Assessment of the Department's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan

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Office of Evaluations

Office of Inspector General

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United States Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220
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OFFICE OF
INSPECTOR GENERAL

MEMORANDUM FOR LISA ROSS
ACTING ASSISTANT SECRETARY FOR MANAGEMENT
AND CHIEF FINANCIAL OFFICER

FROM: Dennis S. Schindel
Assistant Inspector General for Audit

SUBJECT: Assessment of the Department's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan

The attached letter report presents our assessment of the Department's Fiscal Year (FY) 1999 Performance Report and the FY 2001 Performance Plan required by the Government Performance and Results Act of 1993. We conducted this assessment at the request of the Chairman, Senate Committee on Governmental Affairs.

The objective of this assessment was to determine how these documents identify and offer solutions to six major management challenges facing the Department that our office previously identified. Our assessment is summarized in the report, and contains three appendices. Appendices I and II discuss applicable goals and measures in the FY 1999 Performance Report and FY 2001 Performance Plan, respectively. Appendix III provides a list of our audit and evaluation reports, issued since October 1, 1999, that correspond to these challenges, as well as ongoing work.

We appreciate the comments received in response to the draft report. We are pleased to note that your office found the report to be fair and accurate. We would also like to extend our appreciation to your managers and staff for their cooperation and courtesies extended to our staff during this assessment. If you wish to discuss this report, you may contact me at (202) 927-5400 or a member of your staff may contact Christopher Heppe, Deputy Director, Office of Evaluations at (202) 283-1596.

BACKGROUND

The Government Performance and Results Act of 1993 (the Results Act) seeks to improve the management of federal programs, as well as their effectiveness and efficiency, by establishing a system under which agencies set goals for program performance and measure their results. The Results Act requires executive agencies to prepare multiyear strategic plans and annual performance plans and reports. The strategic plans are the starting point for setting goals and measuring progress towards them. The performance reports discuss goals and measures that focus on accomplishments under performance plans for that fiscal year.

As part of ongoing efforts to adopt an effective results orientation for the Federal Government, the Chairman of the Senate Committee on Governmental Affairs asked us to review the Department's FY 1999 Performance Report and the FY 2001 Performance Plan, which is integrated with its budget justification. Specifically, we were asked to examine these documents using major management challenges identified by our office as a framework.

OVERVIEW

Our assessment of the Department's FY 1999 Performance Report was conducted using the questions contained in the Chairman's letter to the Inspector General dated May 10, 2000. This report was designed to compare the Department's performance using goals established in its performance plan, and to describe the actions needed to address or revise any unmet goals. We determined that the report's format was not designed to track specific management challenges. Nevertheless, we identified 30 goals and 99 measures that relate to these challenges. Of these measures, we observed that 39 met, 18 exceeded, and 42 did not meet performance indicators established by the Department. In addition, we believe that the report adequately explained the strategies needed to address or revise goals and measures as appropriate. Additional comments on the FY 1999 Performance Report are contained in Appendix I.

We also reviewed the FY 2001 Performance Plan to assess whether this document makes improvements in the Department's tracking of our management challenges. This plan is designed to provide information on desired program outcomes within a proposed budget. While the Results Act does not require a specific format for this plan, the Department's FY 2001 Performance Plan identifies performance goals and measures in a new section that specifically discusses our management challenges. We believe this plan therefore represents an improvement in how our management challenges will be tracked by the Department. Additional comments on the FY 2001 Performance Plan are contained in Appendix II.

We have already provided the Committee with information on our office's work relevant to Results Act implementation, and we continue to conduct assessments of data validity and accuracy within the Department. Six of our recent reports focus on the capacities of the Bureau of the Mint, Bureau of the Public Debt, Office of the Comptroller of the Currency, Office of Thrift Supervision, and the U.S. Customs Service (Customs) to accurately report on program outcomes, and the development of a Performance Reporting System within the Department for this purpose. These and other reports are listed in Appendix III.

OBJECTIVES, SCOPE AND METHODOLOGY

Given the Committee's tight timeframe, we performed a limited review of the FY 1999 Performance Report and FY 2001 Performance Plan. The review was based on input from Department officials, as well as our knowledge of the Results Act, the Department's operations and programs, and our numerous past and ongoing reviews of the Department. Consistent with the Chairman's request to coordinate with the General Accounting Office (GAO) and the Congressional Research Service, we did not attempt to identify whether all of our major management challenges were reflected in these documents; rather, we focused on six challenges, which are outlined in the Results section of this report.

We identified relevant goals and measures that the Department obtained from the Bureau of Alcohol, Tobacco, and Firearms (ATF), Departmental Offices (DO), Executive Office of Asset Forfeiture (EOAF), Financial Crimes Enforcement Network (FinCen), Financial Management Service (FMS), and Customs. We did not assess, given our tight timeframe, whether these measures appear to be valid and accurate representations of the performance goals. We limited our comments to specific features of these measures, such as the use of baseline data and target levels of performance.

RESULTS

This report provides our assessment of how the FY 1999 Performance Report and the FY 2001 Performance Plan identify and offer solutions to the following six management challenges facing the Department:

- *Treasury's Information Technology Investment Management:* The Department needs to meet the mandates of the Clinger-Cohen Act. This requires the Department to improve management practices in the areas of capital planning, investment controls, project management, systems development, and establishing performance measures for information technology.

