	N/A	Y	

Definition: The NRC will conduct a customer survey to determine satisfaction levels among industry members applying for a permit or filing a claim with TTB. The questions used in this survey will be standardized for each commodity.

Indicator Type: Measure

Data Capture and Source: Data is captured from clients through a survey mechanism. Results are posted to a detailed Excel spreadsheet. There are periodic reports generated for management.

Data Verification and Validation: Supervisor reviews report developed summary data developed by National Revenue Center (NRC) staff.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The TTB National Revenue Center (NRC) intends to achieve a score of 85 or better (a B+ rating) in fiscal year 2009 by improving forms and clarifying form instructions, an area that the fiscal year 2008 survey indicated as vulnerability. The NRC plans to target key stakeholders in the upcoming fiscal year, concentrating on the few regulated industries with the lowest apparent scores on the satisfaction survey.

Measure: Percent of Electronically Filed Certificate of Label Approval Applications (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	16	27	47	52	52
Actual	25	38	51	62	
Target met?	Y	Y	Y	Y	

Definition: Calculated by dividing the number of e-filed applications by the total Certificate of Label Approval applications (COLA) submissions (paper and electronic). The quarterly results are cumulative.

Indicator Type: Measure

Data Capture and Source: Data is captured through the COLAs Online database system. There are periodic statistical reports, searches, and queries that are generated.

Data Verification and Validation: Supervisor reviews canned report developed from COLAs Online database.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB continues to monitor COLAs Online user feedback to develop and implement system enhancements as resources allow. These updates result in a more user-friendly system that attracts and retains e-filers. The Advertising, Labeling and Formulation Division (ALFD) plans to continue its outreach efforts by participating as session speakers and booth exhibitors at TTB Expo 2009. Also, resources permitting, ALFD will hold another series of COLAs Online Workshops at locations throughout the United States, and will attend and present at various national seminars sponsored by industry. Further, ALFD is making a strategic effort to identify and reach out to large paper filers for one-on-one presentations and system demonstrations to show the benefits of filing label applications electronically.

Measure: Percentage of Instances Where the Utilization of International Trade Database System Identified Importers Without Permits as a Percentage of Total Permits on File (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	16
Actual				15	
Target met?	N/A	N/A	N/A	Y	

Definition: The percentage of occurrences in which any individual or business importer has no known authorization (e.g., permit) to operate in the alcohol or tobacco industries in the U.S. where instances in the ITDS fail to match those within the NRC's integrated Revenue System (IRIS). The results reported quarterly are cumulative findings for the year up through the reporting date.

Indicator Type: Measure

Data Capture and Source: Data is captured through the ITDS and compared with that of the NRC permit database. There are periodic statistical reports, searches, and queries that are generated.

Data Verification and Validation: Supervisor reviews report developed from ITDS compared to National Revenue Center (NRC) permit database.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB plans to begin monitoring alcohol importers in the International Trade Database System (ITDS) in fiscal year 2009. Due to staffing levels, TTB concentrated on targeting illicit tobacco importers in fiscal year 2008. TTB will send cease and desist letters to illegal importers of alcohol and tobacco products. If database records indicate that these importers continue to import product, TTB intelligence specialists will refer the importer to TTB's Trade Investigations Division and/or TTB's Tax Audit Division for investigation.

Measure: Percentage of COLA Approval Applications Processed within 9 Calendar Days of Receipt (E) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	30	55	45	Discontinued	Discontinued
Actual	50	44	42		
Target met?	Y	N	N	N/A	

Definition: The percentage of Certificate of Label Applications (COLA) processed electronically and by paper within 9 days of receipt.

Indicator Type: Measure

Data Capture and Source: Data is captured thru the COLAs Online data base system. There are periodic statistical reports, searches, and queries that are generated.

Data Verification and Validation: There are statistical reports, searches and queries that are generated. In addition, there are data integrity controls in place within the application to validate the data.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008. The nine-day standard for processing COLA applications, set in the 1990's, is no longer representative of staffing or workload levels, given that the number of COLA applications has risen 25 percent in the past three years alone. TTB replaced this customer service measure with another customer-oriented measure, "National Revenue Center customer service survey results."

Measure: Percentage of Permit Applications (original and amended) Processed by the National Revenue Center within 60 Days (E) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	67	80	80	Discontinued	Discontinued
Actual	81	86	85.09		
Target met?	Y	Y	Y	N/A	

Definition: The average number of days to process a permit application (original including those rejected by the NRC. An application is stamped when received and recorded when processed.

Indicator Type: Measure

Data Capture and Source: NRC generates statistical reports, searches and queries. In-place data integrity controls exist within the application to validate the data.

Data Verification and Validation: NRC maintains data in the IRIS database that reflects receipt date and issued or closed date.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008 and instituted a replacement measure, "Average number of days to process an original permit application at the National Revenue Center," which tracks our customer service level. The 60-day standard for processing original and amended permit applications grew to be unrealistic due to significantly increasing applications with no corresponding increase in authorized staffing levels at the National Revenue Center.

Future Plans/Explanation for Shortfall: Discontinued for fiscal year 2008.

Measure: Unit Cost to Process a Wine Certificate of Label Approval (E) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target			0	Discontinued	Discontinued
Actual			34		
Target met?	N/A	N/A	Y	N/A	

Definition: This is the allocated cost of the resources used in processing the COLA divided by the number of COLAs.

Indicator Type: Measure

Data Capture and Source: The COLA online database.

Data Verification and Validation: Capturing excise tax returns: TTB reconciles the returns received vs. logged returns daily. Capturing resource cost data: Resource data is captured and available four times a day in Discoverer.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB discontinued this measure in fiscal year 2008 as part of a review and revision that resulted in a new suite of measures that better represent the Bureau's performance.

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Discontinued for fiscal year 2008.

OUTCOME: Free Trade and Investment

Departmental Offices

Measure: Number of New Trade and Investment Negotiations Underway Or Completed (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	6
Actual				14	
Target met?	N/A	N/A	N/A	Y	

Definition: The number of international trade or investment agreements underway or completed during the period and the number of those that reflect commitments to high standards, including new commitments by a foreign government to open its financial services markets to U.S. providers. It includes bilateral agreements such as Free Trade Agreements, Bilateral Investment treaties and multilateral undertaking (e.g., WTO) from which the U.S. benefits.

Indicator Type: Measure

Data Capture and Source: International Affairs staff and U.S. Trade Representative's office reporting.

Data Verification and Validation: Based upon a count by International Affairs staff responsible for such negotiations and verifiable by reference to U.S. Trade Representative's office of financial services and investment.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Rising protectionist sentiment around the globe is impeding efforts to complete both bilateral and multilateral negotiations. Progress towards Department goals could be slowed if weaker economic conditions exacerbate this protectionist trend. The Department will make every effort to complete the target of six negotiations for 2009.

Measure: Number of Specific New Trade Actions Involving Treasury Interagency Participation in Order to Enact, Implement, and Enforce U.S. Trade Law and International Agreements (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	68
Actual				68	
Target met?	N/A	N/A	N/A	Y	

Definition: Specific trade actions involving Treasury interagency participation under legislation, decision whether to initiate trade disputes, review of country eligibility for preference programs, and review of specific trade petitions and recommendations (under preference programs, Section 301, CITA, Section 337, etc.)

Indicator Type: Measure

Data Capture and Source: International Affairs staff and U.S. Trade Representative's office reporting.

Data Verification and Validation: Based upon a count by International Affairs staff responsible for such negotiations and verifiable by reference to U.S. Trade Representative's office of financial services and investment.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Challenging economic conditions increased the number of new trade actions for 2008 beyond initial expectations. High likelihood of similar economic conditions in 2009 will most likely keep trade actions at an elevated level. The actual result for 2008, 68 actions, has thereby been retained as the target for 2009.

Measure: Number of New Free Trade Agreement (FTA) Negotiations and Bilateral Investment Treaty Negotiations Underway or Completed (Oe) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	5	9	7	Discontinued	Discontinued
Actual	7	12	10	0	
Target met?	Y	Y	Y	N/A	

Definition: The number of international trade or investment agreements underway or completed during the period and the number of those that reflect commitments to high standards such as that includes new commitments by a foreign government to open its financial services markets to U.S. providers. It includes bilateral agreements and multilateral undertakings (e.g., WTO) from which the U.S. benefits.

Indicator Type: Measure

Data Capture and Source: International Affairs staff and U.S. Trade Representative's office reporting.

Data Verification and Validation: : Based upon a count by International Affairs staff responsible for such negotiations and verifiable by reference to U.S. Trade Representative's office of financial services and investment.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: This measure was Discontinued in fiscal year 2008.

OUTCOME: Prevented or Mitigated Financial and Economic Crises

Departmental Offices

Measure: Changes that Result from Project Engagement (Impact) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	3.1
Actual				3.1	
Target met?	N/A	N/A	N/A	Y	

Definition: The extent to which a Technical Assistance project objective contributes to the achievement of the goal(s) described in the Terms of Reference and addresses the country problem describe

Indicator Type: Measure

Data Capture and Source: Generated by the Financial Technical Assistant Advisor who manage the project in the countries were technical assistant project exist.

Data Verification and Validation: The data is verified by the five contracting office representatives, the Associate Director of OTA and approved by the director of OTA.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: During fiscal year 2009 OTA will continue work already begun on analysis of fiscal year 2008 baseline data; continue reviewing team processes of generating, recording, and reviewing individual project data; and review team indicators for the four Program Key Results Areas that comprise the overall Program Performance Measures.

Measure: Scope and Intensity of Engagement (Traction) (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	3.7
Actual				3.7	
Target met?	N/A	N/A	N/A	Y	

Definition: The degree to which a Technical Assistance project brings about changes in behavior among the counterparts and other country participants.

Indicator Type: Measure

Data Capture and Source: Generated by the Financial Technical Assistant Advisor who manage the project in the countries were technical assistant project exist.

Data Verification and Validation: The data is verified and validated by the five contracting office representatives, the Associate Director of OTA and approved by the Director of OTA.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: During fiscal year 2009 OTA will continue work already begun on analysis of fiscal year 2008 baseline data; continue reviewing team processes of generating, recording, and reviewing individual project data; and review team indicators for the four Program Key Results Areas that comprise the overall Program Performance Measures.

Measure: U.S. Real Gross Domestic Product (GDP) Growth Rate (Oe) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	3.6	3.4	3.3	Discontinued	Discontinued
Actual	3.6	3	2.4		
Target met?	Y	N	N	N/A	

Definition: Real GDP is the most comprehensive measure of economic activity and is compiled throughout the year to reflect developments in each calendar quarter.

Indicator Type: Measure

Data Capture and Source: Data are provided by the Department of Commerce, Bureau of Economic Analysis (BEA).

Data Verification and Validation: Data is drawn from the Department of Commerce, Bureau of Economic Analysis, and checked twice to make sure the data is accurate.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Discontinued for fiscal year 2008.

Measure: U.S. Unemployment Rate (Oe) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	5.3	5.2	5.1	Discontinued	Discontinued
Actual	5.1	4.6	4.5		
Target met?	Y	Y	Y	N/A	

Definition: The percentage of the U.S. labor force reported as unemployed in the last quarter of the reference fiscal year.

Indicator Type: Measure

Data Capture and Source: Data are collected from the U.S. Department of Labor, Bureau of Labor Statistics

Data Verification and Validation: Data are drawn from the U.S. Department of Labor, Bureau of Labor Statistics and checked twice to make sure the data are accurate.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Discontinued for fiscal year 2008.

