Highlights

During this semiannual reporting period, our Office of Audit issued 44 products with $2,550 in questioned costs. Work by our Office of Investigations resulted in 11 indictments and 11 convictions. Some of our more significant results for the period are described below:

- Independent public accounting firms, working under contracts with and supervised by our Office of Audit, issued unmodified opinions on the Department of the Treasury’s (Treasury) consolidated financial statements and the Gulf Coast Ecosystem Restoration Council’s financial statements for fiscal year 2019.
- In our audit of Treasury Departmental Offices executive pay adjustments, bonuses, and awards, we identified two instances where the Senior Executive Service (SES) rate of basic pay was higher than the rate permitted by Federal regulations during a gap in Treasury’s SES performance appraisal system certification in 2016, resulting in overpayments for two individuals and estimated questioned costs totaling $2,550.
- In our review of corrective actions taken by the Bureau of Engraving and Printing (BEP) to improve its project management related to the production of the Next Generation (NexGen) $100 note, we found that BEP (1) was unable to provide complete documentation on production validations and had stopped production at its Washington, DC Facility after finding a new issue that impacted the quality of the notes; (2) had implemented a Currency Quality Assurance Program and increased its capabilities in project management, but had not redesigned a new note since the NexGen $100 and had not documented all procedures that are to be followed under new processes; (3) had not completed the required 5 year update to its memorandum of understanding with the Board of Governors of the Federal Reserve System; and (4) had completed an analysis for the disposition of the 1.4 billion NexGen $100 notes produced in 2010, but could not provide detailed documentation to support the analysis or an update to its cost estimate to reflect actual amounts resulting from the disposition of the notes.
- Our joint investigation with the Federal Bureau of Investigation identified a subject who initiated Denial of Service attacks on local and Federal Government websites. The subject was sentenced to 60 months of incarceration, 36 months of probation, and $669,000 in restitution in U.S. District Court, Northern District of Ohio Eastern Division.
- Our investigation determined that a subject deposited counterfeit financial institution checks in various bank accounts and used fraudulently obtained debit cards to withdraw funds. The subject was sentenced to 58 months of incarceration, 36 months of probation, and $4,400 in restitution for Bank Fraud and Aggravated Identity Theft in the Middle District of North Carolina.
Message from the Inspector General

We are all navigating the challenges brought on by the 2020 coronavirus (COVID-19) pandemic. Individuals, families, and businesses are affected by the virus. Many are in need of assistance, whether it is health care assistance caused by illness or financial assistance resulting from disruptions to their livelihoods. Regardless of the challenges, all of us are making adjustments in our lives, from checking in on elderly neighbors and friends at a safe social distance, to taking care of children and family members. We are all adapting to this evolving situation.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 COVID-19 pandemic. Among other things, the CARES Act,

- Authorizes Department of the Treasury (Treasury) Office of Inspector General (OIG) to oversee two programs within the CARES Act’s scope: a program that provides payroll support to passenger and cargo airlines and their contractors; and a larger program disbursing funds to state, local, and tribal governments.
- Establishes a Special Inspector General (IG) for Pandemic Recovery (SIGPR) within Treasury. This Special IG will be Senate confirmed and will have many oversight responsibilities. SIGPR is scheduled to sunset in five years.
- Establishes the Pandemic Response Accountability Committee (PRAC) within the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The committee is to coordinate oversight of the pandemic legislation’s operation, and can support individual OIGs in their work. Treasury OIG is one of nine OIGs specified as members of the committee.

While my office has changed how we work to adapt to this situation, we continue to serve the public. This Treasury OIG Semiannual Report to Congress for the 6-month period ended March 31, 2020, is a testament to my staff’s dedication to service. I would like to express my appreciation to all Treasury OIG staff for making possible the significant audit and investigative results that are summarized in this Semiannual Report, and to Congress and Treasury for their sustained commitment to the important work carried out by our office in this challenging environment.

Richard K. Delmar
Deputy Inspector General
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Treasury Office of Inspector General Overview

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

Treasury OIG performs independent, objective reviews of Treasury programs and operations, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and certain aspects of Pandemic Recovery, and keeps the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action. The Treasury Inspector General for Tax Administration (TIGTA) and the Government Accountability Office (GAO) perform oversight related to IRS. A Special Inspector General and GAO perform oversight related to TARP. The Special Inspector General for Pandemic Recovery (SIGPR) will perform oversight related to certain Treasury operations for Pandemic recovery as identified in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

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

Treasury OIG has four components: (1) Office of Audit; (2) Office of Investigations; (3) Office of Counsel; and (4) Office of Management. Treasury OIG is headquartered in Washington, DC. Treasury OIG also has an audit office in Boston, Massachusetts.

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

The Office of Investigations, under the leadership of the Assistant Inspector General for Investigations, performs investigations and conducts initiatives to detect and prevent fraud, waste, and abuse in programs and operations across Treasury OIG’s jurisdictional boundaries; and to investigate threats against Treasury personnel and assets in designated circumstances as authorized by the Inspector General Act. The Office of Investigations also manages the Treasury OIG Hotline to facilitate the reporting of allegations involving these programs and operations.

The Office of Counsel, under the leadership of the Counsel to the Inspector General, provides legal advice to the Inspector General and all Treasury OIG components. The office represents Treasury OIG in administrative legal proceedings and provides a variety of legal services, including (1) processing Freedom of Information Act and Giglio requests; (2) conducting ethics training; (3) ensuring compliance with financial disclosure requirements; (4) reviewing proposed legislation and regulations; (5) reviewing administrative subpoena requests; and (6) preparing for the Inspector General’s signature, cease and desist letters and monetary assessments against persons and entities misusing the Treasury seal and name. The Office of Counsel also responds to media and Congressional inquiries and serves as the Whistleblower Protection Coordinator for Treasury.

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

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1 Giglio information refers to material that may call into question the character or testimony of a prosecution witness in a criminal trial.
administrative infrastructure, including facilities, human resources, information technology, procurement, records management, and security.

Treasury OIG’s fiscal year 2020 appropriation is $41 million. Treasury OIG’s oversight of the SBLF program is funded on a reimbursable basis. As of March 31, 2020, Treasury OIG had 147 full-time staff.
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Management and Performance Challenges

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

Treasury

In an October 15, 2019, memorandum to Secretary of the Treasury Steven Mnuchin, Acting Inspector General Richard Delmar reported the following four challenges facing the Department that were repeated from the prior year.

- Operating in an Uncertain Environment
- Cyber Threats
- Anti-Money Laundering/ Terrorist Financing and Bank Secrecy Act Enforcement
- Efforts To Promote Spending Transparency and To Prevent and Detect Improper Payments

We also reported a new challenge related to IT acquisition and project management.

Gulf Coast Ecosystem Restoration Council

In an October 1, 2019, letter to the Honorable Andrew Wheeler, Administrator of the Environmental Protection Agency, as Chairperson of the Gulf Coast Ecosystem Restoration Council, we reported two challenges that were repeated from the prior year.

- Federal Statutory and Regulatory Compliance
- Grant and Interagency Agreement Compliance Monitoring
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Office of Audit – Significant Audits and Other Products

Financial Management

Treasury’s Consolidated Financial Statements

KPMG LLP (KPMG), a certified independent public accounting firm working under a contract with and supervised by our office, issued an unmodified opinion on the Department of the Treasury’s (Treasury) fiscal years 2019 and 2018 consolidated financial statements. KPMG reported (1) a significant deficiency in internal control over cash management information systems and a significant deficiency in internal control over Federal debt information systems at the Bureau of the Fiscal Service (Fiscal Service), collectively representing a significant deficiency for Treasury as a whole, and (2) a significant deficiency in internal control over unpaid tax assessments and a significant deficiency in internal control over financial reporting systems at the Internal Revenue Service (IRS), collectively representing a significant deficiency for Treasury as a whole. KPMG also reported that Treasury’s financial management systems did not substantially comply with certain requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA) related to federal financial management systems requirements. KPMG found no other instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested. (OIG-20-012)

In connection with its audit of Treasury’s consolidated financial statements, KPMG issued a management report, which provided the specific findings and recommendations pertaining to the significant deficiency in internal control over cash management information systems and the related noncompliance with FFMIA’s federal financial management systems requirements at Fiscal Service that were summarized in the auditor’s report. (OIG-20-022) Additionally, KPMG issued a management letter recommending improvements to strengthen internal control over financial reporting with respect to terminating user access, implementing a segregation of duties matrix for the Federal Analysis and Reporting System user account roles, evaluating compliance with the Federal Managers Financial Integrity Act of 1982, documenting the preparation and review of a reconciliation, and reviewing year-end balances submission. (OIG-20-015)

Other Treasury Financial Audits

The Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, requires annual financial statement audits of Treasury and any component entities designated by the Office of Management and
Budget (OMB). In this regard, OMB designated IRS for annual financial statement audits. The financial statements of certain other Treasury component entities are audited either pursuant to other requirements, their materiality to Treasury’s consolidated financial statements, or as a management initiative. The table below shows the audit results for fiscal years 2019 and 2018.