- *Money Laundering/Bank Secrecy:* It is estimated that hundreds of billions of dollars a year are laundered globally. The Money Laundering and Financial Crimes Strategy Act of 1998 called for the development of a five-year anti-money laundering strategy. A National Money Laundering Strategy was issued jointly in September 1999 by Treasury and the Department of Justice. Effective implementation of this strategy will be important in strengthening efforts to combat money laundering. Audits we have previously performed at Customs, FinCen and the Office of the Comptroller of the Currency have identified areas where improvements are needed.

- *Information Security:* Major computer systems within the Department are vulnerable to unauthorized access.

- *Trade Enforcement and Narcotics Interdiction by Customs:* Trade enforcement and narcotics interdiction continue to pose risks. Antiquated data systems that are not fully integrated will continue to pose a high risk for Customs in that they will not be able to adequately carry out their dual responsibilities to facilitate trade and ensure trade compliance as well as protect the borders against drug smuggling and money laundering.

- *Revenue Protection:* Revenue protection, a significant issue at Customs and ATF, is uncertain. Customs and ATF programs to ensure revenue protection will be crucial.

- *Financial Management at Treasury/Compliance with the Federal Financial Management Improvement Act (FFMIA):* The Department still has problems producing consolidated financial statements. Several bureaus -- even some that have managed to obtain unqualified opinions -- still have a number of material weaknesses to be corrected. Compliance with FFMIA regarding systems of internal management, accounting and administrative control must be strengthened.

We determined that the FY 1999 Performance Report was not designed to track our major management challenges. However, we identified 30 goals and 99 measures in this report that relate to five of the above challenges. These goals and measures are contained under the sections entitled "Financial Mission: Manage the Government's Finances"; "Law Enforcement Mission: Protect Our Financial Systems and Our Nation's Leaders, and Foster a Safe and Drug Free America"; and "Management Mission: Continue to Build a Strong Institution".

For the sixth management challenge, Information Security, we could not identify goals and measures in the report that were directly applicable to this challenge. However, we observed that the FY 2000-2005 Strategic Plan includes an index of strategies related to management challenges, including Information Security. The Department's FY 2001 Performance Plan also summarizes our challenges and identifies related performance goals and measures in a new section. In our opinion, this plan represents an improvement in how our management challenges are tracked by the Department.

We also identified other alternative forums used by the Department to report on efforts addressing these management challenges. For example, internal Management Control Program (MCP) reports contain a separate section identifying Office of Inspector General (OIG) and Treasury's Inspector General for Tax Administration's (TIGTA) major challenges, and relates them to open audit report recommendations. These and other forums to report information are discussed where applicable in Appendices I and II.

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

Treasury's Information Technology Investment Management: The Department's FY 1999 Performance Report discusses two objectives related to this management challenge: (1) make wise information technology (IT) investments, and (2) procure quality goods and services at a fair and reasonable price in a timely manner.

Make wise IT investments

To meet this objective, the DO established the following performance goal:

- Ensure IT investments improve program performance and facilitate mission goals.

⇒ Comment: To determine progress, the DO planned to measure the percentage of new IT capital investments that are within costs, on schedule, and meeting performance targets using the Information Technology Investment Portfolio System (I-TIPS) to track data. Although the Report states that all bureaus were using I-TIPS in either full or learning mode, the reported measurement was baseline established. While no quantitative assessment of progress is discussed, the baseline data was established in FY 1999. The Department plans to provide a quantitative assessment starting with the FY 2000 Performance Report.

Procure quality goods and services at a fair and reasonable price and in a timely manner

To meet this objective, the DO established the following performance goals:

- Establish a certification program for procurement professionals in compliance with the Clinger-Cohen Act, and
- Implement a new performance evaluation model to improve acquisition practices.

⇒ Comment: To determine progress toward the first goal, the DO planned to measure the percentage of procurement personnel who are certified in accordance with the Clinger-Cohen Act. The performance target was 75 percent. However, DO does not report actual progress. The DO extended its date for meeting this target to FY 2000 because the Office of Management and Budget (OMB) guidance on the Clinger-Cohen Act implementation, which the Department had anticipated when it established its goal, was not issued.

⇒ Comment: To determine progress toward the second goal, DO planned to measure the increase in total cost avoidance realized. The plan was to implement the new model in all bureaus. Implementation of the model did not start until October 1, 1999.

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

Money Laundering/Bank Secrecy: The Department's performance report discusses one objective related to this management challenge: (1) strengthen the capability to fight money laundering. We observed that this objective addresses money laundering; however, some of the bureaus' goals include references to the BSA.

Strengthen the Capability to Fight Money Laundering

To meet this objective, one bureau and two offices established the following performance goals:

FinCEN performance goals included:

- Provide law enforcement and the financial and regulatory communities with the foremost information sources available through state-of-the-art technology;
- Expand the use of advanced technology and explore options, which could enhance FinCEN's information-based activities;
- Enhance law enforcement's expertise through heightened and analytical efforts as it relates to trends and patterns and complex BSA data analysis;
- Modify and administer the BSA rules to provide useful law enforcement information, reduce burdens of compliance, adapt to technology changes, and enhance partnership among law enforcement, regulatory, and the financial communities; and
- Assist Treasury's multilateral and bilateral initiatives to increase the number of countries that are cooperatively engaged in the fight against money laundering.