Office of the Comptroller of the Currency

Measure: Percent of National Banks With Composite CAMELS Rating 1 or 2 (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	90	90	90	90	90
Actual	94	95	96	92	
Target met?	Y	Y	Y	Y	

Definition: This measure reflects the overall condition of the national banking system at fiscal year-end. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for assimilating and evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are made on: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk. The rating scale is 1 through 5 where 1 is the highest rating granted.

Indicator Type: Indicator

Data Capture and Source: The Supervisory Information office identifies the current composite ratings from Examiner View (EV) and Supervisory Information System (SIS) at fiscal year-end. The number of national banks at fiscal year-end is obtained from the Federal Reserve Board's National Information Center database. The percentage is determined by comparing the number of national banks with current composite CAMELS ratings of 1 or 2 to the total number of national banks at fiscal year-end.

Data Verification and Validation: Either quarterly or semi-annually, an independent reviewer compares a sample of Reports of Examination to the Examiner View (EV) and Supervisory Information System (SIS) data to ensure the accuracy of the recorded composite ratings. Any discrepancies between the supporting documentation and the systems data are reported to the respective Assistant Deputy Comptroller or Deputy Comptroller for corrective action.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: To sustain this level of achievement, the OCC will execute its Bank Supervision Operating Plan that focuses on credit quality, allowance of loan and lease losses (ALLL) adequacy, off-balance-sheet activities, liquidity and interest rate risk management, consumer protection, and Bank Secrecy Act/Anti-money Laundering compliance. The OCC also will continue it's recruiting of entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

Measure: Percentage of Licensing Applications and Notices Completed within Established Timeframes (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	95	95	95	95	95
Actual	96	94	96	95	
Target met?	Y	N	Y	Y	

Definition: This measure reflects the extent to which OCC meets its established timeframes for reaching decisions on licensing applications and notices. The OCC's timely and effective approval of corporate applications and notices contributes to the nation's economy by enabling national banks to engage in corporate transactions and introduce new financial products and services.

Indicator Type: Measure

Data Capture and Source: The Chief Counsel's office uses the Corporate Activity Information System (CAIS) to identify applications completed during the fiscal year. For each filing, the actual decision date is compared to the target action date to determine whether the application was completed within established standards. The percentage is determined by comparing the number of licensing applications processed within the required timeframes to the total number of licensing applications processed during the fiscal year. The processing time is the number of calendar days from the date of OCC receipt to the date of OCC's decision. The established processing timeframe depends on the application type and if the application qualifies for expedited processing.

Data Verification and Validation: The Licensing Department tracks processing of all applications and notices through the Corporate Activity Information System (CAIS). The analyst who is assigned the application will verify the accuracy of the CAIS data as the application is processed. The senior analyst or manager who approves the final decision also verifies the accuracy of the CAIS data.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OCC plans to maintain its high level of timeliness in completing licensing applications and notices by hiring qualified staff as vacancies arise; providing staff training through annual conferences and rotational assignments, revising licensing manuals to address new circumstances and changed policies; and maintaining frequent communications between Headquarters office management and licensing analysts and District Office staff.

Measure: Percentage of National Banks that are Categorized as Well Capitalized (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	95	95	95	95	95
Actual	99	99	99	99	
Target met?	Y	Y	Y	Y	

Definition: This measure reflects whether the national banking system is well capitalized at fiscal year-end. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.

Indicator Type: Indicator

Data Capture and Source: National banks file quarterly Reports of Condition and Income with the Federal Finance Institution Examination Council through the Federal Deposit Insurance Corporation's data processing center. The Supervisory Information office reviews the Reports of Condition and Income (i.e., call reports) for each quarter to identify national banks that meet all of the criteria for a well capitalized institution. The number of national banks at fiscal year-end is obtained from the Federal Reserve Board's National Information Center database. The percentage is determined by comparing the number of national banks that meet all of the established criteria for being well capitalized to the total number of national banks at fiscal year-end.

Data Verification and Validation: The banks' boards of directors attest to the accuracy of the reported data. The reliability of these quarterly reports is evaluated by OCC examiners during bank examinations.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: To sustain this level of achievement, the OCC will execute its Bank Supervision Operating Plan that focuses on the capitalization levels of all national banks to ensure that our examination process focuses on banks that have or may develop problems related to capitalization levels. The OCC also will continue it's recruiting of entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

Measure: Percentage of National Banks with Consumer Compliance Rating of 1 or 2 (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	94	94	94	94	94
Actual	94	94	97	97	
Target met?	Y	Y	Y	Y	

Definition: This measure reflects the national banking system's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for assimilating and evaluating significant consumer compliance factors inherent in a bank. Each bank is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 in increasing order of supervisory concern.

Indicator Type: Indicator

Data Capture and Source: The Supervisory Information office identifies the number of banks with current consumer compliance ratings of 1 or 2 and the total number of national banks from Examiner View (EV) and Supervisory Information System (SIS) subject to consumer compliance examinations at fiscal year-end. The percentage is determined by comparing the number of national banks with current consumer compliance ratings of 1 or 2 to the total number of national banks subject to consumer compliance examinations at fiscal year-end.

Data Verification and Validation: Consumer compliance ratings are assigned at the completion of each consumer compliance examination. These ratings are entered into OCC's management information systems, Examiner View (EV) and Supervisory Information System (SIS), by the banks' Examiner-in-Charge and reviewed and approved by the Supervisory Offices' Assistant Deputy Comptroller (Mid-Size/Community banks) or Deputy Comptroller (Large banks).

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: To sustain this level of achievement, the OCC will execute its Bank Supervision Operating Plan that encourages and ensures that national banks have strong compliance management functions in place. The OCC also will continue it's recruiting of entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

Measure: Rehabilitated National Banks as a Percentage of Problem National Banks One Year Ago (CAMEL 3,4, or 5) (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	40	40	40	40	40
Actual	44	46	52	47	
Target met?	Y	Y	Y	Y	

Definition: This measure reflects the successful rehabilitation of problem national banks during the past twelve months. Problem banks can ultimately reach a point where rehabilitation is no longer feasible. The OCC's early identification of and intervention with problem banks can lead to successful remediation of problem banks.

Indicator Type: Indicator

Data Capture and Source: The Supervisory Information office in OCC's headquarters office uses Examiner View (EV) and the Supervisory Information System (SIS) to identify and compare the composite CAMELS ratings for problem banks from twelve months prior to the current period composite CAMELS ratings for the same banks. The percentage is determined by comparing the number of national banks that have upgraded composite CAMELS ratings of 1 or 2 from composite CAMELS ratings of 3, 4 or 5 to the total number of national banks that had composite CAMELS ratings of 3, 4 or 5 twelve months ago.

Data Verification and Validation: Either quarterly or semi-annually, an independent reviewer compares a sample of Reports of Examination to the Examiner View (EV) and Supervisory Information System (SIS) data to ensure the accuracy of the recorded composite ratings. Any discrepancies between the supporting documentation and the systems data are reported to the respective Assistant Deputy Comptroller or Deputy Comptroller for corrective action.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: To sustain this level of achievement, the OCC will execute its Bank Supervision Operating Plan that focuses on banks with the highest degree of problems and to work with those banks to resolve their problems in order to ensure the national banking system remains stable and strong. The OCC also will continue its recruiting of entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

Measure: Total OCC Costs Relative to Every $100,000 in Bank Assets Regulated ($) (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	9.55	9.55	9.22
Actual		8.84	8.89	8.39	
Target met?	N/A	Y	Y	Y	

Definition: This measure reflects the efficiency of OCC operations while meeting the increasing supervisory demands of a growing and more complex national banking system.

Indicator Type: Measure

Data Capture and Source: OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. Banks assets are those reported quarterly by national banks on their Reports of Condition and Income.

Data Verification and Validation: OCC's financial statements and controls over the data are audited by an independent accountant each year. National banks file quarterly Reports on Condition and Income with the FFIEC through the FDIC's data processing center. The banks' boards of directors attest to the accuracy of the reported data. The reliability of these quarterly reports is evaluated by OCC examiners during bank examinations.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: OCC will continue implementation of a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources.

Office of Thrift Supervision

Measure: Percent of Safety and Soundness Exams Started as Scheduled (Ot)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	90	90	90	90	90
Actual	93	94	95	94	
Target met?	Y	Y	Y	Y	

Definition: OTS examines savings associations every 12-18 months for safety and soundness, compliance and consumer protection laws. OTS performs safety and soundness examinations of its regulated savings associations consistent with the requirements in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) as amended by the Riegle Community Development and Regulatory Improvement Act of 1994. When safety and soundness or compliance issues are identified during its risk-focused examinations, OTS acts promptly to ensure association management and directors institute corrective actions to address supervisory concerns. OTS staff often meets with the savings association's board of directors after delivery of the Report of Examination to discuss findings and recommendations.

Indicator Type: Measure

Data Capture and Source: When a savings association is examined, OTS staff enters into the Examination Data System the examination type, examination beginning and completion dates report of examination mail date, and CAMELS or equivalent ratings. The percentage success rate for this measure is calculated by dividing the number of examinations that were started by the number of examinations that were scheduled to be started during the review period.

Data Verification and Validation: Data regarding safety and soundness examinations started as scheduled are available from the Examination Data System. The System reports assist in scheduling examinations and monitoring past performance. When necessary, management determines why standards are not being met and will initiate steps to improve performance.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The fiscal year 2009 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS's operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.

Measure: Percent of Thrifts that are Well Capitalized (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	95	95	95	95	95
Actual	99.5	99.9	99	98.4	
Target met?	Y	Y	Y	Y	

Definition: Capital absorbs losses, promotes public confidence and provides protection to depositors and the FDIC insurance funds. It provides a financial cushion that can allow a savings association to continue operating during periods of loss or other adverse conditions. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well-capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.

Indicator Type: Measure

Data Capture and Source: PCA ratings are stored in the Examination Data System and can also be found in the Thrift Overview Report and off-site financial monitoring reports. OTS calculates this measure by dividing the number of savings associations that are well capitalized by the total number of OTS-regulated institutions.

Data Verification and Validation: The Assistant Managing Director, Examinations and Supervision – Operations monitors and validates the capital measures. Quarterly press releases provide capital measures to the public.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The fiscal year 2009 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS's operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.

Measure: Percent of Thrifts with a Compliance Examination Ratings of 1 or 2 (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	90	90	90	90	90
Actual	94	93	97	95.8	
Target met?	Y	Y	Y	Y	

Definition: A uniform, interagency compliance rating system was first approved by the Federal Financial Institutions Examination Council (FFIEC) in 1980. The FFIEC rating system was designed to reflect, in a comprehensive and uniform fashion, the nature and extent of an association's compliance with consumer protection statutes, regulations and requirements. The Compliance Rating System is based upon a scale of 1 through 5 in increasing order of supervisory concern. OTS began to combine safety and soundness and compliance examinations in 2002 to attain exam efficiencies and to improve risk assessment. Using comprehensive exam procedures, compliance with consumer protection laws is reviewed at more frequent intervals, which has improved the quality of the examination process.

Indicator Type: Measure

Data Capture and Source: Compliance examination ratings are stored in the Examination Data System. OTS calculates this measure by dividing the number of OTS-regulated savings associations that received a compliance examination rating of 1 or 2 on their most recent examination by the total number of OTS-regulated savings associations that have been assigned a compliance examination rating.

Data Verification and Validation: Summary and detail reporting of compliance ratings are available online through the Examination Data System. The Assistant Managing Director, Examinations and Supervision – Operations monitors the status of compliance exam ratings.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The fiscal year 2009 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS's operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.