<table>
<thead>
<tr>
<th>Treasury-audited financial statements and related audits</th>
<th>Fiscal year 2019 audit results</th>
<th>Fiscal year 2018 audit results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entity</strong></td>
<td>Opinion</td>
<td>Material weaknesses</td>
</tr>
<tr>
<td>Government Management Reform Act/Chief Financial Officers Act requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of the Treasury</td>
<td>U</td>
<td>0</td>
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<tr>
<td>Internal Revenue Service (A)</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td><strong>Other required audits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of the Treasury’s Closing Package Financial Statements</td>
<td>(B)</td>
<td>(B)</td>
</tr>
<tr>
<td>Office of Financial Stability (TARP) (A)</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>Bureau of Engraving and Printing</td>
<td>(C)</td>
<td>(C)</td>
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<tr>
<td>Community Development Financial Institutions Fund</td>
<td>U</td>
<td>0</td>
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<tr>
<td>Office of D.C. Pensions</td>
<td>U</td>
<td>0</td>
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<tr>
<td>Federal Financing Bank</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>Treasury Forfeiture Fund</td>
<td>U</td>
<td>0</td>
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<tr>
<td>U.S. Mint</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>Financial Statements</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>Custodial Gold and Silver Reserves</td>
<td>U</td>
<td>0</td>
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<tr>
<td><strong>Other audited accounts/financial statements that are material to Treasury’s financial statements</strong></td>
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<td></td>
</tr>
<tr>
<td>Bureau of the Fiscal Service</td>
<td></td>
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<tr>
<td>Schedule of Federal Debt (A)</td>
<td>U</td>
<td>0</td>
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<tr>
<td>Exchange Stabilization Fund</td>
<td>U</td>
<td>0</td>
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<tr>
<td><strong>Management-initiated audits</strong></td>
<td></td>
<td></td>
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<tr>
<td>Office of the Comptroller of the Currency</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>Alcohol and Tobacco Tax and Trade Bureau</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>U.S. Gold Reserves Held by Federal Reserve Banks</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>U Unmodified opinion.</td>
<td></td>
<td></td>
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</tbody>
</table>

(A) Audited by the Government Accountability Office.
(B) Department of the Treasury’s Closing Package Financial Statements was not required for fiscal year 2019.
(C) Audit was in progress as of March 31, 2020.
In connection with the fiscal year 2019 financial statement audits, the auditors issued management letters on other matters involving internal control at the Federal Financing Bank (OIG-20-010) and the United States Mint (Mint) (OIG-20-017).

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

The audit of the Gulf Coast Ecosystem Restoration Council’s (Council) financial statements is also required by the Chief Financial Officers Act of 1990, as amended by the Accountability of Tax Dollars Act of 2002. RMA Associates, LLC (RMA), a certified independent public accounting firm working under a contract with and supervised by our office, issued an unmodified opinion on the Council’s fiscal years 2019 and 2018 financial statements. RMA did not identify any matters involving internal control and its operation that are considered material weaknesses. Additionally, RMA did not identify any instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested. (OIG-20-013)

**Federal Financial Management Improvement Act**

The following instances of noncompliance with the Federal Financial Management Improvement Act of 1996, were reported in connection with the audit of Treasury’s fiscal year 2019 consolidated financial statements.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Type of noncompliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury continues to have deficiencies in IRS financial management systems. Specifically, IRS did not consistently design, implement, and operate information system controls and security programs over its financial management systems in accordance with the federal financial management systems requirements. (first reported in fiscal year 1997)</td>
<td>Federal financial management system requirements</td>
</tr>
<tr>
<td>Treasury has deficiencies in Fiscal Service Government-wide cash and federal debt management information systems. Specifically, Fiscal Service did not consistently design, implement, and operate information system controls and security programs over its cash management and federal debt information systems in accordance with the federal financial management systems requirements. (first reported in fiscal year 2018)</td>
<td>Federal financial management system requirements</td>
</tr>
</tbody>
</table>

The status of these instances of noncompliance, including progress in implementing remediation plans, will be evaluated as part of the audit of Treasury’s fiscal year 2020 consolidated financial statements.
Cyber/Information Technology

FISMA

The Federal Information Security Modernization Act of 2014 (FISMA) requires Inspectors General to perform an annual, independent evaluation of their agency’s information security program and practices. During this semiannual reporting period, we issued reports on Treasury’s and the Gulf Coast Ecosystem Restoration Council’s (Council) compliance with FISMA.

Fiscal Year 2019 Audit of Treasury’s Information Security Program for its Unclassified Systems

KPMG, a certified independent public accounting firm working under a contract with and supervised by our office, performed an audit of Treasury’s information security program and practices for its unclassified systems. The Treasury Inspector General for Tax Administration (TIGTA) performed the annual FISMA evaluation of IRS’ unclassified systems. For fiscal year 2019, KPMG determined that Treasury’s information security program and practices for its unclassified systems were established and have been maintained for the 5 cybersecurity functions and 8 FISMA metric domains. However, the program was not effective. KPMG identified 4 deficiencies within 1 of the 5 cybersecurity functions and within 4 of the 8 FISMA metric domains. Specifically, KPMG reported the following at one or more Treasury component entity:

- controls over security baseline configurations, vulnerability scanning, and flaw remediation were not consistently followed (2 component entities);
- access management, personnel screening, and data encryption controls were not fully implemented (3 component entities);
- a privacy program was not fully established (1 component entity); and
- specialized security training requirements were not consistently implemented (1 component entity).

KPMG made 14 recommendations to the responsible officials to address the identified deficiencies. Treasury management agreed with the recommendations and prepared corrective action plans that met the intent of KPMG’s recommendations. (OIG-20-003)
Fiscal Year 2019 Audit of Treasury’s Information Security Program for its Collateral National Security Systems

KPMG, working under a contract with and supervised by our office, also performed an audit of Treasury’s information security program and practices for its collateral National Security Systems (NSS). For fiscal year 2019, KPMG reported that Treasury established and maintained its information security program and practices for its collateral NSS for the 5 cybersecurity functions and 8 FISMA metric domains. However, the program was not effective. KPMG identified 1 deficiency within 1 of the 5 cybersecurity functions and within 1 of the 8 FISMA metric domains at 1 component entity. KPMG made 1 recommendation to responsible officials to address the identified deficiency. Treasury management agreed with the recommendation and prepared a corrective action plan that met the intent of KPMG’s recommendations. Due to the sensitive nature of these systems, this report is designated Sensitive But Unclassified. (OIG-20-002, Sensitive But Unclassified)

Fiscal Year 2019 Audit of Treasury’s Information Security Program for Its Intelligence Systems

In our fiscal year 2019 audit of Treasury’s information security program and practices for its intelligence systems, we reported an unresolved issue from the prior year’s audit and identified new matters that require management’s attention. Treasury management agreed with the recommendations made in our report. Due to the sensitive nature of Treasury’s intelligence systems, this report is classified. (OIG-20-004, Classified)

Fiscal Year 2019 Evaluation of the Gulf Coast Ecosystem Restoration Council’s Information Security Program

RMA, a certified independent public accounting firm working under a contract with and supervised by our office, performed this year’s annual FISMA evaluation of the Council’s information security program and practices for the period July 1, 2018 through June 30, 2019. RMA reported that the Council’s information security program and practices were established and have been maintained for the 5 cybersecurity functions and 8 FISMA metric domains, and concluded that the Council’s information security program and practices were effective for the period July 1, 2018 through June 30, 2019. (OIG-CA-20-006)
Cybersecurity Act

Section 107 of the Cybersecurity Information Sharing Act (CISA), under Title 1 of the Cybersecurity Act of 2015, requires Inspectors General of appropriate Federal entities, in consultation with the Inspector General of the Intelligence Community and the Council of Inspectors General on Financial Oversight (CIGFO), to jointly report to Congress on the actions taken by the respective agencies over the recent 2-year period to carry out the cybersecurity information sharing provisions of CISA. During this semiannual reporting period, we issued a report covering Treasury’s cybersecurity information sharing activities for calendar years 2017 and 2018 in support of the biennial joint report to Congress. We also led a CIGFO Working Group survey of the Financial Stability Oversight Council’s (FSOC) and its Federal voting member agencies’ efforts to implement the information sharing provisions under CISA.

Treasury’s Cybersecurity Information Sharing

We concluded that Treasury’s activities to share cyber threat indicators and defensive measures during calendar years 2017 and 2018 were adequate and aligned with provisions of CISA. Specifically, Treasury (1) designed and implemented sufficient policy, procedures, and practices to ensure the sharing of cyber threat indicators and defensive measures, including the removal of personally identifiable information not directly related to a cybersecurity threat; (2) did not share classified cyber threat indicators and defensive measures with the private sector that required authorization and accounting of the security clearances; (3) took appropriate, adequate, and timely actions to disseminate cyber threat indicators shared with the Federal Government; (4) shared specific aspects of cyber threat indicators that have been shared with the Federal Government; and (5) had no barriers affecting the sharing of cyber threat indicators and defensive measures. Accordingly, we did not make any recommendations to Treasury. (OIG-20-019)

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3 The Federal voting members are the Secretary of the Treasury, Chairman of the Board of Governors of the Federal Reserve System, Comptroller of the Currency, Director of the Bureau of Consumer Financial Protection, Chairman of the U.S. Securities and Exchange Commission, Chairperson of the Federal Deposit Insurance Corporation, Chairperson of the Commodity Futures Trading Commission, Director of the Federal Housing Finance Agency, and the Chairman of the National Credit Union Administration.
CIGFO’s Survey of the Financial Stability Oversight Council and its Federal Member Agencies’ Efforts to Implement the Cybersecurity Act of 2015

A CIGFO Work Group provided FSOC and its Federal voting member agencies comparative information on how member agencies have implemented CISA from January 1, 2017 through March 31, 2019. The Working Group did not assess Federal voting member agencies’ compliance with CISA and did not make any recommendations to FSOC. *(CIGFO-2020-01)*

DATA Act

Treasury and OMB are leading the Government-wide implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act). As part of our ongoing oversight of the DATA Act implementation, we are conducting a series of audits reviewing Treasury’s and the Gulf Coast Ecosystem Restoration Council’s (Council) efforts to meet their responsibilities under the DATA Act. During this semiannual period, we issued reports on the results of our second audit in the series.