⇒ Comment: To determine progress on these five performance goals, FinCEN established 14 individual performance measures. Most of these measures appear to be output in nature because they measured numbers, percentages, reductions, or increases in activities. These measures are a tabulation, calculation, or recording of activity that can be expressed in a quantitative manner. The Department reported that FinCEN exceeded eight measures, met four, did not meet one (a reasonable explanation was provided), and lacked available data for the remaining measure. For the measure lacking data, a realistic estimate for the eventual data availability was provided. We believe that outcome measures may better assess the results of the program compared to the intended purpose.

Customs performance goals included:

- Identify, disrupt, and dismantle the systems and criminal organizations that launder the proceeds generated by smuggling, trade fraud, and export violations.

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

⇒ Comment: To determine progress on this performance goal, Customs established two output measures dealing with the value of property seized and total monetary instruments seizures in FY 1999. The Department reported that these measures were not met and exceeded, respectively. We observed that reported results for both measures exceeded FY 1998 targets, the baseline year. However, we do not believe that the measures represent an outcome effect on money laundering.

EOAF performance goals included:

- Affirmatively enhance the cooperation among foreign, Federal, state, and local law enforcement agencies; and
- Affirmatively influence the use of asset forfeiture by Federal law enforcement to punish and deter criminal activity, and manage revenues to cover the costs of seizures and forfeitures.

⇒ Comment: To determine progress on these two performance goals, EOAF established four performance measures for FY 1999. These measures are output oriented because they address (1) days required to process payments; (2) percentages of mandatory operational costs fully funded by regular revenue; (3) number of elapse days between forfeiture and final disposal of real property; and (4) timely processing of forfeiture cases. The first measure exceeded its target; the second measure met its target; and the third and fourth measures did not meet their targets. We observed that EOAF provided explanations when targets were not met, and that in these cases targets were exceeded for FY 1998, the baseline year. We could not identify a statement summarizing how the measures represent an outcome effect on money laundering.

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

Trade Enforcement and Narcotics Interdiction by Customs: The Department's performance report discusses three objectives related to this management challenge: (1) facilitate legitimate trade, enhance access to foreign markets, and enforce trade agreements, (2) strengthen the capability to interdict illegal drugs, and (3) disrupt and dismantle drug smuggling organizations.

Facilitate Legitimate Trade, Enhance Access to Foreign Markets, and Enforce Trade Agreements

To meet this objective, one office and one bureau established the following performance goals:

DO performance goals include:

- Facilitate legitimate trade, enhance access to foreign markets and enforce trade agreements.

⇒ Comment: To determine progress on this performance goal, DO established two performance measures -- dollar value of U.S. exports of goods and services, and negotiate bilateral and multilateral agreements to provide access for U.S. financial services firms. The FY 1999 planned items were "growth" and "qualitative progress", which we did not view as easily quantifiable measures. The first measure exceeded the actual figure for FY 1998, which meets the term "growth"; however, the second measure required "progress" and the reported results were negotiations with eleven countries without baseline data as to whether this was progress or not. Some quantitative assessment of the reported information could better explain how this goal helps meet the desired outcome.

Customs performance goals include:

- Maximize trade compliance through a balanced program of informed compliance, targeted enforcement actions, and the facilitation of complying cargo;
- Maximize the degree of compliance with U.S. export requirements in order to protect the United States national security, economic interests, and the health and safety of the American people while simultaneously facilitating international trade; and
- Identify, disrupt, and dismantle entities employing illicit trade practices that negatively impact U.S. trade policies and laws.

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

⇒ Comment: To determine progress on these three performance goals, Customs established seven performance measures relating to compliance, numbers or costs of items completed, and disruption of fraudulent activities in FY 1999. Of these, two measures exceeded their targets; two measures did not meet their targets; two measures did not have a baseline; and for one measure the baseline was under development. We observed that in cases where targets were not met, explanations on recently implemented improvements were provided. We believe that some quantitative assessment of the reported information could better explain how these goals help achieve the desired outcome.

Strengthen the Capability to Interdict Illegal Drugs

To meet this objective, Customs established the following performance goals:

Customs performance goals included:

- To reduce the flow of drugs across the United States border and disrupt and dismantle Drug Smuggling Organizations through unified intelligence, interdiction, and investigative efforts; and
- To ensure compliance and allow the expeditious movement of low-risk travelers by increasing traveler's awareness and targeting, identifying, and examining high-risk travelers.

⇒ Comment: To determine progress on these two performance goals, Customs established nine performance measures. All nine measures are output measures -- eight assess numbers and the ninth calculated unit costs of passenger processing. Eight of the nine measures did not meet the targets. We observed that in these cases, explanations to address needed corrections were provided. We believe that new indicators or adequate baselines are needed for many of these measures, and that some quantitative assessment of the reported information could better explain how these goals help achieve the desired outcome.

Disrupt and Dismantle Drug Smuggling Organizations

To meet this objective, one office and one bureau established the following performance goals:

DO performance goals included:

- Effective oversight of law enforcement bureaus.