Measure: Percent of Thrifts with Composite CAMELS Ratings of 1 or 2 (%) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	90	90	90	90	90
Actual	94	93	93	90	
Target met?	Y	Y	Y	Y	

Definition: On December 9, 1996, the FFIEC adopted the CAMELS rating system as the internal rating system to be used by the Federal and State regulators for assessing the safety and soundness of financial institutions on a uniform basis. The CAMELS rating system puts increased emphasis on the quality of risk management practices. "CAMELS" stands for Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk. OTS assigns composite CAMELS rating to savings associations at each examination and may adjust the rating between examinations if the association's overall condition has changed. New savings associations are typically not assigned a composite CAMELS rating until the first examination. OTS adjusts the level of supervisory resources devoted to an association based on the composite rating. The CAMELS rating is based upon a scale of 1 through 5 in increasing order of supervisory concern.

Indicator Type: Measure

Data Capture and Source: Composite CAMELS ratings are stored in and retrieved from the online Examination Data System. OTS calculates this measure by dividing the number of savings associations having composite CAMELS rating of 1 or 2 by the total number of OTS-regulated savings associations that have been assigned a composite CAMELS rating.

Data Verification and Validation: Summary and detail reporting of CAMELS ratings are available online through the Examination Data System and are provided to each association at the conclusion of an exam. The composite rating is used semi-annually in the assessment process. The Assistant Managing Director, Examinations and Supervision – Operations continuously monitors the status of exam ratings. Quarterly press releases provide a summary of the thrift industry's CAMELS ratings to the public.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The fiscal year 2009 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS's operations. OTS will continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.

Measure: Total OTS Costs Relative to Every $100,000 in Savings Association Assets Regulated (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	14.33	15.08	15.07
Actual		13.46	13.9	15.1	
Target met?	N/A	Y	Y	N	

Definition: Beginning in fiscal year 2006, OTS included a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex thrift industry. This measure supports OTS's ongoing efforts to efficiently use agency resources. The efficiency measure is impacted by the relative size of the savings associations regulated. As of June 30, 2006, 63% of all savings associations have total assets of less than $250 million and are generally community-based organizations that provide retail financial services in their local markets. In addition, the measure does not include over $7 trillion in assets of holding company enterprises regulated by OTS.

Indicator Type: Measure

Data Capture and Source: The OTS expenses published in OTS's annual audited financial statement are used in this calculation. If the performance measure calculation is provided before the audited financial statement is available, the estimated expenses are derived from OTS's Budget Variance System. The OTS regulated assets are published in the OTS quarterly press release of thrift industry financial highlights and are derived from the institutions' quarterly Thrift Financial Reports. The measure is calculated by dividing total fiscal year expenses by total thrift assets.

Data Verification and Validation: OTS expenses are verified during the annual CFO audit and reflect those published in the OTS annual audited financial statements. The industry's assets are reported by OTS's regulated institutions in the quarterly Thrift Financial Report, edited and verified by OTS staff, and then published in the OTS quarterly press release and available to the public on the OTS Internet site. OTS allows amendments from the industry for six months after the filing date.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: OTS plans to maintain its current high level of achievement for this measure. The fiscal year 2009 Budget/Performance Plan describes the goals, strategies, and priorities that will guide OTS's operations. The fiscal year 2008 success rate for this measure does not include one time unusual and extraordinary expenses for infrastructure improvements.

Measure: Difference Between the Inflation Rate and the OTS Assessment Rate Increase (%) (E) [DISCONTINUED FY 2008]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	0	0	0	Discontinued	Discontinued
Actual	0	0	0		
Target met?	Y	Y	Y	N/A	

Definition: Without compromising responsibilities and the risk-based examination approach, OTS strives to efficiently manage its operations and budget to ensure that assessment rate increases do not exceed the inflation rate. However, if OTS believes that events require more personnel or other expenditures, OTS may increase assessments to raise the required resources. Annually, OTS analyzes its operating costs and compares them to the assessments it charges savings associations and holding companies in order to achieve a structure that keeps assessment rates as low as possible while providing OTS with the resources necessary for effective supervision.

Indicator Type: Measure

Data Capture and Source: OTS's current assessment rates are specified in OTS's Thrift Bulletins (the TB 48 series). OTS calculates this measure annually for its January assessment cycle or whenever a new assessment bulletin is issued. The percent increase in assessment rates is calculated and compared with the inflation rate as specified in OTS's Thrift Bulletins. The difference between the inflation rate and the assessment rate increase is targeted to be greater than or equal to zero.

Data Verification and Validation: The Chief Financial Officer monitors and initiates change to the assessment rates. Changes are finalized and announced through a Thrift Bulletin after a period of public comment.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Treasury requested that OTS use this measure only as an in-house measure. This measure was Discontinued for PAR reporting in fiscal year 2008 and is being replaced by another measure.

OUTCOME: Decreased Gap in Global Standard of Living

Departmental Offices

Measure: Improve International Monetary Fund (IMF) Effectiveness and Quality through Periodic Review of IMF Program(Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	90	90	90	90	90
Actual	78	100	100	93	
Target met?	N	Y	Y	Y	

Definition: This measure tracks efforts by International Affairs (IA) staff to monitor quality of IMF country programs and ensure the application of appropriately high standards. IA staff endeavors to review each country program and provide a synopsis and recommendation for action at least one week before each program is voted on by the IMB Board. The measure tracks the percentage of times the staff review is completed in a timely manner (at least one week before Board action) to allow for alterations in language if deemed necessary.

Indicator Type: Measure

Data Capture and Source: International Affairs staff tracks and accounts for actions undertaken during the reporting period.

Data Verification and Validation: Publicly available accounts of meetings (press, etc.), communiqués issued following multilateral or bilateral meetings.

Data Accuracy: Reasonable

Data Frequency: Semi-Annually

Future Plans/Explanation for Shortfall: The ongoing credit crisis will increase IMF program activity related to emerging market countries. For fiscal year 2008 the IMF met their program requirements, despite challenges associated with significant management restructuring. The Office of International Affairs will continue to closely monitor IMF program activities and report on matters in a timely fashion.

Measure: Percentage of Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	90	90	90	90
Actual	78	88	92	94	
Target met?	Y	N	Y	Y	

Definition: The percentage of grant and loan project proposals that contain a satisfactory framework for measuring project results (such as outcome indicators, quantifiable and time-bound targets, etc.) This information is measured on an annual basis.

Indicator Type: Measure

Data Capture and Source: MDB monthly operational report, special requests to MDBs for loan and grant approvals, MDB annual reports and U.S. voting positions

Data Verification and Validation: Data provided by the MDB is compared with Treasury MDB Office vote history database and internal supporting memoranda.

Data Accuracy: Reasonable

Data Frequency: Semi-Annually

Future Plans/Explanation for Shortfall: Results measurement for grant and loan proposals at the MDBs remains a challenge. Long-term Millennium Development Goals exist, but short-term measures of progress against these goals are weak or non-existent. Greater transparency and accountability at the MDBs has permitted a somewhat clearer insight into their contribution to growth and alleviation of poverty, but stronger interim measures are needed. The Department will continue to closely monitor MDB financing programs.

STRATEGIC OBJECTIVE: Trust and Confidence in U.S. Currency Worldwide

OUTCOME: Commerce Enabled Through Safe, Secure U.S. Notes and Coins

Bureau of Engraving and Printing

Measure: Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced) ($) (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	31	28.5	32.5	33	37
Actual	28.83	27.49	28.71	29.47	
Target met?	Y	Y	Y	Y	

Definition: An indicator of currency manufacturing efficiency and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance comparison against the standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.

Indicator Type: Measure

Data Capture and Source: Cost data is collected through BEP's accrual-based cost accounting system.

Data Verification and Validation: BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In 2008 BEP was able to exceed its target for cost of currency for the forth consecutive year despite a change in the currency production program to deliver a different amount and mix of currency notes due to changes in the demand for currency. In 2009, BEP will produce and deliver the Federal Reserves order while continuing to monitor design and overhead costs related to the manufacture of currency to ensure the most efficient production and distribution of future denomination.

Measure: Maintain ISO Certification (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	1	1	1	1	1
Actual	Met	Met	Met	Met	
Target met?	Y	N/A	N/A	Y	

Definition: The effectiveness of the manufacturing program is also demonstrated by the attainment of ISO 9001 certification. ISO is an internationally recognized quality assurance program aimed at promoting the adoption of a management system that establishes a process that governs the transformation of inputs into outputs to meet customer requirements. Components of the Bureau's ISO certified system include elements of the accountability activity in that the identification and traceability of product tracking procedures are tested for consistency and reliability.

Indicator Type: Measure

Data Capture and Source: ISO compliance is verified by periodic audits of the Bureau's quality management system by an independent ISO designated firm. Periodically the International Organization for Standardization updates the quality standards, thereby, requiring organizations already ISO certified to upgrade their quality management systems in order to maintain certification.

Data Verification and Validation: Certification is achieved based on a successful compliance audit by an independent firm under the auspices of the International Organization for Standardization.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The Bureau maintained its certifications for both the ISO 14001 Environmental Management Systems and the ISO 9001 Quality Management Systems during 2008. These certifications are a testament to the Bureau's commitment to protecting the environment while producing the highest quality currency notes, BEP plans to continue its efforts in order to maintain these certifications in 2009 as well.

Measure: Currency Production (billion notes) (Ot)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	8.6	8.2	9.1	7.7	6.8
Actual	8.6	8.2	9.1	7.7	
Target met?	Y	Y	Y	Y	

Definition: A measure of BEP's ability to meet customer order delivery schedule. The customer considers this measure satisfied when complete shipments of finished currency are received in the Federal Reserve vault where it is held prior to final distribution to Federal Reserve district banks.

Indicator Type: Measure

Data Capture and Source: Product delivery data is collected and verified through various through various BEP's product accountability systems.

Data Verification and Validation: Product delivery data is reconciled to invoices generated by BEP, and confirmed by the customer.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: BEP will produce and deliver the Federal Reserves fiscal year 2009 order while continuing to monitor design and overhead costs related to the manufacture of currency to ensure the most efficient production and distribution of future denominations.

Measure: Percent of Currency Notes Delivered to the Federal Reserve that Meet Customer Quality and Requirements (%) (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	99.9	99.9	99.9	99.9	99.9
Actual	99.9	99.9	100	100	
Target met?	Y	Y	Y	Y	

Definition: A qualitative indicator reflecting the Bureau's ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections. These inspections ensure that all counterfeit deterrent features, both overt and covert are functioning as designed.

Indicator Type: Measure

Data Capture and Source: Quality inspections are performed at each Federal Reserve Bank. Any discrepancies found are reported to BEP on a per shipment basis.

Data Verification and Validation: Quality review audits are performed by internal BEP auditors on all Federal Reserve inspection systems as well as the procedures followed in reporting data to BEP. These audits are conducted on an annual basis with additional audits performed upon request by Federal Reserve Banks.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In 2008 BEP was able to maintain its high level of providing quality currency notes to our customer and exceeded this target for the year. In order to continue to produce high quality counterfeit deterrent notes for 2009, BEP will work closely with the Advanced Counterfeit Steering Committee to identify and evaluate current and future counterfeit deterrent designs.

Measure: Currency Shipment Discrepancies Per Million Notes (%) (Ot)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	.01	.01	.01	.01	.01
Actual	0	.01	.01	.01	
Target met?	Y	Y	Y	Y	

Definition: A qualitative indicator reflecting BEP's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks.

Indicator Type: Measure

Data Capture and Source: The customer captures this data and report to BEP on a monthly basis.