Treasury Continues to Make Progress in Meeting its DATA Act Reporting Requirements

Treasury continues to make progress in meeting its DATA Act reporting requirements. Treasury’s senior accountable official timely submitted and certified Treasury’s fiscal year 2019, first quarter spending data in the DATA Act broker for publication on USAspending.gov on March 20, 2019. Treasury’s implementation and use of the data standards resulted in a complete and timely agency submission and produced complete and accurate summary-level data. However, the data submitted was of moderate quality. Treasury’s non-IRS data had low error rates for completeness and accuracy and a moderate error rate for timeliness. While Treasury’s error rate for accuracy was low, we identified three data elements with higher error rates for accuracy: (1) primary place of performance address, (2) action date, and (3) ultimate parent legal entity name. We also noted (1) that the DATA Act Information Model Schema (DAIMS) definition for period of performance start date was not clear, (2) Treasury’s Executive Office for Asset Forfeiture had not reported financial assistance data for publication on USAspending.gov, and (3) Treasury did not timely report discounts for procurement awards to Federal Procurement Data System-Next Generation (FPDS-NG).
We recommended that Treasury’s Assistant Secretary for Management, working as needed with Treasury’s senior accountable official, reporting entities, the DATA Act Project Management Office (PMO), and OMB, (1) develop, modify, or implement policies and procedures that require primary place of performance address, including ZIP +4, be documented in the initial award document, and ensure that this information is accurate in FPDS-NG; (2) develop, modify, or implement policies and procedures that ensure the action date of procurement awards are accurately entered into FPDS-NG in accordance with the DAIMS; (3) request that Treasury’s PMO ensures File D2 data (i.e., award and awardee details associated with financial assistance awards) is properly extracted from appropriate sources within the System for Award Management for publication on USAspending.gov; (4) request that Treasury’s PMO and OMB update the DAIMS definition of period of performance start date to prescribe definitively which start date agencies should use, initial award or award modification, for DATA Act purposes; or require the data element only for initial award actions; (5) develop and implement a method and procedures to submit Treasury Forfeiture Fund financial assistance award data to the Financial Assistance Broker Submission in accordance with the reporting submission specifications established by the DAIMS; and (6) establish and implement procedures to recognize discounts in FPDS-NG in accordance with timeframes established by the Federal Acquisition Regulation (FAR).

Treasury management generally concurred with recommendations 1 through 5 and outlined corrective actions that met the intent of these recommendations. Treasury management did not agree with recommendation 6, which is related to the treatment of discounts Treasury receives on payments to vendors. Treasury management stated that treatment of discounts varies across Federal agencies due to lack of Government-wide guidance. We have reviewed Treasury’s position and while we agree that the FAR does not include specific guidance on the treatment of discounts, it does require agencies to report any modification to awards that change previously reported award action data, regardless of dollar value, to FPDS-NG within three business days. Our position is that this would include discounts. We are working with Treasury management, OMB, and the Council of the Inspectors General on Integrity and Efficiency’s DATA Act Working Group to gain further clarification on this issue. (OIG-20-007)

TIGTA performed a separate audit of the IRS’ efforts to report financial and payment information as required by the DATA Act. The results of our audit and TIGTA’s audit were used to assess Treasury’s efforts, as a whole, to comply
with the DATA Act. In summary, Treasury’s completeness and accuracy error rates were low, and the error rate for timeliness was near the cutoff between lower and moderate. *(OIG-20-008)*

**The Gulf Coast Ecosystem Restoration Council Met DATA Act Reporting Requirements but Data Accuracy Could be Improved**

Council’s fiscal year 2019 first quarter data submission met the standards for completeness, accuracy, timeliness, and was of higher quality (i.e. contained less than 20 percent errors). Furthermore, Council’s data was submitted to the Broker on March 19, 2019, meeting the Treasury PMO’s March 20, 2019 deadline for publication on USAspending.gov; and the Council fully implemented and used the Government-wide financial data standards established by OMB and Treasury in August 2015.

While the Council’s fiscal year 2019 first quarter data was of higher quality, we found errors in certain procurement data elements made by Fiscal Service’s Administrative Resource Center (ARC). As a result, certain procurement data elements in the Council’s data submission were inaccurate. Specifically, the award type and action date for one contract included in File D1 (i.e., award and awardee details associated with procurement awards) did not match the contract, the authoritative source record. We recommended that the Council’s Executive Director ensure that the senior accountable official (1) directs ARC to correct the procurement data errors identified in FPDS-NG; and (2) improves oversight of ARC’s future DATA Act submissions to ensure the accuracy of the Council’s data. Council management agreed with our recommendation, and its actions as stated in the report, met the intent of our recommendation. *(OIG-20-005)*

**RESTORE Act**

As part of our ongoing oversight of Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) programs, we are assessing the Gulf Coast Ecosystem Restoration Council’s (Council) and Treasury’s activities funded by the act. During this semiannual period, we assessed Jefferson Parish, Louisiana’s internal control over the administration of Federal awards in accordance with Federal laws, regulations, and Treasury’s grant application requirements.
Jefferson Parish’s Internal Control over Federal Awards

We found that Jefferson Parish’s system of internal control did not include an entity-wide risk assessment to identify and manage organizational risks. Jefferson Parish had designed and implemented internal controls to administer Federal awards in the areas of budgeting, cash management, financial reporting, and performance monitoring as required by OMB’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200 (Uniform Guidance), Treasury’s RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions, and Treasury’s RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance. However, Jefferson Parish had not yet designed and implemented controls in the areas of disbursements (i.e. grant timekeeping), equipment management, and procurement as of November 2018. Among other things, these areas lacked policies and procedures for (1) tracking and allocating employee time charged to RESTORE Act grants; (2) maintaining records to manage Federally-funded equipment; and (3) ensuring compliance with Treasury’s conflict of interest requirements.

We recommended that Treasury’s Fiscal Assistant Secretary ensure that the deficiencies identified in Jefferson Parish’s controls over Federal awards are considered as part of Treasury’s oversight of future awards as well as risk assessments of Jefferson Parish as required by the Uniform Guidance. Treasury management stated that they will consider the internal control deficiencies identified as part of Treasury’s risk assessments for any future Jefferson Parish awards. Treasury management’s response met the intent of our recommendation. (OIG-20-029)

Small Business Jobs Act

The Small Business Jobs Act of 2010 established the Small Business Lending Fund (SBLF) program at Treasury to increase the availability of credit to small businesses. Under Section 4107 of the act, we are responsible for audits related to the SBLF program. During this semiannual reporting period, we assessed the impact of the mandatory dividend and interest rate increases on financial institutions participating in Treasury’s SBLF program.
Impact of Mandatory Dividend Rate Increases on Small Business Lending Fund Participants

Financial institutions that received capital investments under the SBLF program were expected to pay dividends or interest (collectively referred to as dividend rates) to Treasury. Between December 2015 and April 2016, the dividend rates for SBLF participants increased to 9 percent for C corporations and 13.8 percent for S corporations.4 We found that financial institutions exited the SBLF program at an accelerated pace prior to their respective dividend rate increases. That is, 227 of the 281 SBLF participants (or 81 percent) fully redeemed their investments totaling $3,416,196,880. From April 2016 through March 2018, another 42 financial institutions redeemed investments totaling $378,259,000. Of the 197 dividend payments totaling $46,062,138 that were due subsequent to the dividend rate increases, the SBLF program office collected 182 payments (or 92 percent) totaling $39,736,183. The remaining $6,325,955 was owed by three financial institutions. For these missed dividend payments, we found that the SBLF program office took appropriate actions in accordance with the Securities Purchase Agreement(s). Overall, we found that SBLF program officials and staff complied with the office’s Redemption Procedure and Dividend and Interest Procedures. Since SBLF participants remaining as of March 31, 2018 were not required to redeem their investments, we did not make recommendations to Treasury. (OIG-20-026)

Resource Management

We conduct audits on Treasury’s administration of its programs and operations. During this semiannual reporting period we issued a report on Treasury’s Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer’s (DASHR/CHCO) processes and practices related to pay adjustments, bonuses and awards for Treasury Departmental Office (DO) executives.

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4 C corporations are legal entities operating under state law whose profits are taxed to the corporation when earned, and taxed to the shareholders when distributed as dividends. S corporations are entities, as allowed by the Internal Revenue Code, which pass income, losses, deductions, and credits to their shareholders for Federal tax purposes. In so doing, the corporation avoids double taxation on corporate income.
Treasury Departmental Offices Executive Pay Adjustments, Bonuses, and Awards

Treasury’s Office of Executive Resources (OER), within DASHR/CHCO, generally complied with applicable laws, regulations, policies, and procedures when administering performance ratings, pay adjustments, and bonuses for DO Senior Executive Service (SES) members authorized for the fiscal year 2016 performance period. For example, all awardees approved by Treasury’s Deputy Secretary met the bonus eligibility requirements, and Treasury’s aggregate spending on SES performance bonuses did not exceed established thresholds. However, DASHR/CHCO’s processes and practices related to pay adjustments and bonuses did not meet all the requirements established in 5 CFR 534.404, Setting and adjusting pay for senior executives, and 5 CFR 534.405, Performance awards. For example, OER did not comply with 5 CFR 534.404(h)(2), Setting pay upon transfer, nor 5 CFR 534.403(a)(3)(b), Suspension of certification of performance appraisal system, during a gap in Treasury’s SES performance appraisal system certification. Specifically, we identified two instances where the SES rate of basic pay was higher than the rate permitted by Federal regulations during a gap in Treasury’s SES performance appraisal system certification in 2016, resulting in overpayments for two individuals and estimated questioned costs totaling $2,550.

In addition, we identified weaknesses in Treasury’s processes and practices related to pay adjustments, bonuses and awards. We noted (1) DASHR/CHCO had not finalized and approved Treasury’s SES Pay and Awards policy; (2) OER did not have standard operating procedures (SOP) in place detailing the processes and procedures used for administering Treasury DO SES member performance ratings, pay adjustments, and bonuses; nor did they have procedures in place to ensure that there was an adequate and full understanding by SES’ supervisors and rating officials regarding exceptions to the Office of Personnel Management’s (OPM) 12-month rule relating to pay adjustments; and (3) OER did not timely submit Treasury’s final fiscal year 2016 SES data call report to OPM. In addition, the 2017 data call report did not include 11 individuals who had left Treasury. We were told that the lack of sufficient resources and workforce skills contributed to these weaknesses and the instances of noncompliance with Federal regulations.