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

⇒ Comment: To determine progress on this performance goal, DO planned to "maximize compliance with sanctions programs through education and awareness of the public and industry". The plan for FY 1999 was for qualitative progress. The explanation of this measure appears to only address listing output activities for the Office of Foreign Assets Control (OFAC). The result of applying the measure is a listing of OFAC's activities during FY 1999. We were unable to determine if the desired outcome was achieved.

Customs performance goals included:

- To disrupt the individuals, organizations, and the methods they use to violate laws enforced by the U.S. Customs Service.

⇒ Comment: To determine progress on this performance goal, Customs measure was "drug smuggling organizations' transportation costs (all conveyances and modes for cocaine)" from Columbia to the United States. Customs intended to re-establish its baseline information, but reported that it was not met. In the future, Customs will need to determine the feasibility of adopting this measure by evaluating the methodology behind it, the ability to capture and validate the data, and the availability of information.

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

Revenue Protection: The Department's performance report discusses two objectives related to this management challenge: (1) improve and simplify tax laws and administrative guidance, consistent with other important tax policy goals, and (2) increase compliance with tax and trade laws.

Improve and Simplify Tax Laws and Administrative Guidance, Consistent with Other Important Tax Policy Goals

To meet this Treasury objective, one office and one bureau established the following performance goals:

DO performance goals included:

- Promote the development and implementation of effective tax policies.

⇒ Comment: To determine progress on this performance goal, DO planned to measure its efforts to simplify and improve taxation by identifying and publishing a list of tax guidance priorities towards "simple, fair, and efficient taxation". The planned measure was only for "qualitative progress" without the identification of baseline data; therefore, the issuance of 400 items of tax guidance in FY 1999 does not have a point of reference to assess actual progress.

ATF performance goals included:

- Develop National Revenue Center infrastructure, collect all revenue rightfully due, and use electronic commerce.

⇒ Comment: To determine progress on this performance goal, the ATF planned to measure its efforts to reduce burden hours for compliance with ATF regulations. ATF reported that it did not achieve its performance goal because of changes in laws and regulations and an overestimate in the original goal. ATF reported that it intends in FY 2001 to replace this performance measure to a percentage of the entities filing electronically. ATF did not quantify a baseline for the proposed measure.

Increase Compliance with Tax and Trade Laws

To meet this objective, three bureaus established the following performance goals:

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

Customs performance goals included:

- Maximize trade compliance through a balanced program of informed compliance, targeted enforcement actions, and the facilitation of complying cargo.

⇒ Comment: To determine progress on this performance goal, Customs indicated three performance measures -- revenue collection compliance rate, trade compliance level, and trade laws in key primary focus industries. Customs did not achieve any of the planned estimates; however, the actual amounts for each measure exceeded the previous year's actual amounts. To improve performance, Customs reported that it implemented a risk management approach to raise compliance on accounts, industries, and commodities.

Internal Revenue Service (IRS) performance goals included:

- Service to each taxpayer (Customer Satisfaction);
- Service to all taxpayers (Business Results); and
- Productivity through a quality work environment (Employee Satisfaction).

⇒ Comment: To determine progress on these performance goals, IRS established 46 measures, most of which are output oriented. For 32 of the 46 measures IRS reported that FY 1999 was its baseline year and it met 28 of the goals, while 4 were unmet. Of the remaining 14 measures, the IRS reported that it exceeded 5 goals and 9 were unmet. We observed that about 70 % of the measures did not have baseline information before FY 1999, but contained adequate explanations of the measures and the reasons for the measures, which were considered to have been unmet. A summary statement regarding the 46 output measures could assist the reader in understanding IRS' progress towards achieving this objective.

ATF performance goals included:

- Develop National Revenue Center (NRC) infrastructure, collect all the revenue rightfully due, and use electronic commerce; and
- Develop NRC infrastructure and use electronic commerce.

⇒ Comment: To determine progress on these performance goals, ATF established measures for (1) revenues collected from relevant industries through taxes and fees and (2) the amount of taxes and fees collected per dollar of collection expense. ATF did not meet either target, but reported that shortfalls were directly related to increases in operating expenses and reductions in tobacco consumption. We observed that improving the infrastructure of the NRC, enabling more taxpayers to file electronically, was a common element in both goals. We believe that outcome measures might better assess the program's results when compared to the intended purpose.

THE DEPARTMENT'S EFFORTS TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FY 1999 PERFORMANCE REPORT

Financial Management at Treasury/Compliance with FFMIA: The Department's FY 1999 Performance Report discusses one objective related to this management challenge: (1) ensure strong financial management of Treasury accounts.

Ensure Strong Financial Management of Treasury Accounts

To meet this objective, DO established three performance goals:

- Improve the timeliness, quality, and availability of financial systems information at the corporate and bureau levels by fully implementing Chief Financial Officer (CFO) Vision and Treasury Information Executive Repository (TIER);
- Reduce/prevent internal control/audit resolution of open items; and
- Improve the accuracy, timeliness, and utility of all accounting and financial information.

⇒ Comment: To determine progress towards the first goal, DO established the performance measure to fully implement CFO Vision and TIER to produce FY 1999 Treasury Financial Statements. This target was not met. DO reported 90% implementation, and that it produced the statements using only CFO Vision and bureau-prepared spreadsheets.