Data Verification and Validation: BEP reports product discrepancy data based on monthly information provided by the customer.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: During 2008, BEP was able to maintain its high level of security and accountability and met our target for the shipment of currency notes to our customer. For 2009 BEP plans to continue to ensure that proper accountability is addressed during each stage of currency production and delivery.

Measure: Security Costs Per 1,000 Notes Delivered ($) (E)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	5.95	6.25	6	5.65	5.65
Actual	5.75	6	5.92	5.63	
Target met?	Y	Y	Y	Y	

Definition: An indicator reflecting the cost of providing effective and efficient product security and accountability. This standard is developed annually based on the past year's cost performance and anticipated cost increases. The formula used to calculate this measure is the total cost of security divided by the number of notes produced divided by 1000.

Indicator Type: Measure

Data Capture and Source: Cost data is collected through BEP's accrual-based cost accounting system. This standard is developed annually based on the past year's cost performance and anticipated cost increases.

Data Verification and Validation: BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In 2008 BEP was able to exceed its target for cost of security despite a reduction in the currency production program. Guarding against theft is the top priority of the BEP security program; in 2009, BEP will produce and deliver the 2009 currency order while continuing to monitor the cost of providing effective and efficient product security and accountability.

Measure: Total Regulatory Fines and Claims Paid (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	70000	30000	27500	20000
Actual	101380	48693	8304	0	
Target met?	Y	Y	Y	Y	

Definition: The annual amount of all regulatory fines and tort claims paid by the BEP.

Indicator Type: Indicator

Data Capture and Source: BEP Management Information System (BEPMIS)

Data Verification and Validation: BEP Annual Financial Audit, the CFO Performance and Accountability Report

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Fiscal year 2008 marked the fourth consecutive year that BEP has received an unqualified opinion on its internal controls over financial reporting. BEP will continue its efforts to mark a fifth consecutive year in fiscal year 2009.

Measure: Improper and/or Erroneous Payments or Purchases (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	1000	500	500	500
Actual	790	2126	0	0	
Target met?	Y	N	Y	Y	

Definition: An indicator reflecting the ability of the Bureau of Engraving and Printing to make payment for goods and services for only authorized expenses and in a timely manner.

Indicator Type: Measure

Data Capture and Source: BEP Management Information System (BEPMIS)

Data Verification and Validation: BEP Annual Financial Audit, The CFO Performance and Accountability Report

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Fiscal year 2008 marked the fourth consecutive year that BEP has received an unqualified opinion on its internal controls over financial reporting. BEP will continue its efforts to mark a fifth consecutive year in fiscal year 2009.

Measure: Other Financial Losses

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	0	0	0	0
Actual	30000	15500	0	0	
Target met?	Y	N	Y	Y	

Definition: The face value of product theft that has been reported, investigated as unrecoverable, and verified, during the production, delivery and destruction process.

Indicator Type: Indicator

Data Capture and Source: BEP Management Information System (BEPMIS)

Data Verification and Validation: BEP Annual Financial Audit, the CFO Performance and Accountability Report

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Fiscal year 2008 marked the fourth consecutive year that BEP has received an unqualified opinion on its internal controls over financial reporting. BEP will continue its efforts to mark a fifth consecutive year in fiscal year 2009.

Measure: Total Financial Losses (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	71000	30500	28000	20500
Actual	131000	66319	8304	0	
Target met?	Y	Y	Y	Y	

Definition: The aggregate amount of annual financial losses that have been reported, investigated, and verified as unrecoverable, as a result of the following: improper and/or erroneous payments or purchases (including late payment penalties); total regulatory fines and claims paid; and other financial losses.

Indicator Type: Indicator

Data Capture and Source: BEP Management Information System (BEPMIS)

Data Verification and Validation: BEP Annual Financial Audit, the CFO Performance and Accountability Report

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Fiscal year 2008 marked the fourth consecutive year that BEP has received an unqualified opinion on its internal controls over financial reporting. BEP will continue its efforts to mark a fifth consecutive year in fiscal year 2009.

United States Mint

Measure: Conversion Costs Per 1,000 Coin Equivalents (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	7.03	6.62	7.27	7.09	7.99
Actual	7.42	7.55	7.23	8.46	
Target met?	N	N	Y	N	

Definition: Cost per 1000 coin equivalents is the cost of production (conversion cost) divided by the number of products made. Conversion costs are controllable costs within manufacturing. Those costs include manufacturing payroll, non-payroll, and depreciation costs. To determine the coin equivalents, an equivalency factor is assigned to each circulating denomination and numismatic product based on the resources it takes to make the product (indexed against the resources it takes to make one product – the quarter). The production quantity for each product is multiplied by the equivalency factor, resulting in a coin equivalent quantity. Thus, all denominations and products are equivalized to a quarter.

Indicator Type: Measure

Data Capture and Source: Conversion costs are pulled from financial reports from the accounting system. Production data is pulled from the enterprise resource planning system via queries and converted to coin equivalents.

Data Verification and Validation: United States Mint analysts review the data pulled from the accounting system for reasonableness and accuracy on a monthly basis.

Data Accuracy: Reasonable

Data Frequency: Monthly

Future Plans/Explanation for Shortfall: The United States Mint was unable to reduce conversion costs in fiscal year 2008 because of sustained fixed costs and rising energy and fuel costs. As production volumes declined, these costs were spread over fewer units, resulting in a higher overall cost per 1000 coin equivalents.

Measure: Conversion Costs Per 1,000 Coin Equivalents (E) (% deviation from target)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	0
Actual				11	
Target met?	N/A	N/A	N/A	Y	

Definition: The United States Mint's costs vary by product, and the product mix has been variable over time. This makes it difficult to compare operating results from year to year. The coin equivalent calculation converts the production output to a common denominator based on the circulating quarter. Production costs, excluding metal and fabrication, are then divided by this standardized production level, thus resulting in "conversion costs per 1,000 coin equivalents." This allows comparison of performance over time by negating the effects of changes in the product mix. Starting in fiscal year 2008, the target and results will be presented as a percentage difference from the baseline. By showing the target and performance as a percentage, this allows for the impact of fixed costs as they get spread over varying levels of production.

Indicator Type: Measure

Data Capture and Source: Conversion costs are pulled from financial reports from the accounting system. Production data is pulled from the enterprise resource planning system via queries and converted to coin equivalents

Data Verification and Validation: United States Mint analysts review the data pulled from the accounting system for reasonableness and accuracy on a monthly basis.

Data Accuracy: Reasonable

Data Frequency: Monthly

Future Plans/Explanation for Shortfall: The United States Mint will report on this performance measure for PART reporting until the Mint's new suite of performance measures are approved and the old measures are fully discontinued. Until then the Mint's fiscal year 2009 target for this performance measure should be 0%.

Measure: Protection Cost Per Square Foot (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	31.86	32	32.99	32.5	31.75
Actual	32.43	32.49	31.75	31.76	
Target met?	N	N	Y	Y	

Definition: Protection cost per square foot is the Protection operating costs divided by the area of usable space in square feet that the United States Mint Police protects. Usable space is defined as 90% of total square footage. The year-to-date result is then annualized on a straight-line basis.

Indicator Type: Measure

Data Capture and Source: The Protection costs are automatically pulled from the United States Mint's accounting system on a monthly basis. The square footage is relatively stable and is monitored by the Protection office and United States Mint management.

Data Verification and Validation: United States Mint analysts review the data for reasonableness and accuracy on a monthly basis.

Data Accuracy: Reasonable

Data Frequency: Monthly

Future Plans/Explanation for Shortfall: Protection cost per square foot increased from $31.29 in fiscal year 2007 to $31.76 in fiscal year 2008.The United States Mint is restating the FY2007 results, originally reported at $31.75. The restated figure of $31.29 excludes depreciation expense. The FY2004 –FY2006 results all exclude depreciation expense and do not have to be restated. FY2008 performance measure was below the target of $32.11. Protection reduced expenses for overtime and travel in FY2008 compared to FY2007. Contracted services expense increased by 52 percent due to one time charge for a prior year R&D project not fully capitalized, and an increase in charges from other federal agencies due to increase in background investigations of Mint staff and contractors and HSPD 12. Both of the programs cost discussed previously were higher than anticipated. Supplies increased by 43 percent replenishment of firearm supplies and shelter in place supplies. Shelter in place supplies are replaced every five years.

Measure: Employee Confidence in Protection (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	86	86	86	86	83
Actual	84	82	81	81	
Target met?	N	N	N	N	

Definition: Percentage of United States Mint employees reporting a favorable response to their confidence in the Office of Protection to safeguard United States Mint assets and assets in the custody of the United States Mint.

Indicator Type: Indicator

Data Capture and Source: Contractor administered quarterly Employee Pulse Check survey which assesses the attitudes of United States Mint employees concerning their work environment.

Data Verification and Validation: Results and data are captured and verified by United States Mint analysts.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Employee Confidence in Protection was 81 percent in fiscal year 2008, below the target of 86 percent. The main reason performance fell short of the target was apparent differences in the way various segments of the United States Mint perceive the survey question. While many employees answer the question favorably, Office of Protection personnel tend to view the question differently and record lower ratings than non-Protection personnel. Employee Confidence in Protection reported by only Protection employees was 76 percent in fiscal year 2008. Employee Confidence in Protection reported by other offices ranged from 81 to 90 percent in fiscal year 2008. The United States Mint will continue to evaluate the drivers of performance in order to address operating and communication needs and improve results. The fiscal year 2008 figure consists of the average of three quarterly Employee Pulse Check surveys. The Department of the Treasury conducted a department-wide employee survey in the first quarter of fiscal year 2008 pursuant to 5 CFR 250 Subpart C. The United States Mint Office of Workforce Solutions did not conduct the Employee Pulse Check survey in that quarter in lieu of the departmental survey. The fiscal year 2009 target for Employee Confidence in Protection is 83 percent. The Office of Workforce Solutions will begin conducting the Employee Pulse Check survey biannually in fiscal year 2009.

Measure: Cycle Time (E) [DISCONTINUED FY 2008]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	53	67	75	Discontinued	Discontinued
Actual	69	72	61	0	
Target met?	N	N	Y	N/A	

Definition: Cycle time is the length of time from when material enters a production facility until it is delivered to the customer.

Indicator Type: Measure

Data Capture and Source: Data for each element is pulled from the United States Mint's Enterprise Resource Planning system.

Data Verification and Validation: United States Mint analysts review the data pulled from the accounting system for reasonableness and accuracy on a monthly basis.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: This measure was Discontinued in fiscal year 2008.

Measure: Order Fulfillment (Oe) [DISCONTINUED FY 2008]	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	0	95	96	Discontinued	Discontinued
Actual	94	95	98	0	
Target met?	Y	Y	Y	N/A	

Definition: This measure will track order fulfillment in both the circulating and numismatic products. Each component will be scaled by its percentage of the total revenue to create an index. The formula for this measure is [(circulating shipments/circulating orders) (circulating revenue/total revenue) + (numismatic orders shipped within 7 days/numismatic orders requiring shipping) (numismatic revenue/total revenue)] The numismatic revenue and total revenue components exclude bullion revenue.

Indicator Type: Measure

Data Capture and Source: United States Mint analysts maintain circulating orders and shipment data in a database. Numismatic orders data are pulled via a query from the United States Mint's order management system. Revenue data are from the accounting system.