We recommended that the Assistant Secretary for Management; ensures: (1) DASHR/CHCO and OER develop, implement, and include effective internal
controls within its policies and SOPs to ensure Treasury’s SES basic pay rates are in compliance with 5 CFR 534.403(a)(3)(b), *Suspension of certification of performance appraisal system*; and 5 CFR 534.404 (h)(2), *Setting pay upon transfer*; (2) DASHR/CHCO and OER calculate the overpayment amounts for the two DO SES members whose pay was set higher than allowed by regulation; (3) DASHR/CHCO and OER seek recovery of the overpayment amounts or exercise the authority to waive any claim in accordance with applicable Federal regulations and Treasury Directive 34-01, *Waiving Claims Against Treasury Employees for Erroneous Payments*; (4) DASHR/CHCO and OER complete OPM data calls in accordance with OPM’s applicable instructions and guidance to ensure all required employees, such as those who have left Treasury, are properly reported; (5) DASHR/CHCO assesses staffing levels, workforce skills, and respective budgets to determine whether additional personnel should and can plausibly be incorporated into future strategic planning to ensure OER can meet its goals and mission; (6) DASHR/CHCO finalizes and approves Treasury’s SES Pay and Awards policy, and then periodically reviews it for continued relevance, effectiveness, and transparency in making pay decisions and awarding performance bonuses; (7) OER documents the processes and SOPs, with appropriate detail, followed in administering Treasury DO SES member performance ratings, pay adjustments, and bonuses; (8) OER oversees the process regarding exceptions to the 12-month rule; (9) OER includes information regarding the approval process for waiver requests for exceptions to the 12-month rule in the instructions provided to bureau heads and DO policy offices. This information should be consistent with Federal regulations and Treasury’s SES Pay and Awards policy; and (10) OER submits Treasury’s respective data call report to OPM by the due dates established by 5 CFR 534.405, *Performance awards*, and before any established deadlines per OPM’s annual data call memorandum. Management agreed with our recommendations and outlined corrective actions, planned and taken, that met the intent of our recommendations. *(OIG-20-027) $2,550 Questioned Costs*

**Manufacturing**

We conduct audits of the Bureau of Engraving and Printing’s (BEP) currency programs and of the Mint’s coin programs. During this semiannual reporting period, we issued the following reports.
**BEP Improved Governance and Oversight over Note Development and Production But Challenges Remain**

We reviewed corrective actions taken to address the recommendations made in our January 2012 report on BEP’s project management related to the production of the Next Generation (NexGen) $100 note. According to Treasury’s audit follow-up system, the Joint Audit Management Enterprise System (JAMES), these corrective actions were implemented and were closed in 2013. We found that:

- BEP had completed production validations of the NexGen $100 note at its two production facilities, the Washington, DC Facility (DCF) and Western Currency Facility (WCF), but was unable to provide complete documentation on the production validations. BEP had resumed production of the NexGen $100 note at DCF and WCF in May 2013, but stopped production at DCF in September 2013 after finding a new issue that impacted the quality of the notes. BEP’s goal is to complete production validations and resume production at DCF in fiscal year 2020;

- BEP implemented a Currency Quality Assurance Program and increased its capabilities in project management which improved governance processes and oversight over note development and note production quality. Despite this, challenges remained as BEP had not redesigned a new note using its Banknote Development Process. In addition, BEP had not documented all procedures that are to be followed under the new processes;

- BEP and the Board of Governors of the Federal Reserve System (Board) had finalized a memorandum of understanding (MOU) on December 2011. However, the required 5 year update to the MOU still needed to be completed. The Interagency Currency Design Group charter was finalized and approved in March 2012; and

- BEP completed a cost-benefit analysis, supported by the Board and United States Secret Service, for the disposition of the 1.4 billion NexGen $100 notes produced in 2010, but could not provide detailed documentation to support this analysis or an update to its cost estimate to reflect actuals. Additionally, the number of notes reclaimed was significantly lower than BEP’s initial estimated recovery rate due to several factors.

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5 Treasury OIG, *Bill Manufacturing: Improved Planning and Production Oversight Over NexGen $100 Note Is Critical*, OIG-12-038 (Jan. 24, 2012)
Accordingly, we recommended that the Director of BEP (1) ensure that the NexGen $100 note can be produced at both BEP facilities by completing the necessary production validations in fiscal year 2020; (2) ensure that future production validations at both facilities are documented consistently and completely; (3) review and update, as needed, BEP’s guidance over its project management processes to include best practice procedures, such as developing an integrated master schedule, which are to be followed; (4) finalize the required 5 year update of the MOU with the Board to formalize responsibilities and authorities related to notes including activities, procedures, and obligations related to the annual production, destruction, and research and development of notes; (5) develop a plan to ensure the BEP’s Banknote Development Process and the other processes developed under the Currency Quality Assurance Program are properly transitioned and adhered to by BEP personnel after contractor support ends; and (6) ensure future cost estimates are appropriately documented and updated accordingly throughout the investment so that all costs, savings, and other lessons learned can be incorporated into future cost estimates. BEP management agreed with our recommendations and identified corrective actions, both planned and taken, to address the recommendations. Management’s corrective actions, taken and planned, met the intent of our recommendations. (OIG-20-023)

The United States Mint Numismatic Order Management System is Meeting User Needs But Improvements to Oversight are Needed

We found the Mint is effectively managing ordering processing for numismatic products such as precious metal coins, commemorative coins, and medals for sale to the public using a contractor Order Management System (OMS-II); however, the Mint’s oversight of its contractor needs improvement. The Mint provides oversight of the contractor through the Quality Assurance Surveillance Plan (QASP). The QASP established contract performance requirements and the Mint’s methodologies for conducting contractor oversight. Specifically, we found the Mint did not make necessary adjustments or develop corrective action plans, as required by the QASP, to improve contractor performance in meeting established performance requirements. In addition, the Mint did not maintain required quality assurance documentation of its monitoring activities. The Mint also relied on contractor-provided summary reports to validate performance. Further, at the end of fieldwork, the Mint was in the process of developing a risk management program, but did not consider the risk of losing the numismatic order management contractor.
We also concluded that OMS-II, created and maintained by the contractor, is working as intended based on the contractor meeting most of its performance goals and successfully processing numismatic orders. In addition, OMS-II is meeting the needs of a majority of its users. However, the contractor operated and maintained website and Customer Contact Center do not offer services to those with limited English proficiency. Additionally, the Mint had not met targeted unit sales goals from fiscal years 2015 through 2017, resulting in declining revenues.

We recommended that the Director of the Mint ensure the Numismatic and Bullion Directorate (1) periodically reviews QASP performance measures to determine necessary adjustments and develop corrective action plans, as required by the QASP, with the contractor, where needed; (2) retains evidence of its monitoring activities outlined in the contract’s QASP to better document the Mint’s oversight of the contractor’s compliance with contract requirements; (3) obtains and validates contractor’s supporting documentation against monthly performance reports and retains this as part of the Mint’s monthly monitoring documentation; (4) works with the newly appointed Chief Risk Officer to assess the need to include, the loss of the OMS-II contractor as a potential risk to the numismatic program as part of the Mint’s Risk Management Program; (5) performs an assessment regarding the impact of having limited language accessibility on Mint’s numismatic program services and considers adding these services to OMS-II; and (6) performs analyses to determine the feasibility and potential impact of proposed actions to improve numismatic sales, performs additional studies to enhance future sales, and reports the results to stakeholders. Management agreed with our recommendations, and its outlined corrective actions, planned and taken, met the intent of our recommendations. (OIG-20-030)

**Debt Management**

We conduct audits on Treasury’s debt management programs and operations. During this semiannual reporting period we issued two reports, one on data analytics services (DAS) provided by Fiscal Service’s Do Not Pay Business Center (Business Center) and one on a review of corrective actions taken by Fiscal Service to address recommendations made in two of our reports which related to the financial agency
agreement (FAA) with Comerica Bank (Comerica) to operate the Direct Express® Debit MasterCard® program (Direct Express).  

Performance Metric Policy Needed for the Fiscal Service Do Not Pay Business Center’s Data Analytics Services

Fiscal Service established the Business Center in 2011 to support Federal agencies in their efforts to reduce the number of improper payments made through programs funded by the Federal Government. Fiscal Service partnered with the Federal Reserve Bank of St. Louis (FRB-STL), through a fiscal agency agreement, to develop and provide the Business Center DAS to agencies at no cost. Through these DAS, the Business Center assists agencies by identifying trends and patterns through complex analyses of agency payments and other information that may be indicative of improper payments and provides this information to the agencies for further study.

Fiscal Service developed performance metrics for measuring the effectiveness of completed DAS projects. For example, the metrics summarize the number and types of DAS projects initiated by the Business Center, business process mapping activities, and newly adopted Do Not Pay functionalities requested based on completed projects. However, the metrics did not include criteria such as specific dollar amounts of and percentage of improper payments identified or prevented as a result of completed DAS projects and agency follow-up. In addition, Fiscal Service had not established a formal policy for the development, implementation, and periodic review of performance metrics for DAS.

We recommended that Fiscal Service establish a formal policy to develop, implement, and periodically review performance metrics to measure the impact of the Business Center DAS on agencies’ efforts to identify and prevent improper payments. Fiscal Service management agreed with our recommendation, and its planned corrective actions, met the intent of our recommendation.

In addition, customer agency feedback was provided for less than 50 percent of the completed DAS projects and FRB-STL was not centrally tracking approvals of project deliverables to ensure all required approvals were obtained prior to

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6 Treasury OIG, Corrective Action Verification for Two Prior OIG Reports: (1) Fiscal Service Needs to Improve Program Management of Direct Express (OIG-14-031, March 26, 2014) and (2) Direct Express Bid Evaluation Documentation Requires Improvement, OIG-17-034 (Jan. 24, 2017)
release of the end products to the customer agency. Rather, the approvals of DAS project deliverables were recorded through email messages stored in individual project folders. Similarly, FRB-STL was not centrally recording the results of lessons-learned reviews of completed projects to facilitate sharing of the review results. After completion of our fieldwork, Fiscal Service produced language for all DAS agency agreements to improve the process in obtaining feedback from customer agencies. Fiscal Service also developed a project administrative closure form to provide central tracking of approvals for DAS project deliverables and completion of lessons-learned reviews. Furthermore, Fiscal Service responded that common issues from project level lessons-learned reviews are rolled up by category to the portfolio level and discussed by Fiscal Service leadership and analytics staff during a quarterly vision meeting. The portfolio level lessons-learned are centrally stored and tracked on the FRB-STL Analytics SharePoint Site. We were satisfied that Fiscal Service had taken actions to improve the process to obtain customer agency feedback, centrally track approvals of project deliverables and lessons-learned reviews, as well as to ensure that the results of all lessons-learned reviews are considered by analytics staff in conducting future projects. Therefore, we did not make any related recommendations to Fiscal Service. (OIG-20-025)

Corrective Action Verification for Two Prior OIG Reports: (1) Fiscal Service Needs to Improve Program Management of Direct Express (OIG-14-031) and (2) Direct Express Bid Evaluation Documentation Requires Improvement (OIG-17-034)

In reports OIG-14-031 and OIG-17-034, we made a total of 14 recommendations and raised a matter of concern to Fiscal Service regarding its administration of the Direct Express program. In report OIG-17-034, we verified corrective actions taken by Fiscal Service for 4 of the 13 recommendations we made in report OIG-14-031, which Fiscal Service closed in Treasury’s audit follow-up system, JAMES. We also made a new recommendation and raised a matter of concern in report OIG-17-034. At that time, we did not verify the corrective actions taken for the remaining 9 recommendations on report OIG-14-031 that were also closed in JAMES.