⇒ Comment: In our reports on the Department's FY 1999 financial statements, we reported that material weaknesses continued to exist in the internal control structures of key bureaus, and that many component entities lacked integrated financial management systems, which preclude the integration of financial, budgetary, and performance data. However, to determine progress toward the above goal, DO established a measure to simply reduce total outstanding material weaknesses. For FY 1999, the Department stated that progress in this area was reflected in a downward trend in the number of material weaknesses; however, it provided no explanation for overall improvement since FY 1998, the baseline year. Department officials told us that they consider remediation plans, which contain detailed corrective action plans to resolve discrepancies against FFMIA, to be the appropriate forum for reporting on plans to correct material weaknesses.

⇒ Comment: To determine progress toward the third goal, DO established the performance measure to quality/timeliness of Treasury-wide financial statements. This goal was not met because of a technical reporting issue, which the GAO and our office identified.

THE DEPARTMENT'S EFFORT'S TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FISCAL YEAR 2001 PERFORMANCE PLAN

Treasury's Information Technology Investment Management: The Department's FY 2001 Performance Plan includes two objectives related to this management challenge.

Make wise IT investments.

- The Plan describes a performance goal to ensure IT investments improve program performance and facilitate mission goals.

⇒ Comment: To determine progress, DO plans to measure the percent of new IT capital investments that are within costs, on schedule, and meeting performance targets, using I-TIPS. The Plan states that all bureaus will be using I-TIPS in either full or learning mode. We observed that the Department plans a quantitative assessment of progress, since the proposed measurement is 100 percent.

Procure goods and services at a fair and reasonable price and in a timely manner.

- The related goal is to establish a certification program for procurement professionals in compliance with the Clinger-Cohen legislation.
- Another goal is to implement a new evaluation model to improve acquisition practices.

⇒ Comment: To determine progress towards the first goal, the DO plans to measure the number of procurement personnel who are certified in accordance with the Clinger-Cohen Act. The date for meeting this goal remains FY 2000 because OMB guidance on this Act's implementation, which the Department had anticipated when it established its goal, has not been issued.

⇒ Comment: To determine progress toward the second goal, DO plans to measure the increase in total cost avoidance realized. The Department plans a quantitative assessment of progress, since the FY 2001 proposed measurement is a 5 percent increase.

⇒ Comment: We observed that several actions were identified in response to this challenge: rechartering the Treasury Investment Review Board (TIRB); mandating the use of I-TIPS; revising the Treasury Information System Architecture Framework; designating the Departmental Chief Information Officer (CIO) and a CIO for each bureau along with bureau investment review boards; and the formation of the IRS Management Board and Core Business Systems Executive Steering Committee to review all project-level expenditures for systems modernization.

THE DEPARTMENT'S EFFORT'S TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FISCAL YEAR 2001 PERFORMANCE PLAN

Money Laundering/Bank Secrecy: Under FinCEN's, Salaries and Expenses section, the Department's FY 2001 Performance Plan discusses this management challenge. In addition to it being a management challenge for FinCEN, money laundering is an issue that is identified in several other sections of the justification document:

- The Interagency Crime and Drug Enforcement objectives include making full use of financial investigative techniques, including tax law enforcement, and enforcement of Title 18 and Title 31 currency laundering statutes.
- One of Customs' challenges is: efforts to identify, disrupt, and dismantle narcotics and related money laundering organizations.
- Under "Drug and Other Enforcement Activity", Customs categorizes all of its drug and money laundering investigations.
- The IRS assists in the preparation and trial of criminal tax and money laundering investigations. The IRS serves as the Department's primary receiver and processor of statutorily filed Bank Secrecy Act and Title 26 Currency Reports and provides database accessibility to the law enforcement and tax administration communities.
- The Treasury and Justice Departments issued the first National Money Laundering Strategy in 1999. The justification contains a line item called" Money Laundering Strategy". The Money Laundering and Financial Crimes Strategy Act was enacted in 1998 and calls for the development of a five year anti-money laundering strategy.

⇒ Comment: FinCEN's goals and measures in the FY 2001 Performance Plan continue to be output oriented. FinCEN needs to develop measures that address outcomes for better assessing the results of the program. Also, key to accomplishing FinCEN's goals is the continued support of the BSA by Congress, the financial industries, and the public through cooperation by banks, and money service businesses. FinCEN did not disclose whether the OIG or GAO identified this as a high profile item.

THE DEPARTMENT'S EFFORT'S TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FISCAL YEAR 2001 PERFORMANCE PLAN

Information Security: Under the FMS, Customs, and IRS Salaries and Expenses sections, the Department's FY 2001 Performance Plan discusses this management challenge.

- FMS reported that it has requested funding for contractual support for conducting (1) detailed risk assessments of automated information systems to address weaknesses, and (2) penetration testing of their network.

⇒ Comment: FMS did not include performance goals directly related to computer security controls in its FY 2001 Performance Plan. The Department cited remediation plans that include resources, remedies, and intermediate target dates necessary to bring the redesigned IT security program into compliance, as an appropriate forum for discussing this issue.

- The Customs, Salaries and Expenses section Management Challenges or High Risk Areas identified GAO reports that bring to light challenges with its Automated Systems/Core Financial Systems. Customs has weaknesses relating to internal controls over data.