Data Verification and Validation: Order Fulfillment is a new measure that tracks the overall order fulfillment for the circulating coins shipped to the Federal Reserve and the numismatic coins sold to the public. The measure captures the percentage of orders that are shipped in a timely manner. Each component will be scaled by its percentage of the total revenue to create an index. The formula for this measure is [(circulating shipments/circulating orders) (circulating revenue/total revenue) + (numismatic orders shipped within 7 days/numismatic orders requiring shipping) (numismatic revenue/total revenue)]. United States Mint analysts review the data for reasonableness and accuracy regularly.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: This measure was Discontinued in fiscal year 2008.

Measure: Total Losses (Oe) [DISCONTINUED FY 2008]	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	250000	15000	10000	Discontinued	Discontinued
Actual	1135	0	0		
Target met?	Y	Y	Y	N/A	

Definition: The United States Mint performs its protection function by minimizing the vulnerability to theft or unauthorized access to critical assets. The measure is comprised of the sum of three elements 1. Financial Losses: Losses that have been reported, investigated and verified as unrecoverable; from a. Strategic reserves (Theft of Treasury Reserves) b. Coining products (Theft from the production facilities) c. Sales of products to the public (Theft by fraud) d. Other losses (Other theft) 2. Productivity losses: The cost of intentional damage or destruction of United States Mint production capability and the cost to utilize alternative productivity as needed as a result of the intentional damage or destruction. 3. Intrusion losses: The cost to repair and/or recover from intentional intrusions into United States Mint facilities and systems, either physically or electronically.

Indicator Type: Measure

Data Capture and Source: The United States Mint Police maintains a secure database of monthly reports on incidents included in the categories above. Any theft or fraud amount determined as unrecoverable is assessed on a case-by-case basis. In the event that cost information is needed, data on the value of United States Mint assets and costs are in the ERP system.

Data Verification and Validation: Analysts in the Protection organization compile and analyze the incident data on a monthly basis. Protection senior management reviews the total losses report for reasonableness and accuracy and reports to United States Mint management on a quarterly basis.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: This measure was Discontinued in fiscal year 2008.

STRATEGIC GOAL:
Prevented Terrorism and Promoted the Nation's Security Through Strengthened International Financial Systems

STRATEGIC OBJECTIVE: Pre-Empted and Neutralized Threats to the International Financial System and Enhanced U.S. National Security

OUTCOME: Removed or Reduced Threats to National Security From Terrorism, Proliferation of Weapons of Mass Destruction, Drug Trafficking and Other Criminal Activity on the Part of Rogue Regimes, Individuals, and Their Support Networks

Departmental Offices

Measure: Number of Open Civil Penalty Cases that are Resolved within the Statute of Limitations Period (Ot) [DISCONTINUED FY 2009]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		85	85	120	Discontinued
Actual	85	85	296	233	
Target met?	Y	Y	Y	Y	

Definition: Timely imposition of civil penalties plays a major role in deterring and appropriately punishing violations of sanctions by U.S. persons. OFAC receives a very high volume of law enforcement referrals regarding potential violations. It is devising strategies to reduce the backlog of civil penalty and enforcement actions and increase efficiency in drafting warning and cautionary letters, assessing penalties, negotiating penalty resolutions and processing monetary penalties.

Indicator Type: Measure

Data Capture and Source: Penalty case information is recorded in OFAC's main Oracle database (FACDB). That database has a Report function that allows us to query the database and generate reports according to a number of variables such as status, date of action, etc. Information generated from these reports is used to calculate the number of cases that were closed during a given time frame. Additionally, we have implemented processes to check a representative sampling of the closed cases to verify that the data within the system matches our hard copy records.

Data Verification and Validation: The Assistant Director for Civil Penalties Cases reviews every case that is closed. Cases that involve a settlement, an assessment, or penalty come under additional review by OFAC's Chief Counsel's Office. Cases that result in settlement or an assessment or penalty are also posted on OFAC's public website.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, OFAC plans to discontinue this measure. OFAC will continue to track the number of cases resolved within the statute of limitations period to use as an indicator in its newly developed measure.

Measure: Increase the Number of Outreach Engagements with the Charitable and International Financial Communities (Ot) [DISCONTINUED FY 2009]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		105	70	70	Discontinued
Actual	95	45	85	80	
Target met?	Y	N	Y	Y	

Definition: The effectiveness of the USG's efforts to combat terrorist financing and other forms of illicit finance depends upon the understanding and cooperation of the domestic and international private sector, particularly the financial services industries and other vulnerable sectors such as charities. The Office of Terrorist Finance and Financial Crimes (TFFC) outreach engagements allows the USG to assess first-hand domestic and international Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) practices by governments and private institutions alike and engage with these entities to ensure that they safeguard themselves and the financial system against illicit activity. When followed-up consistently, this outreach has proven to be one of our most efficacious tools for changing behavior, raising awareness, and improving capacity among foreign governments as well as domestic and foreign institutions with gaps in their AML/CFT programs.

Indicator Type: Measure

Data Capture and Source: Data collected by the Department of Treasury's Office of Terrorism and Financial Intelligence (TFI); Terrorist Financing and Financial Crimes (TFFC).

Data Verification and Validation: Department of the Treasury's TFI data based on outreach events.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TFFC will discontinue this measure in fiscal year 2009, but will continue to collect evidence that the private sector (particularly, financial institutions and the charitable sector) is responding to TFFC engagements by taking action to identify and safeguard against terrorist financing and money laundering threats and vulnerabilities.

Measure: Number of Countries that are Assessed for Compliance with the Financial Action Task Force (FATF) 40+9 Recommendations (Ot) [DISCONTINUED FY 2009]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		45	6	12	Discontinued
Actual	49	5	6	12	
Target met?	Y	N	Y	Y	

Definition: TFFC is the lead Treasury component and representative to the Financial Action Task Force (FATF). As such, TFFC is responsible for leading international efforts to identify and close money laundering and terrorist financing vulnerabilities in the international financial system, and to ensure that countries throughout the world comply with international anti-money laundering/counter-terrorist financing standards. In concert with the international community, Treasury is deploying a three-prong strategy that 1) objectively assesses all countries against the FATF 40+9, 2) provides capacity-building assistance for key countries in need and 3) isolates and punishes those countries and institutions that facilitate terrorist financing. TFI is working with international bodies like FATF, IMF (International Monetary Fund) and World Bank to ensure compliance. The IMF and World Bank have adopted the FATF 40+9 and they use those standards to assess countries for compliance.

Indicator Type: Measure

Data Capture and Source: Data collected by the Department of Treasury's Office of Terrorism and Financial Intelligence (TFI); Terrorist Financing and Financial Crimes (TFFC).

Data Verification and Validation: TFFC data undergoes multiple quality checks to ensure accuracy.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TFFC will discontinue this measure in fiscal year 2009, but will continue to track the number of countries assessed for compliance with international AML/CFT standards and use it as part of a broader indictor to illustrate demonstrated action in key regions to identify and address threats and vulnerabilities to financial systems.

Treasury Forfeiture Fund

Measure: Percent of Forfeited Cash Proceeds Resulting from High-Impact Cases (%) (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	75	75	75	75	75
Actual	81	72.93	84.18	86.91	
Target met?	Y	N	Y	Y	

Definition: A "high impact case" is a case, based on designation or executive order, resulting in a cash forfeiture equal to or greater than $100,000. This measure is calculated by dividing the amount of cash forfeited in amounts equal to or greater than $100,000 (as measured by individual deposits that are equal to or greater than $100,000) divided by the total amount of cash forfeitures to the Fund (as of the end of the year, or other reporting period.)

Indicator Type: Measure

Data Capture and Source: The Treasury Forfeiture Fund is able to capture this data on a monthly basis and the source of the data is the Detailed Collection Report (DCR).

Data Verification and Validation: The source of the data that supports our performance calculation comes from the general ledger of the Treasury Forfeiture Fund which data is audited annually pursuant to our financial statement audit. Therefore, the annual financial statement audit process serves to "verify and validate" the data used to support our performance measure on an annual basis.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The Treasury Forfeiture Fund will continue to work with participating bureaus to urge the use of asset forfeiture in high-impact cases.

OUTCOME: Safer and More Transparent U.S. and International Financial Systems

Financial Crimes Enforcement Network

Measure: Average Time to Process Enforcement Matters (in years) (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	1.1	1	1	1	1
Actual	1.3	1	1.1	.7	
Target met?	N	Y	N	Y	

Definition: The average time to process an enforcement matter is determined from the date a case is referred from the Office of Compliance to the date the charging (or action) letter is issued.

Indicator Type: Measure

Data Capture and Source: The data for this measure is captured through an internal database that stores enforcement matters. The database records the date cases are received, the analyst assigned, the statute of limitations date, and the date each case was closed.

Data Verification and Validation: The enforcement matters are entered into the automated log and evaluated to determine whether there is enforcement potential through a civil monetary penalty or otherwise. FinCEN has established time management guidelines to reduce the average processing time for civil penalty cases.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN surpassed its target for the average time to process enforcement matters in one year with an average time of 0.7. FinCEN will continue to actively manage casework to meet targets in the next fiscal year.

Measure: Percentage of Bank Examinations Conducted by the Federal Banking Agencies Indicating a Systemic Failure of the Anti-Money Laundering Program Rule (Oe)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target			Baseline	5.2	5.2
Actual			5.2	2.5	
Target met?	N/A	N/A	Y	Y	

Definition: The percentage of bank examinations that reveal the existence of systemic compliance failure (i.e., demonstrated by cited violations of the anti-money laundering program rule) is a meaningful measure because it provides an intermediate assessment of the effectiveness of the efforts of the Regulatory Policy and Programs Division's three offices in providing policy guidance and taking formal and informal compliance and enforcement actions to increase financial industry compliance with the Bank Secrecy Act. At the present time, the only financial sector from which we are receiving useful data to quantify this measure is the banking sector supervised and examined for Bank Secrecy Act compliance by the Federal Banking Agencies.

Indicator Type: Measure

Data Capture and Source: The Federal Banking Agencies aggregated information provided pursuant to the Memorandum of Understanding executed in 2004 with FinCEN.

Data Verification and Validation: This information can be validated from the quarterly aggregate reports provided to FinCEN by each agency pursuant to the Memorandum of Understanding of 2004.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2008, the percentage of banking institutions cited for program failures during examinations was significantly below the 5.2 percent indicator level, only 2.5 percent were cited, this exceeded the indicator level. This is primarily attributable to greater consistency among bank regulators in citing instances of program failures. FinCEN will continue collaborating with the Federal Financial Institutions Examination Council and will conduct outreach to the banking industry to keep future performance results positive.

Measure: Percentage of FinCEN's Regulatory Resource Center Customers Rating the Guidance Received as Understandable (Oe)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	90	90	90
Actual		94	91	94	
Target met?	N/A	Y	Y	Y	

Definition: The percentage of financial institution customers who contact the Resource Center and respond to a survey, who find the information/response/guidance received was understandable. Providing guidance that is understandable is a desired result and is critical for financial institutions to establish programs that comply with the BSA.

Indicator Type: Measure

Data Capture and Source: Resource Center customer records and survey data.

Data Verification and Validation: Results and data will be captured and verified by a professional survey consultant.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The fiscal year 2008 goal was to maintain a 90 percent satisfaction level for customers rating the guidance as "understandable," and FinCEN surpassed its goal with 94 percent. In order to meet targets in the next fiscal year, FinCEN will continue to make guidance available on the Internet, accept and analyze customer feedback, and conduct surveys to measure customer satisfaction.