In our most recent review of corrective actions taken by Fiscal Service, we found that management implemented all but 1 of the 9 recommendations from report OIG-14-031 that we had not previously verified. Specifically, we found that the corrective actions to review Comerica’s compensation for
reasonableness throughout the FAA term were not being conducted as reported in JAMES. While we did not make a new recommendation in our report, we asked Fiscal Service management to re-open and revise this recommendation in JAMES to reflect a process to review the financial data each month to ensure Comerica’s reported revenues and expenses are reasonable and comply with the FAA. We also verified that Fiscal Service had implemented the recommendation and matter of concern we made in report OIG-17-034.

Fiscal Service management agreed to address the remaining recommendation on report OIG-14-031, and its planned corrective actions met the intent of our recommendation. (OIG-20-028)
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Office of Investigations – Significant Investigations

FinCEN Employee Removed from Service for Time and Attendance Fraud

Our investigation revealed a Financial Crimes Enforcement Network employee committed time and attendance fraud. The employee falsely completed time and attendance documentation which represented a loss to the Federal Government of approximately $4,000. Criminal prosecution of this matter was declined by the Department of Justice, Public Integrity Section in lieu of administrative remedies. As a result, the employee was removed from Federal service.

Subject Sentenced for Bank Fraud and Aggravated Identity Theft

On December 9, 2019, a subject was sentenced to 58 months of incarceration, 36 months of probation, and $4,400 in restitution. The subject deposited counterfeit financial institution checks in various bank accounts and used fraudulently obtained debit cards to withdraw funds. The United States Attorney’s Office (USAO) for the Middle District of North Carolina prosecuted the case.

Findings of Misconduct by a Treasury Employee for Time and Attendance Fraud

Our investigation revealed that a Department of the Treasury (Treasury) employee committed time and attendance fraud. The employee’s time keeping records did not accurately reflect the employee’s hours worked. The employee was administrative support for three supervisors and worked in multiple locations. As a result, supervisors were not aware that on several occasions the employee failed to report to work. During the investigation, the subject resigned. The three supervisors also resigned or retired prior to the conclusion of the investigation. Therefore, administrative action could not be taken.

Mint Employee Sentenced for Sexual Exploitation of a Child

On November 22, 2019, a United States (Mint) employee was sentenced to 2 months of incarceration, 120 months of probation, and required to register as a sex offender in the District Court of Arapahoe County, Littleton, Colorado. The employee arranged a meeting with an underage child, who was in fact an investigator, on an internet chat site. The Arapahoe County Sheriff’s Office arrested the employee when he arrived at the arranged location. The Mint placed the employee on administrative leave and terminated his employment upon sentencing.
Direct Express Cashless Benefit Program Ended to Prevent Additional Fraudulent Transactions

Our investigation revealed that proxies, posing as Federal benefits recipients, made unauthorized telephonic transfer requests that misdirected funds from benefits recipients’ accounts to a money transfer company. A Federal Government contractor for the Direct Express Cardless Benefit Access program identified $350,000 in fraudulent transfers made from the program’s cardholder accounts. Treasury authorized the contractor to terminate the program to prevent further losses from fraudulent transfers. This case was declined for prosecution by the USAO for the Southern District of Florida due to insufficient evidence.

Bureau of Engraving and Printing Employee Resigned after Submitting a Forged Document

Our investigation determined that a Bureau of Engraving and Printing employee submitted a forged jury service certification letter to management for jury service in Prince George’s County Circuit Court. The employee resigned prior to the completion of our investigation. The USAO for the District of Columbia and the Department of Justice, Public Integrity Section declined to prosecute this investigation.

Findings of Misconduct Substantiated, But Forensic Analysis Did Not Identify a Suspect

Our investigation of an anonymous threatening letter that was sent to a Mint employee’s home substantiated misconduct, but did not identify a suspect. The letter was in a pink envelope often used to route documents internally within the Mint, and an outer envelope was addressed to the employee. All documentation related to the threat, with the exception of the original outside envelope that was inadvertently discarded, was submitted to the Treasury Inspector General for Tax Administration (TIGTA) Forensics Laboratory for finger print and indentation analysis. TIGTA advised that no fingerprints or readable markings were discovered. The forensics report was provided to the Mint for their information.
Following is information related to significant investigative activities from prior semiannual periods.

**Subject Sentenced for Denial of Service Attacks on Local and Federal Government Networks to Include Treasury.gov**

Our joint investigation with the Federal Bureau of Investigation (FBI) identified a subject who initiated Denial of Service attacks on local and Federal Government websites, including a Treasury website. The subject, an anonymous-affiliated threat actor, took credit for the attacks by posting on Twitter. The subject was indicted for Damage to a Protected Computer and Loss to Persons of at least $5,000 in the U.S. District Court, Northern District of Ohio Eastern Division. The FBI arrested the subject in Akron, Ohio, on the charge of Damage to a Protected Computer. The subject pled guilty to Damaging Protected Computers and was in the custody of the U.S. Marshall Service.

**Update:** On October 3, 2019, the subject was sentenced to 60 months of incarceration, 36 months of probation, and $669,000 in restitution. USAO for the U.S. District Court, Northern District of Ohio Eastern Division, prosecuted the case.

**Subjects Sentenced for Theft of Government Property and Identity Theft**

As reported in previous semiannual periods, our joint investigation with the Social Security Administration Office of Inspector General and the Internal Revenue Service, Criminal Investigations identified three subjects who used stolen identities to access the MySocialSecurity (MySSA) system and redirected victims’ benefit payments to accounts the subjects controlled. The subjects also filed false tax returns and redirected the fraudulent tax refunds to the subjects’ accounts. The three subjects were indicted in the Middle District of Florida, Orlando Division, and were arrested for Conspiracy, Aggravated Identity Theft, and Theft of Public Money in the amount of $91,750.

**Update:** On March 16, 2020, the final subject in our joint investigation was sentenced. Two subjects were sentenced to a total of 36 months of incarceration, 48 months of probation, and $187,000 in restitution. A third subject was acquitted in a jury trial. USAO for the Middle District of Florida, Orlando Division, prosecuted the case.
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Other Treasury OIG Accomplishments and Activities

Gears of Government Award

Debbie Harker, Assistant Inspector General for Audit, is part of a team award under the Office of Management and Budget’s Gears of Government Award program. Ms. Harker participated on a team under the auspices of the Federal Chief Financial Officers Council. The team was commended for work that improved Digital Accountability and Transparency Act (DATA Act) data quality, which impacts strategic decisions, transparency, and services to citizens. These improvements enable agencies to leverage data as a strategic asset for accomplishing their missions and provide greater transparency to the public. The Department of the Treasury (Treasury) Office of Inspector General (OIG) is a leader in implementing the DATA Act.

Treasury OIG Leadership Roles

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

Deborah Harker, Assistant Inspector General for Audit, is serving as the Co-Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Federal Audit Executive Council’s (FAEC) DATA Act Working Group Governance Committee. Ms. Harker also represents CIGIE on the Chief Financial Officers Council, Leveraging Data as a Strategic Asset Working Group.


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

Jeffrey Dye, Audit Director, regularly teaches a module of the Introductory Auditor course sponsored by the CIGIE Training Institute.
James Hodge, Audit Director, serves with Ms. Joseph on the AICPA National Governmental Accounting and Auditing Update Conference planning committee, and is a member of the Office of Management the Budget’s Fraud Reduction and Data Analytics Act Working Group. The Working Group’s current focus is on fraud taxonomy to improve the Federal Government’s fraud risk management efforts. Within the Working Group are numerous subgroups, broken out by internal and external fraud types. Mr. Hodge is a member of the internal fraudulent financial reporting subgroup.

2019 Combined Federal Campaign

Treasury OIG exceeded its 2019 Combined Federal Campaign dollar goal. The OIG’s campaign this year was led by Donna Joseph. Also assisting in the campaign were: from the Office of Counsel, Loren Sciuurba; from the Office of Investigations, Sonja Scott; from the Office of Management, Mark Hill; and from the Office of Audit, Bobbie Gambrill, Shiela Michel, and Yves Laison.
Statistical Summary

Summary of Treasury OIG Activities

October 1, 2019 through March 31, 2020

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<thead>
<tr>
<th>OIG Activity</th>
<th>Number or Dollar Value</th>
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<tr>
<td><strong>Office of Counsel Activities</strong></td>
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<tr>
<td>Regulation and legislation reviews</td>
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<td>Questioned costs</td>
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<td>Funds put to better use</td>
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<td>Total monetary benefits</td>
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<td>Convictions (by trial and plea)</td>
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* During the reporting period, defendants were sentenced to 370 months of prison time, 354 months of probation, 24 days of community service, and ordered to pay fines, restitution, and court fees in the amount of $5,179,813. In addition, Department of Treasury (Treasury) Office of Inspector General (OIG) participated in criminal investigations where subjects forfeited $3,989,034 and civil investigations involving $2,052,619 in judgments and settlements.

Metrics Used for Office of Investigations Activities

Treasury OIG investigative statistics listed above were obtained through reports drawn from Treasury OIG’s Office of Investigations case management system.
Reports with Unimplemented Recommendations

Issued prior to October 1, 2019

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

Treasury OIG is reporting 42 open and unimplemented recommendations for 13 reports issued prior to October 1, 2019, with $12,580,279 in questioned costs.