⇒ Comment: Customs' goals are discussed in this area through replacement of their Automated Commercial System with the Automated Commercial Environment (ACE). However, ACE does not fully address access and physical security over data maintained in their automated systems. Specifically, ACE addresses data weaknesses relating to complete and reliable information in the core financial systems, including changes in drawback verification procedures; replacement of the current Federal Financial System; and enhancement of a compliance measurement program to monitor commercial areas.

- The IRS, Special Analyses section on Management Challenges or High Risk Area credits GAO with identifying concerns to Improve Security Controls over Information Systems

⇒ Comment: Although IRS' Special Analysis section in the FY 2001 Performance Plan listed Relevant Management Action(s) and/or FY 1999 accomplishments, it provided no interim performance measures for assessing IRS' progress in addressing this challenge.

⇒ Comment: In a prior evaluation report, we observed that the Department's FY 1999 Performance Plan did not adequately discuss system controls or procedures for ensuring the reliability, integrity, and security of data. The Department cited the Security Compliance Program (currently under revision), a Security Architecture Project, and an Intrusion Detection Initiative as appropriate forums for reporting on IT weaknesses and noncompliance with related laws and regulations.

THE DEPARTMENT'S EFFORT'S TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FISCAL YEAR 2001 PERFORMANCE PLAN

Trade Enforcement and Narcotics Interdiction by Customs: Under the Customs Salaries and Expenses section Management Challenges or High Risk Area the Department's FY 2001 Performance Plan discusses this management challenge.

- Customs has several operational weaknesses impacting on its ability to effectively enforce trade and narcotics laws and regulations.

⇒ Comment: Customs credits OIG reports for surfacing these concerns. While measures in Customs' FY 2001 Performance Plan addresses some of their weaknesses, they also recognize that targets used for attainment of some of their goals do not fully measure achievement of those goals. Customs explained that it was not including certain measures in the plan, and stated that they are working on developing more outcome-oriented measures. Customs also provides some information on strategies for meeting its performance plan, but this information is not clearly linked to its performance goals.

THE DEPARTMENT'S EFFORT'S TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FISCAL YEAR 2001 PERFORMANCE PLAN

Revenue Protection: Under the ATF, Salaries and Expenses/Violent Crime Reduction Trust Fund section Management Challenges and High Risk Areas, the Department's FY 2001 Performance Plan discusses this management challenge.

- ATF needs to strengthen its financial management controls to ensure that hundreds of millions in excise taxes do not escape collection.

⇒ Comment: ATF explanations of measures do not identify where this issue originated.

- The Customs Salaries and Expenses section Management Challenge identifies ACE System Implementation.

⇒ Comment: Customs goals and measures discuss replacement of its current core financial system with ACE, which represents an enhancement of its compliance measurement program to monitor commercial areas. Customs credits the GAO with identifying weaknesses relating to the development of Customs' ACE, which included (1) investing in ACE without a firm basis for knowing whether it is a cost effective system, and (2) building ACE without employing software engineering rigor and discipline.

- The IRS special analyses area Management Challenges or High Risk Area identifies Revenue Protection.

⇒ Comment: IRS credits the GAO with reporting revenue protection as a critical concern as IRS restructures its goals and measures.

THE DEPARTMENT'S EFFORT'S TO ADDRESS MAJOR MANAGEMENT CHALLENGES IN ITS FISCAL YEAR 2001 PERFORMANCE PLAN

Financial Management at Treasury/Compliance with FFMIA: The Department's FY 2001 Performance Plan has several related performance goals.

- One goal calls for establishing a financial systems integration framework and strategy for key, crosscutting financial systems.

⇒ Comment: The related performance measure called for 100 percent completion of the integrated framework and strategy by fully implementing TIER and CFO vision (the software system that is used to produce the financial statement line items using TIER data). TIER and CFO Vision are components of the Financial Analysis and Reporting System, the Department's planned financial reporting system. However, the Department discontinued this measure for FY 2000 and FY 2001. The Performance Plan states that the Department will continue to monitor its performance, using OMB and Joint Financial Management Improvement Program criteria, and track instances where related material weaknesses are noted by OIG reviews on financial management systems. We believe that discontinuance of this measure is questionable, since implementation has not been fully achieved.

- Under a separate goal to improve the accuracy, timeliness, and utility of all accounting and financial information, the FY 2001 Performance Plan calls for maintaining a qualified opinion for FY 1999 and achieving an unqualified audit opinion for FY 2000, with both audits being delivered by the March deadline.

⇒ Comment: We reported that Treasury's lack of integrated financial management systems was a material weakness. The Department stated that measuring progress in this area will be reflected in the results of each year's financial statement audit. The plan also noted that the Department monitors each bureau's success in implementing FFMIA Remediation Plans to ensure that interim milestones are being met. We believe that goals to reduce or prevent internal control and audit resolution open items are also related to FFMIA compliance.