Measure: Median Time Taken from Date of Receipt of Financial Institution Hotline Tip SAR to Transmittal of the Information to Law Enforcement or the Intelligence Community (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	30	25	16	15
Actual	35	19	7	3	
Target met?	Y	Y	Y	Y	

Definition: The purpose of the Financial Institution Hotline Tip is to facilitate the transmission of potential terrorism-related activity to law enforcement in a more expeditious manner than through the normal manual or electronic filing of a Suspicious Activity Report. The median time taken to transmit the information from a Financial Institution Hotline Tip SAR will be computed using the Julian date of the Hotline Tip receipt and the transmittal date. Statistical data for fiscal year 2003 and fiscal year 2004 is not available as the Julian dates found on SARs was not tracked and converted to calendar dates for comparison with referral dates in the current management information system.

Indicator Type: Measure

Data Capture and Source: Date of receipt of Hotline Tip and the date of referral in an analytical product, as recorded in the FinCEN Database. Manual records, spreadsheets and/or Access databases will be maintained to record the dates for all Hotline Tips referred.

Data Verification and Validation: Verification of receipt and report dates and medians can be accomplished using the FinCEN Database, paper and/or other electronic records developed to record dates.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN surpassed its target of 16 days with a median time of 3 days. To continue achieving this target in the future, FinCEN will continue to process Hotline Tips in an expeditious manner.

Measure: Percentage of Complex Analytic Work Completed by FinCEN Analysts (Ot)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	0	38	38	39
Actual			33	27	
Target met?	N/A	N/A	N	N	

Definition: Comparison of total number of work products generated versus those products that required complex analysis, graphical display of data relationships, analytical findings, comments and recommendations. "Complex" as used in this measure refers to the application of analytic resources to assist law enforcement clients in perfecting investigations that they consider significant due to geographic scope, large data sets, and use of multiple or little understood money laundering methodologies or involving financial relationships, products or systems not adequately understood by investigators.

Indicator Type: Measure

Data Capture and Source: The FinCEN database currently tracks assignments and includes a complexity ranking on each assignment. Management reports can be generated outlining the number of such projects and the number of reports prepared and distributed on an annual basis.

Data Verification and Validation: Production levels can be verified by a review of the paper or electronic file copies of analytical reports generated.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2008, the percentage of complex analytical products completed was 27 percent. FinCEN did not meet its target of 38 percent of complex work completed by FinCEN analysts. In fiscal year 2008 there was an increase in the number of non-discretionary, non-complex products. To increase the percentage of complex products completed in the future, FinCEN will continue efforts to reduce the number of discretionary non-complex projects undertaken and increase the number of complex products produced for foreign FIUs.

Measure: The Percent of Countries/Jurisdictions Connected to the Egmont Secure Web with in One Year of Egmont Membership (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	98	98	98	98
Actual	99	97	98	98	
Target met?	Y	N	Y	Y	

Definition: The percent of Egmont Financial Intelligence Unit members connected to the Egmont Secure Web. The goal is to maintain a 98% percent user rate. As new members are admitted to Egmont, we will work to connect them to the Egmont Secure Web.

Indicator Type: Measure

Data Capture and Source: Egmont Member data base and Egmont Secure Web User database.

Data Verification and Validation: Compare the list of Egmont Secure Web Users to the list of Egmont members.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN met its target of 98 percent of countries/jurisdictions connected to the Egmont Secure Web. To continue to meet this target in the future, FinCEN will work to ensure continued connectivity for countries that have access to the Egmont Secure Web and will connect new Egmont Group members as soon after admission as possible.

Measure: Percentage of Domestic Law Enforcement and Foreign Financial Intelligence Units Finding FinCEN's Analytical Reports Highly Valuable					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	78	79	80
Actual		77	82	83	
Target met?	N/A	Y	Y	Y	

Definition: The percentage of customers (domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable. This is composite measure compiled from survey results. The survey looks at the impact of FinCEN's analysis products, such as whether the product was used to open a new investigation, whether it generated new leads, or whether it provided information previously unknown.

Indicator Type: Measure

Data Capture and Source: Annual Surveys

Data Verification and Validation: The vendor survey team developed questionnaires for customers, with FinCEN input. They conducted e-mail and/or telephone surveys of FinCEN's customers in the investigative/intelligence community, financial community and in-house customers. A comprehensive report and presentation was provided at the conclusion of the survey.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FinCEN exceeded its target of 79 percent with 83 percent of its customers finding the analytical reports highly valuable. To continue to meet targets in the next fiscal year, FinCEN will continue its efforts to solicit input from its customers on types of products they would like to see produced and possible ways to improve the structure of its reports.

Measure: Percentage of Private Industry or Financial Institution Customers Finding FinCEN's Suspicious Activity Report (SAR) Products Highly Valuable (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	72	74	76
Actual		70	71	75	
Target met?	N/A	Y	N	Y	

Definition: This measure tracks the percentage of customers that find FinCEN's SAR activity review products useful. The measure is a composite measure compiled from survey results. The surveys look at whether regulated industries find the products useful to improving their BSA/anti-money laundering programs and whether the products provide useful guidance on filing requirements.

Indicator Type: Measure

Data Capture and Source: Annual Surveys

Data Verification and Validation: The vendor survey team developed questionnaires for customers, with FinCEN input. They conducted e-mail and/or telephone surveys of FinCEN's customers in the investigative/intelligence community, financial community and in-house customers. A comprehensive report and presentation was provided at the conclusion of the survey.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FinCEN surpassed its target with 75 percent of private industry or financial institution customers finding FinCEN's Suspicious Activity Review (SAR) products valuable. FinCEN will continue seeking feedback from shareholders and will consider requests for specific analytic studies to continue improving customer satisfaction.

Measure: Cost Per BSA form E-Filed (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	.19	.15	.15	.15
Actual	.32	.22	.14	.13	
Target met?	Y	N	Y	Y	

Definition: This measure tracks the government reoccurring operations and maintenance costs associated with E-Filing against the number of BSA forms E-Filed. As more financial institutions E-File, it is anticipated that the cost per BSA form E-Filed will decrease.

Indicator Type: Measure

Data Capture and Source: E-Filing cost records and BSA Direct E-Filing Records.

Data Verification and Validation: Results can be verified against E-Filing operations and maintenance cost records and BSA Direct E-Filing records.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN surpassed its target of .15 with .13 for cost per BSA form E-Filed. To meet this target next fiscal year, FinCEN will continue to balance operational costs with the filing volume.

Measure: Number of Largest BSA Report Filers Using E-Filing (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Baseline	342	302	374	454
Actual		383	297	386	
Target met?	N/A	Y	N	Y	

Definition: FinCEN has identified the 650 largest filers of Bank Secrecy Act reports and has established the goal of assisting and encouraging members of this group who are not already using the BSA Direct E-filing system to begin E-filing reports. E-filing by this group is seen as a means of achieving FinCEN's long-term goal.

Indicator Type: Measure

Data Capture and Source: A list compiled and maintained in the Office of BSA Data Services.

Data Verification and Validation: Magnitude of report filing and method of filing can be checked against records at he IRS Detroit Computing Center and automated records from the BSA Direct E-Filing system.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN surpassed its target of 374 with 386 largest BSA report filers using E-Filing. To increase the number of largest BSA report filers using E-filing, FinCEN plans to conduct additional, targeted outreach using possible methods such as User IT Forums.

Measure: Number of Users Directly Accessing BSA Data (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	3000	4000	6000	8000	10000
Actual	3941	4683	8402	9649	
Target met?	Y	Y	Y	Y	

Definition: The number of individuals with current passwords who have accessed the Bank Secrecy Act data through the Secure Outreach network in the past 90 days.

Indicator Type: Measure

Data Capture and Source: The list can be checked through the Profile function at the Detroit Computing Center

Data Verification and Validation: The system generates a list of users.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN surpassed its target of 8,000 with 9,649 users directly accessing BSA data. FinCEN will continue its efforts to continue expanding law enforcement's direct access to BSA data, including a concerted effort to sign additional Memoranda of Understanding.

Measure: Percentage of Customers Satisfied with the BSA E-Filing (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		Baseline	90	90	90
Actual		92	94	93	
Target met?	N/A	Y	Y	Y	

Definition: This measure assesses the customer satisfaction with BSA E-Filling. Feedback will be used to improve the system and customize it for user populations. The measure is meaningful because it tracks the satisfaction with technology used to facilitate analysis of BSA information.

Indicator Type: Measure

Data Capture and Source: Active status user survey

Data Verification and Validation: Survey information is captured in a database.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The fiscal year 2008 target was to maintain at least a 90 percent satisfaction level, and FinCEN surpassed its target with 93%. In order to meet targets in the next fiscal year, FinCEN will continue outreach to E-Filers and ensure the technology supports the user demand.

Measure: Percentage of Customers Satisfied with WebCBRS and Secure Outreach (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	81
Actual				81	
Target met?	N/A	N/A	N/A	Y	

Definition: This measure tracks FinCEN's progress toward serving the number of law enforcement and regulatory agency users accessing BSA information. These technologies (WebCBRS and Outreach Secure) allow authorized persons to more readily access BSA information and better enable them to conduct investigations more efficiently and effectively.

Indicator Type: Measure

Data Capture and Source: Data are captured via a survey.

Data Verification and Validation: Raw data are received from the survey vendor and results are calculated and verified.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN established a baseline of 81 percent of customers satisfied with the WEBCBRS and secure outreach. Going forward, FinCEN will continue to provide timely and effective support to users of WEBCBRS and secure outreach to help ensure increasing customer satisfaction.

Measure: Share of Bank Secrecy Act Filings Submitted Electronically (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	40	60	58	63	67
Actual	29	48	59	71	
Target met?	N	N	Y	Y	

Definition: The number of Bank Secrecy Act filings submitted via the web-based system, as a percent of the total filings.

Indicator Type: Measure

Data Capture and Source: Reports are generated weekly by the PACS contractor based on automated tracking

Data Verification and Validation: Checked against reports from the Detroit Computing Center

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN surpassed its target of 63 percent with 71 percent of BSA filings E-Filed. FinCEN will retire Magnetic Media by the end of the 2008 calendar year in order to meet future targets for BSA E-filing submissions.

Measure: Percentage of Federal and State Regulatory Agencies with Memoranda of Understanding/Information Sharing Agreements (Ot)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	45
Actual				41	
Target met?	N/A	N/A	N/A	Y	

Definition: This measure tracks the percentage of the examining universe that FinCEN supports and oversees. Oversight is established pursuant to Memoranda of Understanding Agreements established with federal and state regulators. The examining universe is the number of federal and state regulators with constituents subject to BSA rules. This measure is meaningful because it tracks our progress toward improving our ability to consistently examine industry compliance.

Indicator Type: Measure

Data Capture and Source: The Office of Compliance maintained list of Memoranda of Understanding agreements with targeted regulators and the list of the examining universe.

Data Verification and Validation: List can be checked against signed Memoranda of Understanding agreements in files.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In 2008, FinCEN executed three additional such agreements and surpassed its fiscal year 2008 target of 40 percent with 41 percent of federal/state regulatory agencies with MOUs. These MOUs help ensure effective application of the BSA regulations across all regulated financial service industries by providing vital compliance data. FinCEN will continue collaborating with state insurance agencies and other regulatory agencies to sign additional agreements.

Measure: Percentage of FinCEN's Compliance MOU Holders Finding FinCEN's Information Exchange Valuable to Improve the BSA Consistency and Compliance of the Financial System (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target				Baseline	66
Actual				64	
Target met?	N/A	N/A	N/A	Y	

Definition: This is a composite measure that examines the survey responses of compliance MOU holders. The questions and measure were designed to track the outcome of improved BSA consistency and compliance of the financial system and address the PART recommendation.

Indicator Type: Measure

Data Capture and Source: Data are captured via survey.