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

Treasury Programs and Operations

<table>
<thead>
<tr>
<th>Date</th>
<th>Report Title and Recommendation Summary</th>
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<tr>
<td>OIG-16-059 09/16</td>
<td>General Management: Treasury Has Policies and Procedures to Safeguard Classified Information but They Are Not Effectively Implemented</td>
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The Assistant Secretary for Intelligence and Analysis should direct the Deputy Assistant Secretary for Security to update the Treasury Security Manual to include procedures requiring the Office of Security Programs to follow up and obtain all bureau self-inspection reports. Management agreed with the recommendations. (1 recommendation)
OIG-17-044 05/17 **Terrorist Financing/Money Laundering: Federal Agencies Are Generally Satisfied with TFFC’s Collaboration Efforts, but Enhancements Can Be Made**

The Assistant Secretary for Terrorist Financing should (1) develop policies and procedures to ensure continuity and consistency in collaboration efforts with interagency task forces and workgroups; (2) develop and implement a mechanism to monitor, evaluate, and report on the effectiveness of the Office of Terrorist Financing and Financial Crimes’ (TFFC) interagency collaboration; (3) develop meaningful performance measures specific to TFFC collaboration; and (4) address areas of concern expressed by Federal agencies regarding TFFC’s collaboration that includes feedback, intersessional meetings, and invitations to participate in bilateral meetings with foreign countries during the Financial Action Task Force Plenary. Management agreed with the recommendations. (4 recommendations)

OIG-18-018 11/17 **Terrorist Financing/Money Laundering: OFAC Human Resources Practices Need Improvement**

The Office of Foreign Assets Control (OFAC) Director should (1) ensure that legacy employees' current position descriptions are evaluated to ensure that the documented promotion potential of these non-supervisory employees is consistent with OFAC’s current promotion practices; and (2) work with the Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer to ensure that required records are included in the electronic Official Personnel Folders (eOPF). Management agreed with the recommendations. (2 recommendations)


The Director of the Office of Financial Research (OFR) should (1) when Approving Official duties are transferred to OFR...
employees in 2018, develop and implement a policy to require OFR Approving Officials to review purchase card transactions for potential split purchases on a monthly basis; (2) ensure a review of purchase cardholder files are completed to ensure that all documents required by policy and procedures are included in the files; and (3) develop and implement a policy for storing and maintaining government purchase card transaction documentation in a centralized location. Management agreed with the recommendations. (3 recommendations)

**OIG-18-043 04/18**  
*Terrorist Financing/Money Laundering: OFAC’s Licensing Program Would Benefit From System Enhancements*  
The Director of OFAC should (1) develop performance measures specific for the licensing division. Management agreed with the recommendations. (1 recommendation)

**OIG-18-044 04/18**  
*Terrorist Financing/Money Laundering: Audit of the Office of Intelligence and Analysis’ Authorities and Actions Related to U.S. Persons’ Financial Information*  
The Under Secretary for Terrorism and Financial Intelligence, as expeditiously as possible, should ensure that Office of Intelligence and Analysis (OIA) (1) U.S. Persons Procedures are finalized and submitted for approval to the Attorney General of the United States and (2) implements a compliance monitoring program to assess whether intelligence analysts’ activities are conducted in accordance with OIA authorities, and electronic searches and other queries are performed in a manner that fully protects the rights of U.S. persons. Management agreed with the recommendations. (2 recommendations)

**OIG-19-007 11/18**  
*Information Technology: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2018 Performance Audit*  
Treasury Inspector General for Tax Administration (TIGTA) management should (1) develop a plan that incorporates and takes into account interruptions in TIGTA System funding; (2) obtain and issue full Authority to Operate to include the
following: a. Ensure that the TIGTA System's current System Security Plan is finalized and updated to include the system architecture and all security controls based on system categorization are implemented according with Treasury Directive Publication 85-01, Department of the Treasury Information Technology Security Program (TD P 85-01) and National Institute of Standards and Technology Special Publication 800-53 Revision 4, Security and Privacy Controls for Federal Information Systems and Organizations (NIST SP 800-53, Rev. 4), guidance. b. Develop Plan of Action and Milestones for the 144 out of 159 TIGTA System NIST SP 800-53, Rev. 4, security controls that were not implemented or were partially implemented. c. Complete the Security Assessment and Authorization package for the TIGTA System in accordance with National Institute of Standards and Technology Special Publication 800-37 Revision 1, Guide for Applying the Risk Management Framework to Federal Information Systems; (3) establish a current enterprise baseline of software and related configurations for the TIGTA System; (4) perform vulnerability scanning over the TIGTA System 1 every 30 days in accordance with TD P 85-01; (5) develop and disseminate to TIGTA personnel a TIGTA System access control policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; (6) perform and document the Business Impact Analysis for the TIGTA System environment every two years as required by the Department of Homeland Security, Federal Emergency Management Agency, Federal Continuity Directive 1 and TD P 85-01; and (7) develop and disseminate to TIGTA personnel a TIGTA System Information System Contingency Plan that addresses purpose, scope, roles, responsibilities, management commitment, coordination, and compliance to facilitate the implementation of the contingency planning policy and associated contingency planning controls. TIGTA should conduct disaster recovery and business continuity testing for the TIGTA System on the frequency stipulated by a Business Impact Analysis. Management agreed with the recommendations. (7 recommendations)
OIG-19-016  11/18

Financial Management: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2018 and 2017

The Assistant Secretary for Management and Deputy Chief Financial Officer should ensure that (1) the Bureau of the Fiscal Service (Fiscal Service) implement requisite corrective actions to resolve control deficiencies over its cash management and debt information systems; (2) the Internal Revenue Service (IRS) implements corrective actions to resolve the control deficiencies at IRS; and (3) IRS and Fiscal Service develop and implement remediation plans outlining actions to be taken to resolve noncompliance with the federal financial management system requirements and the resources and responsible organizational units for such planned actions. Management agreed with the recommendations. (3 recommendations)

Treasury OIG Comment: The 3 recommendations on OIG-19-016 were superseded by repeat recommendations on the most recent audit report for Treasury’s consolidated financial statements, FINANCIAL MANAGEMENT: Audit of the Department of the Treasury’s Consolidated Financial Statements for Fiscal Years 2019 and 2018 (OIG-20-012, 11/15/2019).

OIG-19-038  07/19

Domestic and International Assistance Programs: Audit of ASI Federal Credit Union’s CDFI Program Awards

The Director of the Community Development Financial Institutions (CDFI) Fund should (1) determine whether ASI Federal Credit Union (ASI) was in default of its 2006 through 2009, 2011, and 2012 Assistance Agreements as a result of submitting invalid information in its Certification Application and Assistance Applications for fiscal years 2006 through 2009, 2011, and 2012 and its failure to deploy all Healthy Food Financing Initiative Financial Assistance (HFFI-FA) awards; and as such, take appropriate action which may include requiring ASI to reimburse the CDFI Fund all FA and HFFI-FA
awards, and suspending or revoking ASI’s CDFI certification and (2) re-evaluate ASI’s fiscal year 2013 Certification Application and fiscal year 2013 Assistance Application to determine if the information submitted was valid and complete and if ASI met all eligibility requirements to be re-certified as a CDFI and to receive its $1,347,000 FA award.

(2 recommendations) $12,298,806 Questioned Costs

OIG-19-039 07/19  DOMESTIC ASSISTANCE - Recovery Act: Audit of Georgia Department of Community Affairs' Payment Under 1602 Program
Treasury’s Fiscal Assistant Secretary should ensure that the Georgia Department of Community Affairs (DCA) (1) provides sufficient support of other eligible costs used to offset the $170,500 of excess 1602 Program payments made to 14 subawardees for unallowable legal fees. For any costs that cannot be sufficiently supported, ensure that DCA reimburses Treasury; (2) reimburses Treasury the $55,817 of excess 1602 Program payments made to West Haven Senior Apartments as a result of including ineligible costs in the project’s cost basis; (3) reimburses Treasury the $55,156 of excess 1602 Program payments made to The Terrace at Edinburgh as a result of including ineligible costs in the project’s cost basis; and (4) require DCA to provide support, going forward, for its actual costs to perform asset management functions over the remaining 15-year compliance period to ensure that fees collected from subawardees do not exceed actual costs.
(4 recommendations) $281,473 Questioned Costs

OIG-19-040 07/19  Treasury’s Efforts to Increase Transparency Into Federal Spending Continue, But Further Refinement is Needed
The Fiscal Assistant Secretary should (1) update the Digital Accountability and Transparency Act (DATA Act) Program Management Office’s resource documentation to give prompt attention to staffing and succession planning for DATA Act implementation efforts to mitigate against resource gaps; (2) develop an internal reference document for the DATA Act
Program Management Office development team that explains why a designation of warning versus fatal error was assigned to each rule; (3) incorporate sub-rules that already appear in Broker output (i.e., C23.1, C23.2, C23.3) and an explanation of potential formatting violations (with appropriate error designations) into the DATA Act Information Model Schema (DAIMS) Validation Rules v1.1.2 and Financial Assistance Broker Submission Validation Checklist v1.1 (or the most updated versions of these); (4) either develop an instruction guide to interpret DATA Act Broker output or incorporate mechanisms in the output itself to aid user interpretation when multiple fields are impacted by the same rule; (5) perform testing and provide documentation assuring that the limited validation rules identified as having inconsistencies operate as intended in the DATA Act Broker with accurately displayed output; (6) develop procedures to ensure changes to rules implemented during coding are subsequently captured in official DAIMS documentation; (7) enhance generic disclaimers on USAspending.gov and expand the use of limitation statements on pages with known and potential display issues so that the public has a clear understanding of known limitations when using the data as displayed and available for download; (8) either expand the Interface Definition Document or create a complementary document that includes all elements used for validation, derivation, and display purposes from external tables that interface with the Broker and USAspending.gov. Documentation should include the cadence on which the tables are pulled or referenced by the DATA Act Broker; (9) incorporate a review of the Amazon Web Services (AWS) complementary controls into the existing review process; and (10) perform independent assessments to verify whether controls outside the standard package of controls offered by AWS could be adopted to mitigate the risk that security violations will occur; and (11) develop and implement a process to obtain and review AWS notifications of changes to the control environment, including new controls available. (11 recommendations)
Interim Audit Update - Matters for Consideration Prior to Fiscal Service’s Selection of the Direct Express® Debit Card Program Financial Agent

The Commissioner of the Fiscal Service should periodically request access to the Regulation E compliance reviews related to Direct Express conducted by the banking regulators under the provisions outlined in 12 CFR 261 or other relevant provisions related to the regulator. This information should be used by Fiscal Service to monitor the financial agent’s compliance with the federal agency agreement and Service Level Requirements or to improve Direct Express.