TREASURY'S OFFICE OF INSPECTOR GENERAL ISSUED REPORTS AND ONGOING REVIEWS FROM OCTOBER 1, 1999 TO PRESENT

- **Treasury's Information Technology Investment Management**

1. 99-012, Final Report on the Follow-up Audit of the Treasury Departments Oversight of IRS' Tax System Modernization

2. 99-039, Audit of the Treasury Communication System Automated Information Systems Security Program, (LOU)

3. 99-109, Audit of U.S. Customs Services Continuity of Operations, (LOU)

4. 00-077, Final Report on ITMR Act Implementation

5. 00-085, Report on Customs Automated Information Systems-Computer Security Safeguards Need Improvement

6. 00-CA-001, Assessment of Personnel Security Processes within Departmental Offices

7. 00-CA-004, Assessment of Customer Satisfaction with the Department's Performance Reporting System

TREASURY'S OFFICE OF INSPECTOR GENERAL ISSUED REPORTS AND ONGOING REVIEWS FROM OCTOBER 1, 1999 TO PRESENT

- **Money Laundering/Bank Secrecy**

1. A-DO-00-001, FinCEN Artificial Intelligence (Ongoing)
2. 99-032, Financial Crimes Enforcement Network SARS
3. 99-081, U.S. Department of the Treasury: Audit Bank Secrecy Act
4. 99-102, U.S. Customs Service Audit of Customs' Money Laundering Initiatives
5. 00-014, FinCEN Office of Compliance and Regulatory Enforcement
6. 00-027, OCC's Bank Secrecy Act Examinations Did Not Always Meet Requirements
7. 00-060, Audit Report of OCC's Examinations of Foreign Branch Offices For Compliance with the BSA
8. 00-CA-005, Assessment of the Financial Crimes Enforcement Network's Strategic Plans for Fiscal Years 1997-2002

TREASURY'S OFFICE OF INSPECTOR GENERAL ISSUED REPORTS AND ONGOING REVIEWS FROM OCTOBER 1, 1999 TO PRESENT

- **Information Security**

1. 99-002, Customs Disaster Recovery and Computer Security, (LOU)

2. 99-065, Final Report on the U.S. Customs Service's Automated Information Systems Computer Security Safeguards Need Improvement (LOU)

3. 00-005, Review of Treasury's Critical Infrastructure Protection Program

4. 00-006, Review of Treasury Information System Change Management Controls (Ongoing)

5. 00-009, Review of Treasury Security Plans (Ongoing)

6. 00-020, Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Federal Investment Branch for the Period October 1, 1998 to September 30, 1999

7. 00-049, Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of the Public Debt Trust Fund Management Branch for the Period October 1, 1998 to September 30, 1999

8. 00-050, U.S. Customs Service's Fiscal Years 1999 and 1998 Financial Statements

TREASURY'S OFFICE OF INSPECTOR GENERAL ISSUED REPORTS AND ONGOING REVIEWS FROM OCTOBER 1, 1999 TO PRESENT

- **Trade Enforcement and Narcotics Interdiction by Customs**

1. 98-026, Customs Support for the Business Anti-Smuggling Coalition (BASC)
2. 98-059, Customs Automated Manifest System (Ongoing)
3. 99-006, Inbound Rail Cars on the Southern Border, Limited Official Use, (LOU)
4. 99-045, The Combined Agency Border Intelligence Network, (LOU)
5. 99-047, Customs Operation Hard Line (Ongoing)
6. 99-077, Final Report on U.S. Customs Drug Interdiction Activities on Inbound Rail Shipments Along the Northern Border, (LOU)
7. 99-090, Interagency Review of Export Licensing Procedures, (LOU)
8. 00-036, Customs Performance Data for Commercial Activity
9. 00-066, Audit Report on Customs' ACS Cargo Selectivity
10. 00-072, Treasury Efforts to Prevent Illicit Transfers of Military Technologies

TREASURY'S OFFICE OF INSPECTOR GENERAL ISSUED REPORTS AND ONGOING REVIEWS FROM OCTOBER 1, 1999 TO PRESENT

- **Revenue Protection**

1. 99-007, Audit of U.S. Customs Service Mitigation of Penalties
2. 99-019, Customs Courier Hubs
3. 99-027, ATF Tobacco Diversion (Ongoing)
4. 99-050, Customs General Order Merchandise (Ongoing)
5. 99-081, ATF Special Occupational Tax Follow-up (Ongoing)
6. 99-115, Review of the Executive Office for Asset Forfeiture Mission
7. 99-123, ATF Controls Over Tax Free Spirit Exports
8. 00-014, Customs International Mail (Ongoing)
9. 00-015, Oversight of Foreign Trade Zone Activity
10. 00-016, Final Report on Review of Controls over Refunds of Harbor Maintenance Tax on Exports
11. 00-028, Customs Efforts to Collect Overdue Payments
12. 00-080, Final Report on ATF Compliance Inspection Strategy for Firearms and Ammunition Excise Taxes

TREASURY'S OFFICE OF INSPECTOR GENERAL ISSUED REPORTS AND ONGOING REVIEWS FROM OCTOBER 1, 1999 TO PRESENT

- **Financial Management at Treasury/Compliance with FFMIA**

1. 99-013, U.S. Mint Coins
2. 99-025, Transfer Fee Revenue Has Been Insufficient to Recover the Cost of Trading Treasury Securities
3. 99-027, FMS Adequately Processed CMIA Interest Liabilities But Questions Remain
4. 99-061, Anti-Dumping and Countervailing Duties
5. 99-067, Results Act II
6. 99-075, Final Report on the Status of the Financial Management Services Implementation of EFT
7. 99-092, ATF's High Intensity Drug Trafficking Area (HIDTA) Program at Puerto Rico and Miami
8. 99-094, Audit of U.S. Customs Services Controls Over High Intensity Drug Trafficking Area Funds, (LOU)
9. 99-129, Report on the Audit of the CDFI Fund's Unliquidated Obligations
10. 99-131, Report on the Audit of the USSS Unliquidated Obligations
11. 99-132, Report on the Audit of the FLETC Unliquidated Obligations
12. 99-133, Report on the Audit of the Departmental Offices Unliquidated Obligations
13. 00-001+, PCIE/ECIE Review of Non-Tax Delinquent Debt at Customs, Secret Service, and DO
14. 00-003, Counterterrorism (Ongoing)
15. 00-007, FFMIA
16. 00-011, Report on the Audit of the United States Customs Service's Unliquidated Obligations