Data Verification and Validation: Raw data are received from the survey vendor and results are calculated and verified.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN surveyed its compliance MOU holders to determine the impact of the information exchange to improve the BSA consistency and compliance of the financial system, and established a 64 percent baseline of respondents rating the information exchange valuable to improving BSA consistency and compliance. To achieve future targets, FinCEN will continue to facilitate routine discussions with the MOU holders.

Measure: Number of Federal and State Regulatory Agencies with which FinCEN has Conducted Memoranda of Understanding/ Information Sharing Agreements (Oe) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target		45	50	Discontinued	Discontinued
Actual	41	48	50		
Target met?	Y	Y	Y	N/A	

Definition: This measure tracks the number of Memoranda of Understanding agreements the Office of Compliance concludes with other regulators of targeted jurisdictions. This measure is meaningful because it tracks our progress in sharing information on Bank Secrecy Act compliance with the regulatory agencies that either have delegated authority to examine for Bank Secrecy Act compliance or are expending resources to review for Bank Secrecy Act compliance under other authorities (for example, many states have Bank Secrecy Act-style laws/regulations or have laws that require compliance with all applicable laws and regulations). Some states must pass legislation to permit information sharing with the Financial Crimes Enforcement Network. Ultimately, information derived from these agreements will allow us to meet the intermediate outcome measure of improving our ability to monitor industry compliance.

Indicator Type: Measure

Data Capture and Source: Office of Compliance-maintained list of Memorandum of Understanding agreements with targeted regulators.

Data Verification and Validation: List can be checked against signed Memorandum of Understanding agreements in files. A monthly list is prepared for the regulators.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: This measure was discontinued in fiscal year 2008, and was replaced due to a change in methodology to measure the percentage of federal and state regulatory agencies with memoranda of understanding/information sharing agreements. The replacement measure is "Percentage of federal and state regulatory agencies with memoranda of understanding/ information sharing agreements."

STRATEGIC GOAL:
Management and Organizational Excellence

STRATEGIC OBJECTIVE: Enabled and Effective Treasury Department

OUTCOME: A Citizen-Centered, Results-Oriented and Strategically Aligned Organization

Departmental Offices

Measure: Percent of Complainants Informally Contacting EEO (for the Purposes of Seeking Counseling or Filing a Complaint) Who Participate in the ADR Process (%) (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	25	25	30	30	30
Actual	25	25	29	45	
Target met?	Y	Y	N	Y	

Definition: Equal Employment Opportunity (EEO) contact means an instance where an EEO Counselor or an ADR Intake Officer performs the counseling duties described in Chapter 2 of MD 110 (Government-wide managing directive on EEO). This is the same information which is reported in Part One, Section one of 462 report (Government-wide EEO report). Participation means both parties agree to enter an ADR process.

Indicator Type: Measure

Data Capture and Source: Treasury's automated Complaint Tracking System.

Data Verification and Validation: Data is periodically reviewed to ensure accuracy.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Treasury will provide training on dispute prevention centered around Alternative Dispute Resolution (ADR) and measure bureau's ADR participation rate on a quarterly basis.

Measure: Complete Investigations of EEO Complaints within 180 days (%) (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	50	50	50	50	50
Actual	36	20	51.6	56	
Target met?	N	N	Y	Y	

Definition: The average time it takes to complete investigations of Equal Employment Opportunity (EEO) complaints.

Indicator Type: Measure

Data Capture and Source: The Annual Federal EEO Statistical Report of Discrimination Complaints and the Department's Complaint Tracking System are the primary sources of data.

Data Verification and Validation: Data is reviewed quarterly to ensure accuracy.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Treasury will hold the Treasury Complaint Center (TCC) accountable to service level standards, which will be reviewed quarterly. In addition, TCC will contract a portion of complaint investigations to ensure they are expeditiously completed.

Measure: Injury and Illness Rate Treasurywide-including DO (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	3	2.8	2.6	1.4	1.4
Actual	2.8	1	1	1.29*	
Target met?	Y	Y	Y	Y	

Definition: The number of reported work-related injuries and illnesses Treasury-wide.

Indicator Type: Measure

Data Capture and Source: Safety and Health Information Management System

Data Verification and Validation: Data are collected from the Safety and Health Information Management system

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Final numbers are not yet available from the Department of Labor. In fiscal year 2009, we plan to meet our future goals by continuing to pursue activities that have led to reductions in occupational injuries and illnesses at Treasury. We continue to emphasize the approach of proactive hazard identification and elimination within our bureaus. This past year, Departmental Offices jointly conducted safety audits with two of our bureaus that had collateral duty safety officers. We plan to expand that cooperation in the coming year. We will also continue utilizing the Safety and Health Information Management System, or SHIMS, to record and trend injuries to determine appropriate interventions for preventing injuries. Training, awareness, and removal or minimizing of hazards is key to meeting our future goals.

Measure: Management Cost Per Treasury Employee ($) (E) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	0	40.27	38.21	Discontinued	Discontinued
Actual	39.33	40.59	29.64		
Target met?	N	N	Y	N/A	

Definition: Total amount obligated for Treasury's strategic objective, M5B, divided by total amount of Treasury FTEs (excluding IRS employees).

Indicator Type: Measure

Data Capture and Source: Total amount obligated for M5B is taken from year end execution reports. The total amount of Treasury FTEs is taken by each bureau (except IRS) from the Department of Agriculture's National Finance Center database.

Data Verification and Validation: Treasury's Office of Performance Budgeting staff carefully checks and verifies data.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Discontinued in fiscal year 2008.

Treasury Franchise Fund

Measure: Customer Satisfaction Index - Financial Mgmt Admin Support Services (%) (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	0	71	74	80	74
Actual	71	75	0	97	
Target met?	Y	Y	N	Y	

Definition: Shared service customers satisfaction level with service offerings, service level competence and responsiveness and overall value.

Indicator Type: Measure

Data Capture and Source: Results are submitted by the management of each franchise business and are obtained from internal or external customer satisfaction reviews.

Data Verification and Validation: Customer satisfaction processes and results for the Franchise businesses are reviewed by the Fund's management to ensure objectivity.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: ARC continues to improve their customer satisfaction assessment methodology. In fiscal year 2009, they plan to review their measurement processes to ensure that the service line owners receive feedback at a level that can lead to improvements in their customer service experience.

Measure: Operating Expenses as a Percentage of Revenue—Financial Management Administrative Support (%) (E)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	11	12	12	12	12
Actual	9	17	15.1	3.6	
Target met?	Y	N	N	Y	

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Indicator Type: Measure

Data Capture and Source: The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.

Data Verification and Validation: External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: ARC continues to monitor and take steps to ensure that operating costs remain low. In fiscal year 2008, they worked to properly classify operating costs and indirect costs for each of their service lines, resulting in a decreased operating cost percentage. In fiscal year 2009, ARC plans to continue assessing areas where operating costs can be contained to ensure maximum value for their customers.

Measure: Operating Expenses as a Percentage of Revenue—Consolidated/Integrated Administrative Management (%)(E) [DISCONTINUED FY 2009]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	4	12	12	12	Discontinued
Actual	4	4	4.3	17.7	
Target met?	Y	Y	Y	N	

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Indicator Type: Measure

Data Capture and Source: The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.

Data Verification and Validation: External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Discontinued in fiscal year 2009 due to business exiting the Franchise Fund.

Measure: Operating Expenses as a Percentage of Revenue—Financial Systems, Consulting and Training (%) (E) [DISCONTINUED FY 2009]

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	12	12	12	12	Discontinued
Actual	11	10	6.7	6.5	
Target met?	Y	Y	Y	Y	

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Indicator Type: Measure

Data Capture and Source: The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.

Data Verification and Validation: External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Discontinued in fiscal year 2009 due to businesses exiting the Franchise Fund.

Measure: Customer Satisfaction Index - Consolidated/Integrated Administrative Management (%)(Oe) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	0	71	74	Discontinued	Discontinued
Actual	71	51	0		
Target met?	Y	N	N	N/A	

Definition: Shared service customers satisfaction level with service offerings, service level competence and responsiveness and overall value.

Indicator Type: Measure

Data Capture and Source: Results are submitted by the management of each franchise business and are obtained from internal or external customer satisfaction reviews.

Data Verification and Validation: Customer satisfaction processes and results for the Franchise businesses are reviewed by the Fund's management to ensure objectivity.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Discontinue in fiscal year 2008. Not cost effective due to business exiting the Franchise Fund.

Measure: Customer Satisfaction Index - Financial System, Consulting & Training (Oe) [DISCONTINUED FY 2008]					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	0	71	74	Discontinued	Discontinued
Actual	71	81	0		
Target met?	Y	Y	N	N/A	

Definition: Shared service customers satisfaction level with service offerings, service level competence and responsiveness and overall value.

Indicator Type: Measure

Data Capture and Source: Results are submitted by the management of each franchise business and are obtained from internal or external customer satisfaction reviews.

Data Verification and Validation: Customer satisfaction processes and results for the Franchise businesses are reviewed by the Fund's management to ensure objectivity.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Discontinued in fiscal year 2008. Not cost effective due to businesses exiting the Franchise Fund.

OUTCOME: Exceptional Accountability and Transparency

Departmental Offices

Measure: Number of Material Weaknesses (Significant Management Problems Identified by GAO, the IGs and/or the Bureaus) Closed (Oe)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	4	2	1	3	0
Actual	7	1	0	2	
Target met?	Y	N	N	N	

Definition: Treasury seeks to reduce and eventually eliminate the material weaknesses that currently exist within Treasury, while simultaneously taking actions which will serve to avoid new material weaknesses. Material weaknesses are significant problems with an organization's internal controls, systems' reliability, controls on waste, fraud or abuse, mission performance, and compliance with laws and regulations.

Indicator Type: Measure

Data Capture and Source: Identified by the Government Accountability Office, Treasury's Inspectors General, and/or Treasury bureaus.

Data Verification and Validation: Certification statement issued by head of bureau. Independent review to validate material weaknesses has been corrected.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: GAO determined that IRS needed to further demonstrate the ability to implement modernized systems on time and within budget, so the Modernization Management Controls material weakness could not be closed in fiscal year 2008. Due to the complexity of the remaining material weaknesses, the next closure is scheduled for fiscal year 2010.

Office of the Inspector General

Measure: Number of Completed Audit Products (Ot)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	53	56	56	56	60
Actual	54	57	64	64	
Target met?	Y	Y	Y	Y	

Definition: Audits, attestation engagements, and evaluations: (1)promote economy, efficiency, and effectiveness of Treasury programs and operations; (2)prevent and detect fraud, waste, and abuse in those programs and operations; (3)keep the Secretary and the Congress fully informed; and (4)help the Federal government to be accountable to the public.

Indicator Type: Measure

Data Capture and Source: OIG audits, attestation engagements, and evaluations result in sequentially numbered written products.

Data Verification and Validation: Official audit files support the performance data.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OIG will continue to strive to meet or exceed the performance target, although the increasing number of financial institution failures requiring material loss reviews may tax OIG's resources.

Measure: Number of Investigations Referred for Criminal Prosecution, Civil Litigation or Corrective Administrative Action. (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	72	85	105	105	105
Actual	85	144	188	93	
Target met?	Y	Y	Y	N	

Definition: In order to protect the integrity and efficiency of Treasury programs it is important that findings of criminal or civil misconduct be referred to the Justice Department, state and/or local governments for prosecution and litigation in a timely manner. Criminal and civil convictions have a greater impact and carry a greater deterrent effect when they are prosecuted expeditiously. Some investigations will identify violations of the Ethical Standards of conduct, Federal Acquisition Regulations, or other administrative standards, which do not rise to the level of criminal or civil prosecution. In these cases it is important that OIG findings are reported to the bureau or office in a timely manner to allow them to take administrative action against the individuals engaging in misconduct.