(1 recommendation)

GULF COAST RESTORATION: Audit of Subsea Systems Institute Center of Excellence’s Use of RESTORE Act Funds

The Fiscal Assistant Secretary should consider the deficiencies identified in the Subsea Systems Institute’s effort reporting as part of its oversight of the Texas Commission on Environmental Quality’s current and future subawards to the Subsea System Institute, as required by the Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200 (Uniform Guidance). (1 recommendation)

Closed Investigations of Senior Government Employees Not Publicly Disclosed

October 1, 2019 through March 31, 2020

Treasury OIG closed one investigation involving a senior Government employee during the period that was not publicly disclosed. The investigation determined that the allegations of misconduct against the employee were unsubstantiated.
<table>
<thead>
<tr>
<th>Case Number</th>
<th>Allegation/Disposition</th>
</tr>
</thead>
</table>
| USM-20-0025 | Treasury OIG received a complaint regarding allegations that a senior United States Mint (Mint) employee was receiving monthly transit subsidy benefits of $249.00 while on a full-time telework schedule. The complaint alleged that the employee falsely certified the accuracy of the telework agreement and that the employee appropriated transit subsidy benefits for personal use. The investigation determined that the employee was authorized to receive benefits while on an interim work schedule adjustment for personal reasons. Our Report of Investigation was provided to the Mint.  
*Unsubstantiated* |

**Summary of Instances of Whistleblower Retaliation**

October 1, 2019 through March 31, 2020

In the previous four semiannual periods we reported that Treasury OIG was investigating two instances of possible whistleblower retaliation. The cases were ongoing as of the end of this reporting period. There were no new cases of possible whistleblower retaliation opened during this reporting period. As such, there were no established cases of whistleblower retaliation to report for the period.

**Summary of Attempts to Interfere With Treasury OIG Independence, Including Instances Where Information or Assistance Request was Refused**

October 1, 2019 through March 31, 2020

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

October 1, 2019 through March 31, 2020

In the list of 44 audit products below we identified 4 products that were issued during the reporting period that were not publicly disclosed.

Office of Audit


Termination Memorandum—Audit of Alcohol and Tobacco Tax and Trade Bureau’s Use of Collection Procedures to Collect Revenue (OIG-CA-20-002, 10/1/2019)

Termination Memorandum—Audit of Alcohol and Tobacco Tax and Trade Bureau’s Use of Offers in Compromise to Collect Revenue (OIG-CA-20-003, 10/1/2019)

Quarterly Summary Memorandum for the Lead Inspector General, Department of Defense: Operation Inherent Resolve-Summary of Work Performed by the Department of the Treasury Related to Terrorist Financing, ISIS, and Anti-Money Laundering for Fourth Quarter Fiscal Year 2019 (OIG-CA-20-004, 10/8/2019)

Information Memorandum for Secretary Mnuchin, Department of the Treasury: Management and Performance Challenges Facing the Department of the Treasury-October 2019 (OIG-CA-20-005, 10/15/2019)

Financial Management: Audit of the United States Mint’s Schedules of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2019 and 2018 (OIG-20-001, 10/22/2019)


Annual Plan, Fiscal Year 2020, Office of Inspector General, Department of the Treasury (OIG-CA-20-008, 10/31/2019)

Gulf Coast Restoration-DATA Act: Council Met DATA Act Reporting Requirements but Data Accuracy Could be Improved (OIG-20-005, 10/31/2019)

Financial Management: Audit of the Department of the Treasury’s Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2019 and 2018 (OIG-20-006, 10/31/2019)

Treasury Continues to Make Progress in Meeting its DATA Act Reporting Requirements (OIG-20-007, 11/8/2019)

Audit of Treasury’s Reporting Under the DATA Act-Summary Results (OIG-20-008, 11/8/2019)


Statistical Summary


Information Technology: Audit of the Department of the Treasury’s Cybersecurity Information Sharing (OIG-20-019, 12/10/2019)


Bill and Coin Manufacturing: BEP Improved Governance and Oversight over Note Development and Production But Challenges Remain (OIG-20-023, 12/31/2019)

Quarterly Summary Memorandum for the Lead Inspector General, Department of Defense: Operation Inherent Resolve-Summary of Work Performed by the Department of the Treasury Related to Terrorist Financing, ISIS, and Anti-Money Laundering for First Quarter Fiscal Year 2020 (OIG-CA-20-009, 1/6/2020)

Survey Results—CIGFO Working Group’s Survey of FSOC and its Federal Member Agencies’ Efforts to Implement the Cybersecurity Act of 2015 (CIGFO-2020-01, 1/15/2020)


Small Business Lending Fund: Impact of Mandatory Dividend Rate Increases on Small Business Lending Fund Participants (OIG-20-026, 1/29/2020)

Resource Management: Audit of the Department of the Treasury Departmental Offices Executive Pay Adjustments, Bonuses, and Awards (OIG-20-027, 2/4/2020), Questioned Costs $2,550

Review of the Bureau of the Fiscal Service’s Processing of the Department of Labor, Occupational Safety and Health Administration’s Delinquent Debts (OIG-CA-20-013, 2/27/2020) *Not Publicly Disclosed*

Government-Wide Financial Services-Corrective Action Verification for Two Prior OIG Reports: (1) Fiscal Service Needs to Improve Program Management of Direct Express (OIG-14-031) and (2) Direct Express Bid Evaluation Documentation Requires Improvement (OIG-17-034) (OIG-20-028, 3/2/2020)

Gulf Coast Restoration: Jefferson Parish’s Internal Control over Federal Awards (OIG-20-029, 3/18/2020)

Bill and Coin Manufacturing: The United States Mint Numismatic Order Management System is Meeting User Needs But Improvements to Oversight are Needed (OIG-20-030, 3/25/2020)

Revenue Function Report-Trade Facilitation and Trade Enforcement Act of 2015, Section 112 (OIG-CA-20-014, 3/30/2020)
Audit Reports Issued With Questioned Costs

October 1, 2019 through March 31, 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Total No. of Reports</th>
<th>Total Questioned Costs</th>
<th>Total Unsupported Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>For which no management decision had been made by beginning of reporting period</td>
<td>1</td>
<td>$281,473</td>
<td>$281,473</td>
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<tr>
<td>Which were issued during the reporting period</td>
<td>1</td>
<td>$2,550</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotals</td>
<td>2</td>
<td>$284,023</td>
<td>$281,473</td>
</tr>
<tr>
<td>For which a management decision was made during the reporting period</td>
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<td>$281,473</td>
<td>$281,473</td>
</tr>
<tr>
<td>Dollar value of disallowed costs</td>
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<td>$281,473</td>
</tr>
<tr>
<td>Dollar value of costs not disallowed</td>
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<td>$0</td>
</tr>
<tr>
<td>For which no management decision was made by the end of the reporting period</td>
<td>1</td>
<td>$2,550</td>
<td>$0</td>
</tr>
<tr>
<td>For which no management decision was made within 6 months of issuance</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Questioned costs include expenditures: (1) that are questioned because of an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds; (2) that, at the time of the audit, are not supported by adequate documentation (i.e., unsupported costs); or (3) used for the intended purpose that are unnecessary or unreasonable.
### Audit Reports Issued With Recommendations that Funds Be Put to Better Use

October 1, 2019 through March 31, 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Total No. of Reports</th>
<th>Total</th>
<th>Savings</th>
<th>Revenue Enhancement</th>
</tr>
</thead>
<tbody>
<tr>
<td>For which no management decision had been made by beginning of reporting period</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Which were issued during the reporting period</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Subtotals</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>For which a management decision was made during the reporting period</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Dollar value of recommendations agreed to by management</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Dollar value based on proposed management action</td>
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<td>$0</td>
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<tr>
<td>Dollar value based on proposed legislative action</td>
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<tr>
<td>Dollar value of recommendations not agreed to by management</td>
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<tr>
<td>For which no management decision was made by the end of the reporting period</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>For which no management decision was made within 6 months of issuance</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

A recommendation that funds be put to better use denotes funds could be used more efficiently if management took actions to implement and complete the recommendation including: (1) reduction in outlays; (2) de-obligations of funds from programs or operations; (3) costs not incurred by implementing recommended improvements related to operations; (4) avoidance of unnecessary expenditures noted in pre-award review of contract or grant agreements; (5) any other savings which are specifically identified; or (6) enhancements to revenues of the Federal Government.
Reports for Which No Management Comment was Returned Within 60 Days

As of March 31, 2020

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

Reports Issued Over 6 Months for Which No Management Decision Has Been Made

As of March 31, 2020

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

Significant Revised Management Decisions

October 1, 2019 through March 31, 2020

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

Significant Disagreed Management Decisions

October 1, 2019 through March 31, 2020

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

October 1, 2019 through March 31, 2020

Office of Audit

Audit organizations that perform audits and attestation engagements of Federal Government programs and operations are required by generally accepted government auditing standards to undergo an external peer review every 3 years. The objectives of an external peer review are to determine, during the period under review, whether the audit organization was complying with its quality control system to provide the audit organization with reasonable assurance that it was conforming to applicable professional standards. Federal audit organizations can receive a peer review rating of Pass, Pass with Deficiencies, or Fail.

The most recent peer review of our office was performed by the Department of Education (Education) Office of Inspector General (OIG). In its report dated September 24, 2018, Education OIG rendered a Pass rating for our system of quality control in effect for the year ended March 31, 2018. External audit peer review reports of our office are available on Treasury OIG’s website. On June 6, 2019, Treasury OIG rendered a Pass rating to the Department of Labor (DOL) OIG for its system of quality control in effect for the year ended September 30, 2018. As of the end of this reporting period, Treasury OIG’s review of the U.S. Agency for International Development (USAID) OIG was ongoing.