TREASURY'S OFFICE OF INSPECTOR GENERAL ISSUED REPORTS AND ONGOING REVIEWS FROM OCTOBER 1, 1999 TO PRESENT

17. 00-012, Report on the Audit of ATF's Unliquidated Obligations

18. 00-013, PCIE/ECIE Review of Nontax Delinquent Debt

19. 00-021, Audited Fiscal Years 1999 and 1998 Financial Statements of the Exchange Stabilization Fund

20. 00-024, Audited Statements of Custodial Gold and Silver Reserves for the United States Mint as of September 30, 1999 and 1998

21. 00-031, FMS' Reclamation of Direct Deposit Post-Death Benefit Payments

22. 00-034, Summary Audit of Treasury Bureaus' Use of HIDTA Funds

23. 00-037, The Treasury Bureau of the Public Debt Trust Fund Management Branch Leaking Underground Storage Tank Trust Fund Schedules for the Year Ended September 30, 1999

24. 00-038, The Treasury Bureau of the Public Debt Trust Fund Management Branch Supplementary Medical Insurance Trust Fund Schedules for the Year Ended September 30, 1999

25. 00-039, The Treasury Bureau of the Public Debt Trust Fund Management Branch Inland Waterways Trust Fund Schedules for the Year Ended September 30, 1999

26. 00-040, The Treasury Bureau of the Public Debt Trust Fund Management Branch Hazardous Substance Superfund Trust Fund Schedules for the Year Ended September 30, 1999

27. 00-041, The Treasury Bureau of the Public Debt Trust Fund Management Branch Harbor Maintenance Trust Fund Schedules for the Year Ended September 30, 1999

28. 00-042, The Treasury Bureau of the Public Debt Trust Fund Management Branch Federal Hospital Insurance Trust Fund Schedules for the Year Ended September 30, 1999

29. 00-043, The Treasury Bureau of the Public Debt Trust Fund Management Branch Highway Trust Fund Schedules for the Year Ended September 30, 1999

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30. 00-044, The Treasury Bureau of the Public Debt Trust Fund Management Branch Oil Spill Liability Trust Fund Schedules for the Year Ended September 30, 1999

31. 00-045, The Treasury Bureau of the Public Debt Trust Fund Management Branch Aquatic Resources Trust Fund Schedules for the Year Ended September 30, 1999

32. 00-046, The Treasury Bureau of the Public Debt Trust Fund Management Branch Airport and Airway Trust Fund Schedules for the Year Ended September 30, 1999

33. 00-047, Opportunities for BEP to Improve the Processing of Mutilated Currency

34. 00-048, The Schedules of Loans Receivable from Federal Entities and Related Interest Receivable Serviced by the Treasury Bureau of the Public Debt at September 30, 1999

35. 00-054, Audited Financial Statements of the Community Development Financial Institutions Fund for Fiscal Years 1999 and 1998

36. 00-055, Audited Departmental Offices Fiscal Year 1999 Consolidated Financial Statements and Notes

37. 00-056, Department of the Treasury's Fiscal Year 1999 Financial Statements

38. 00-061, Office of Thrift Supervision's Data Reliability and Validity under the Results Act

39. 00-062, Audited Fiscal Years 1999 and 1998 Financial Statements of the United States Mint

40. 00-063, Audited Fiscal Year 1999 Financial Statements of the Treasury Forfeiture Fund

41. 00-064, Audit Report on the Review of Internal Controls Over Collections and Imprest Fund at FLETC

42. 00-065, Office of the Comptroller of the Currency's Data Reliability and Validity under the Results Act

43. 00-068, Financial Management Service Fiscal Year 1999 Financial Statements

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44. 00-071, Audited Fiscal Year 1999 Financial Statements of the Bureau of Engraving and Printing

45. 00-076, Bureau of the Public Debt's Compliance with the Results Act

46. 00-079, Audited Financial Statements of the Federal Financing Bank for the Fiscal Years 1999 and 1998

47. 00-083, Audited Financial Statements of the Office of Thrift Supervision for Calendar Years 1999 and 1998

48. 00-084, Audited Financial Statements of the Office of the Comptroller of the Currency for Calendar Year 1999

49. 00-087, Review of ATF Expenditures for the Youth Crime Gun Interdiction Initiative

50. 00-091, Report on ATF's Fiscal Year 1999 Financial Statements

51. 00-092, Report on the Department of the Treasury's District of Columbia Pensions Projects Fiscal Year 1999 Financial Statements

52. 00-CA-002, Assessment of the Comptroller of the Currency's Strategic Planning Process