Indicator Type: Measure

Data Capture and Source: This data will be retrieved from the Investigations case management system.

Data Verification and Validation: All case files from fiscal year 2003 and fiscal year 2009 will be reviewed to ensure that the case data is correct and supported by documentation.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: A void in senior leadership and a new emphasis on closing older cases accounted for the small shortfall in reaching the fiscal year 2008 target. Revised measures for fiscal year 2009 and beyond will provide a more reliable indication of the quality of OIG investigative work.

Measure: Percent of Statutory Audits Completed by the Required Date (E)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	100	100	100	100	100
Actual	100	100	100	100	
Target met?	Y	Y	Y	Y	

Definition: Legislation mandating certain audit work generally prescribes, or authorizes OMB to prescribe, the required completion date for recurring audits and evaluations, such as those for annual audited financial statements. For other types of mandated audit work, such as a Material Loss Review (MLR) of a failed financial institution, the legislation generally prescribes a timeframe to issue a report (6 months for an MLR, as an example) from the date of an event that triggers the audit.

Indicator Type: Measure

Data Capture and Source: The date OIG issues an audit, attestation engagement, or evaluation report is printed on the cover. The required dates may vary each year and are specified in different legislation.

Data Verification and Validation: Official audit files and the dates on the reports themselves support the performance data.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OIG will continue to complete statutory audits by the mandatory completion dates as has occurred over the past four fiscal years.

Treasury Inspector General for Tax Administration

Measure: Percentage of Audit Products Delivered when Promised to Stakeholders (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target			Baseline	60	65
Actual			68	65	
Target met?	N/A	N/A	Y	Y	

Definition: The likelihood that our products will be used is enhanced if they are delivered when needed to support Congressional and Internal Revenue Service (IRS) decision making. To determine whether our products are timely, we track the percentage of our products that are delivered on or before the day we committed to (Contract date) because it is critical that our work be done on time for it to be used by the IRS or the Congress.

Indicator Type: Measure

Data Capture and Source: Information regarding Contract dates and actual delivery dates for audits is maintained on the TCMIS. MIS Coordinators in the Office of Audit's Operating/Business Units monitor overall data accuracy and maintain secure controls over key milestone and "Contract" data entries.

Data Verification and Validation: Summary data used for purposes of reporting on this measure are extracted, from the Office of Audit's TeamCentral Management Information System (TCMIS), analyzed and summarized by personnel in our Office of Management and Policy. A qualified staff member independent of the process validates the progress related statistics. TCMIS data are reviewed and validated monthly by MIS Coordinators, Audit Managers and Directors.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: For Fiscal Year 2009, TIGTA OA will continue to monitor the execution of its audit programs to ensure its timeliness goals are met. TIGTA OA uses a management information system to monitor actual dates against estimated completion dates and makes adjustments, as needed. In addition, OA management supervises the work of auditors to ensure that audit objectives and procedures are met, IRS management is informed of audit results, and that draft and final audit reports summarizing results are prepared in a timely manner. TIGTA OA believes the combination of its management information system and its management controls provides adequate assurance that its Fiscal Year 2009 stakeholder timeliness goal will be met.

Measure: Percentage of Recommendations Made that Have Been Implemented (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target			Baseline	80	83
Actual			90	85	
Target met?	N/A	N/A	Y	Y	

Definition: The Office of Audit (OA) makes recommendations designed to improve administration of the Federal tax system. The Internal Revenue Service (IRS) must implement these recommendations in order for our work to produce financial or non-financial benefits. This measure assesses our effect on improving the IRS' accountability, operations, and services. Since the IRS needs time to act on recommendations, we track the percentage of recommendations that we made four (4) years ago that have since been implemented, rather than the results of our activities, during the fiscal year in which the recommendations are made. This timeframe is used because four (4) years is the point at which TIGTA-OA believes that if a recommendation has not been implemented, it is not likely to be.

Indicator Type: Measure

Data Capture and Source: The IRS records recommendations in the Department's JAMES as they are issued. Summary data regarding the status of the IRS's corrective actions taken in response to our recommendations are provided to the Office of Audit via JAMES reports. Our Office of Management and Policy monitors implementation of recommendations as the IRS submits updated information to the JAMES.

Data Verification and Validation: Through a formal process, each audit team identifies the number of recommendations included in each report and the IRS enters the findings and corresponding recommendations into the Department of the Treasury's (the Department) Joint Audit Management Enterprise System (JAMES). The database is updated frequently. Our Office of Management and Policy receives summary data and monitors the data regularly to make sure the recommendations reported as implemented have been accurately recorded, as well as to accumulate data in regard to progress in meeting this measure. A qualified staff member independent of the process validates the progress related statistics.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: For Fiscal Year 2009, TIGTA OA will continue to monitor the execution of its audit programs to ensure its timeliness goals are met. The OA uses a management information system to monitor actual dates against estimated completion dates and makes adjustments, as needed. In addition, OA management supervises the work of auditors to ensure that audit objectives and procedures are met, IRS management is informed of audit results, and that draft and final audit reports summarizing results are prepared in a timely manner. TIGTA OA believes the combination of its management information system and its management controls provides adequate assurance that its Fiscal Year 2009 stakeholder timeliness goal will be met.

Measure: Percentage of Results from Investigative Activities (Oe)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	67	70	73	76	78
Actual	82	79	81	78	
Target met?	Y	Y	Y	Y	

Definition: Investigative reports resulting in Criminal, Civil or Administrative adjudication or the identification of matters of security or investigative interest.

Indicator Type: Measure

Data Capture and Source: The total number of investigative cases closed along with the total number of completed Criminal, Civil and Administrative Actions is extracted from the Performance and Results Information System (PARIS).

Data Verification and Validation: Reports of Investigation and PARIS are reviewed for consistency by Special Agents in Charge prior to closing the investigation. Additionally, independent reviews are conducted periodically of each field office where a sample of closed investigations are quality reviewed by the Operations Division Inspection Team to ensure accuracy of the PARIS data. Periodic tests of PARIS data are also conducted to ensure accuracy.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: At the end of the 4th quarter, the results are 2 percentage points above the goal. TIGTA OI will continue to measure performance consistent with fiscal year 2008 criteria. TIGTA OI will monitor and evaluate fiscal year 2009 performance and may make adjustments if deemed appropriate. The fiscal year 2010 target will be determined based on evaluation of the fiscal year 2009 performance results.

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APPENDIX F: GLOSSARY OF ACRONYMS

Glossary of Acronyms	
ADR	Alternative Dispute Resolution
AML	Anti-Money Laundering
AMS	Accounts Management Services
APR	Annual Performance Report
ASM/CFO	Assistant Secretary for Management & Chief Financial Officer
AUR	Automated UnderReporter
BEA	Bank Enterprise Award
BEN	Bureau of Engraving and Printing Enterprise System
BEP	Bureau of Engraving and Printing
BPD	Bureau of the Public Debt
BSA	Bank Secrecy Act
BSM	Business Systems Modernization
CADE	Customer Account Data Engine
CAMELS	Capital adequacy, Asset quality, Management Earnings, Liquidity, and Sensitivity
CAP	Competitiveness Assessment Process
CBRS	Currency and Banking Retrieval System
CDE	Community Development Entities
CDFI	Community Development Financial Institutions
CDDB	Custodial Detail Database
CFT	Counter-Terrorist Financing
CFIUS	Committee on Foreign Investment in the United States
CFTC	Commodities Futures Trading Commission
COLA	Certificate of Label Approval
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSR	Customer Service Representative
DASHR/CHCO	Office of Deputy Assistant Secretary of Human Resources/Chief Human Capital Officer
ECP	Electronic Check Processing
EEO	Equal Employment Opportunity
EESA	Emergency Economic Stabilization Act of 2008
E-File	Electronic Filing
EFT	Electronic Funds Transfer
EFTPS	Electronic Federal Tax Payment System
EITC	Earned Income Tax Credit
Fannie Mae	Federal National Mortgage Association
FASAB	Federal Accounting Standards Advisory Board
FATF	Financial Action Task Force
FDIC	Federal Deposit Insurance Corporation

(continued)

Glossary of Acronyms	
FFMIA	Federal Financial Management Improvement Act
FHA	Federal Housing Administration
FHCS	Federal Human Capital Survey
FHFA	Federal Housing Finance Agency
FinCEN	Financial Crimes Enforcement Network
FIRST	Financial Information and Reporting Standardization
FISMA	Federal Information Security Management Act
FIU	Financial Intelligence Unit
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Service
Freddie Mac	Federal Home Loan Mortgage Corporation
FSF	Financial Stability Forum
FTA	Free Trade Agreement
FY	Fiscal Year
G-7	Group of Seven
G-20	Group of Twenty
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GAPP	Generally Accepted Principles and Practices
GDP	Gross Domestic Product
GSE	Government-Sponsored Enterprises
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IRISL	Islamic Republic of Iran Shipping Lines
IRS	Internal Revenue Service
IT	Informational Technology
MBS	Mortgage Backed Securities
MeF	Modernized electronic Filing
MLR	Material Loss Reviews
MODAFL	Ministry of Defense and Armed Forces Logistics
MOU	Memorandum of Understanding
NMTC	New Markets Tax Credit
NRC	National Revenue Center
NSC	National Security Council
OFAC	Office of Foreign Assets Control
OCC	Office of the Comptroller of the Currency
OCIO	Office of the Chief Information Officer
OCIP	Office of Critical Infrastructure and Compliance Policy
OCRD	Office of Civil Rights and Diversity
OFIP	Office of Financial Institutions Policy

(continued)

Glossary of Acronyms	
OFM	Office of Financial Markets
OFS	Office of Financial Stability
OIA	Office of Intelligence and Analysis
OMB	Office of Management and Budget
OTA	Office of Technical Assistance
OTS	Office of Thrift Supervision
OFS	Office of Financial Stability
NMTC	New Market Tax Credit
PAM	Payments Modernization
PCC OTC	Payment Check Conversion Over the Counter
PMA	President's Management Agenda
PTR	Office of Privacy and Treasury Records
PWG	President's Working Group on Financial Markets
RACS	Revenue Accounting Control System
Repo	Treasury Reverse Repurchase Agreement
SAR	Suspicious Activity Report
SEC	Securities and Exchange Commission
SVC	Stored Value Card
U.S.-China SED	U.S.-China Strategic Economic Dialogue
TARP	Troubled Asset Relief Program
TFFC	Office of Terrorist Financing and Financial Crimes
TFI	Terrorism and Financial Intelligence
TIO	Term Investment Option
TRS	Transaction Reporting System
TTB	Alcohol and Tobacco Tax and Trade Bureau
TT&L	Treasury Tax and Loan
WMD	Weapons of Mass Destruction

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WEBSITE INFORMATION

Treasury On-line	www.treas.gov
Alcohol and Tobacco Tax And Trade Bureau	www.ttb.gov
Community Development Financial Institutions Fund	www.treas.gov/cdfi
Comptroller of the Currency	www.occ.treas.gov
Bureau of Engraving & Printing	www.bep.treas.gov
Financial Crimes Enforcement Network	www.treas.gov/fincen
Financial Management Service	www.fms.treas.gov
Internal Revenue Service	www.irs.gov
U.S. Mint	www.usmint.gov
Bureau of the Public Debt	www.publicdebt.treas.gov
Office of Thrift Supervision	www.ots.treas.gov

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