Office of Investigations

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

In its report dated October 16, 2017, the Department of Energy OIG found our office to be in compliance with all relevant guidelines for the period of April 2014 to July 2017. In addition, the peer review team identified best practices that increased the efficiency and effectiveness of our office. Best practices identified were the Treasury OIG policy for Certified Forensic Examiners and a process used in obtaining
Inspector General Subpoenas. Treasury OIG did not perform any peer reviews of other Federal investigative law enforcement organizations during this reporting period.
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Other Reporting Requirements and Requests

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

Reviews of Bank Failures with Nonmaterial Losses

We conduct reviews of failed banks supervised by the Office of the Comptroller of the Currency (OCC) with losses to the Federal Deposit Insurance Corporation’s (FDIC) Deposit Insurance Fund (DIF) that do not meet the definition of a material loss in the Federal Deposit Insurance Act. The reviews are performed to fulfill the requirements found in 12 U.S.C. §1831o(k). The term “material loss” triggers a material loss review if a loss to the DIF exceeds $50 million (with provisions to increase that trigger to a loss that exceeds $75 million under certain circumstances). For losses that are not material, the Federal Deposit Insurance Act requires that each 6-month period, the Office of Inspector General (OIG) of the Federal banking agency must (1) identify the estimated losses that have been incurred by the DIF during that 6-month period and (2) determine the grounds identified by the failed institution’s regulator for appointing the FDIC as receiver, and whether any unusual circumstances exist that might warrant an in-depth review of the loss. For each 6-month period, we are also required to prepare a report to the failed institutions’ regulator and the Congress that identifies (1) any loss that warrants an in-depth review, together with the reasons why such a review is warranted and when the review will be completed; and (2) any losses where we determine no in-depth review is warranted, together with an explanation of how we came to that determination. The table below fulfills this reporting requirement to Congress for the 6-month period ended March 31, 2020. We issue separate audit reports on each review to OCC.
Other Reporting Requirements and Requests

### Bank Failures and Nonmaterial Loss Reviews

<table>
<thead>
<tr>
<th>Bank Name/Location</th>
<th>Date Closed/Loss to the DIF</th>
<th>OIG Summary of Regulator’s Grounds for Receivership</th>
<th>In-Depth Review Determination</th>
<th>Reason/Anticipated Completion Date of the In-Depth Review</th>
</tr>
</thead>
</table>
| Resolute Bank, Maumee, Ohio | October 25, 2019 $2.2 million | • Dissipation of assets or earning due to unsafe or unsound practices  
  • Unsafe or unsound condition  
  • Capital impaired  
  • Failed to submit an acceptable capital restoration plan | No | No unusual circumstances noted |
| City National Bank of New Jersey, Newark, New Jersey | November 1, 2019 $2.5 million | • Dissipation of assets or earning due to unsafe or unsound practices  
  • Unsafe or unsound condition  
  • Capital impaired  
  • Failed to submit an acceptable capital restoration plan | No | No unusual circumstances noted |

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

During this reporting period, we issued two summary memorandums to the Department of Defense OIG regarding information we obtained on the Treasury’s activities with respect to disrupting the Islamic State of Iraq and Syria’s (ISIS) finances. The memorandums included specific examples of activities to disrupt ISIS’s financing, information on Treasury programs that combat terrorist financing, and work we performed or plan to perform to review these programs. (OIG-CA-20-004, OIG-CA-20-009)

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

In accordance with the Government Charge Card Abuse Prevention Act of 2012, we provided annual reports on the progress made by Treasury and by the Gulf Coast Ecosystem Restoration Council (Council) in implementing charge card related audit recommendations. In fiscal year 2018, we issued one audit report.
on the Treasury’s charge card use within its Office of Financial Research (OFR). The report identified two findings related to OFR purchase cardholders making split purchases and OFR’s purchase card files not meeting documentation requirements. As a result, we made seven recommendations. OFR management reported that it implemented 4 of the 7 recommendations and planned to fully implement the following 3 open recommendations by August 2019:

- when approving official duties are transferred from Treasury Departmental Offices to OFR employees in 2018, develop and implement a policy to require OFR approving officials to review purchase card transactions for potential split purchases on a monthly basis;
- ensure a review of purchase cardholders’ files to ensure all documents required by policy and procedures are included in the files; and
- develop and implement a policy for storing and maintaining Government purchase card transaction documentation in a centralized location.

We followed up on the status of these recommendations and noted that corrective action had not been implemented by the scheduled due date. In following up with OFR, management plans to fully implement the recommendations by March 2020. However, the recommendations remained open as of the end of this semiannual reporting period. We will continue to follow up on the status of these open recommendations in our September 30, 2020 semiannual reporting.

Our office did not issue any charge card related audit findings and recommendations to the Council, and therefore, did not have anything to report for the Council for fiscal year 2019. (OIG-CA-20-011, OIG-CA-20-012)

Customs Revenue Function Report–Section 112 of the Trade Facilitation and Trade Enforcement Act of 2015

Section 112 of the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) requires us to report on (1) the effectiveness of measures taken by U.S. Customs and Border Protection (CBP) with respect to protection of revenue, including (A) the collection of countervailing and antidumping duties; (B) the assessment, collection, and mitigation of commercial fines and penalties;

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(C) the use of bonds to secure that revenue; and (D) the adequacy of CBP policies with respect to the monitoring and tracking of merchandise transported in bond and collecting duties, as appropriate; (2) the effectiveness of actions taken by CBP to measure accountability and performance with respect to protection of revenue; (3) the number and outcome of investigations instituted by CBP with respect to the underpayment of duties; and (4) the effectiveness of training with respect to the collection of duties for personnel of CBP. The statute required Treasury OIG to produce the first report no later than June 30, 2016 and to produce reports biennially, starting in March 2018. We issued letters in June 2016 and March 2018 to satisfy the first two reporting mandates.

In our most recent report, an interim report issued to address our March 2020 reporting mandate, we described the work we performed to gain an understanding of CBP’s processes to protect revenue and our plans for future audit work. Our work did not include the analytical work necessary to opine on the effectiveness of CBP’s processes related to the protection of revenue. Our future work will expand upon the review conducted in support of this March 2020 reporting mandate. It will include additional meetings with CBP personnel at various locations to assess CBP’s revenue collection processes and analytical work necessary to opine on the effectiveness of measures taken by CBP to protect revenue in accordance with Section 112 of TFTEA.

(OIG-CA-20-014)
## References to the Inspector General Act

<table>
<thead>
<tr>
<th>Section</th>
<th>Requirement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4(a)(2)</td>
<td>Review of legislation and regulations</td>
<td>33</td>
</tr>
<tr>
<td>5(a)(1)</td>
<td>Significant problems, abuses, and deficiencies</td>
<td>7-29</td>
</tr>
<tr>
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Abbreviations

ARC  Administrative Resource Center
ASI  ASI Federal Credit Union
AWS  Amazon Web Services
BEP  Bureau of Engraving and Printing
Board  Board of Governors of the Federal Reserve System
Business Center  Do Not Pay Business Center
CARES Act  Coronavirus Aid, Relief, and Economic Security Act
CBP  U.S. Customs and Border Protection
CDFI  Community Development Financial Institutions
CIGFO  Council of Inspectors General on Financial Oversight
CIGIE  Council of the Inspectors General on Integrity and Efficiency
CISA  Cybersecurity Information Sharing Act
Comerica  Comerica Bank
Council  Gulf Coast Ecosystem Restoration Council
DAIMS  DATA Act Information Model Schema
DAS  data analytics services
DASHR/CHCO  Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer
DATA Act  Digital Accountability and Transparency Act of 2014
DCA  Georgia Department of Community Affairs
DCF  Washington, DC Facility
DIF  Deposit Insurance Fund
DO  Departmental Offices
FAA  financial agency agreement
Fiscal Service  Bureau of the Fiscal Service
FISMA  Federal Information Security Modernization Act of 2014
FPDS-NG  Federal Procurement Data System-Next Generation
FRB-STL  Federal Reserve Bank of St. Louis
FSOC  Financial Stability Oversight Council
IG  Inspector General
IRS  Internal Revenue Service
JAMES  Joint Audit Management Enterprise System
KPMG  KPMG LLP
Mint  United States Mint
MOU  memorandum of understanding
NexGen  Next Generation
OER  Office of Executive Resources
OFAC  Office of Foreign Assets Control
OFR  Office of Financial Research
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<th>Abbreviation</th>
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<td>OIG</td>
<td>Office of Inspector General</td>
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<tr>
<td>OMB</td>
<td>Office of Management and Budget</td>
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<td>OMS-II</td>
<td>Order Management System</td>
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<td>OPM</td>
<td>Office of Personnel Management</td>
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<td>PMO</td>
<td>DATA Act Project Management Office</td>
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<tr>
<td>QASP</td>
<td>Quality Assurance Surveillance Plan</td>
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<td>Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012</td>
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<td>RMA Associates, LLC</td>
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<td>SBLF</td>
<td>Small Business Leading Fund</td>
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<tr>
<td>Science Program</td>
<td>Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program</td>
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<tr>
<td>SES</td>
<td>Senior Executive Service</td>
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<td>SOP</td>
<td>standard operating procedure</td>
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<td>TFFC</td>
<td>Office of Terrorist Financing and Financial Crimes</td>
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<td>TIGTA</td>
<td>Treasury Inspector General for Tax Administration</td>
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<td>Treasury</td>
<td>Department of the Treasury</td>
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<td>USAO</td>
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Pictured above is a magnolia tree in bloom at the Treasury Building in Washington, DC
Source: Treasury Graphics Branch
Treasury Office of Inspector General Locations

1500 Pennsylvania Avenue, N.W., Room 4436
Washington, DC 20220

875 15th Street, N.W., Suite 200
Washington, DC 20005

408 Atlantic Avenue, Room 330
Boston, Massachusetts 02110

Treasury OIG Website
Access Treasury OIG reports and other information online:
http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx

Report Waste, Fraud, and Abuse

Treasury Whistleblower Ombudsman – For information about whistleblowing and reprisal and about your rights and responsibilities as a Treasury employee or contractor, please contact the OIG Whistleblower Ombudsman Program at 202-927-0650 or Email: OIGCounsel@oig.treas.gov

Treasury OIG Hotline for Treasury Programs and Operations – Call toll free: 1-800-359-3898 or Submit a complaint using our online form:
https://www.treasury.gov/about/organizational-structure/ig/Pages/OigOnlineHotlineForm.aspx

Gulf Coast Restoration Hotline
Email: GulfCoastRestorationHotline@oig.treas.gov