



# *The Department of the Treasury*

## CITIZENS' REPORT:

FISCAL YEAR 2008 SUMMARY OF PERFORMANCE & FINANCIAL RESULTS



*fiscal year* 2008



# THE UNITED STATES DEPARTMENT OF THE TREASURY

## OUR VISION

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*Set the global standard in financial and economic leadership*

## OUR MISSION

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*Serve the American people and strengthen national security by managing the U.S. Government's finances effectively, promoting economic growth and stability, and ensuring the safety, soundness, and security of the U.S. and international financial systems*

## OUR VALUES

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*SERVICE – Work for the benefit of the American people*

*INTEGRITY – Aspire to the highest levels ethical standards of  
honesty, trustworthiness, and dependability*

*EXCELLENCE – Strive to be the best, continuously improve, innovate, and adapt*

*OBJECTIVITY – Encourage independent views*

*ACCOUNTABILITY – Responsible for our conduct and work*

*COMMUNITY – Dedicated to excellent customer service, collaboration,  
and teamwork while promoting diversity*



# *The Department of the Treasury*

## CITIZENS' REPORT:

Fiscal Year 2008

Summary of Performance  
& Financial Results

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# Message from the Secretary



December 31, 2008

On behalf of the Department of the Treasury, I am pleased to submit the first edition of the *Department of the Treasury Citizens' Report: Fiscal Year 2008 Summary of Performance and Financial Results*. This report provides insight into the Department's broad leadership role for the economic and financial activities of the U.S. Government. The current economic turmoil calls for extraordinary measures, and the Treasury Department has actively pursued initiatives aimed at stabilizing the financial system and strengthening financial institutions that play a vital role in supporting U.S. economic activity.

Maintaining and improving the performance of the Department is crucial. In fiscal year 2008, the Department of the Treasury met or exceeded 70 percent of its performance targets, slightly lower than fiscal year 2007. Though the result is lower than the prior year, Treasury improved the quality of its measures through innovative approaches to measure difficult areas, such as Terrorism and Financial Intelligence, and economic and financial technical assistance provided to other countries.

This year brought two additional management challenges for the Department: Management of Treasury's New Authorities Related to Distressed Financial Markets and Regulation of National Banks and Thrifts. Treasury recognizes the importance of sound stewardship in managing the authorities related to distressed financial markets. We are executing the authorities we have been granted with one primary goal – to restore liquidity and stability to the financial system of the United States. More broadly, we are reviewing the regulation of national banks and thrifts to identify gaps in regulatory authority and the regulatory framework that contributed to the current financial turmoil, and putting forward policies to modernize our financial regulatory architecture to match the evolution of the financial marketplace.

The Department of the Treasury has again received an unqualified opinion on its financial statements. The Department has validated the accuracy, completeness, and reliability of the financial data in this report. Performance data has been validated, and is likewise complete and reliable. The Department has continued to make progress in reducing management control weaknesses and in efforts to satisfy federal financial systems and control objectives.

Sincerely,

A handwritten signature in black ink, which appears to read "Henry M. Paulson, Jr." The signature is fluid and cursive, written in a professional style.

Henry M. Paulson, Jr.  
Secretary of the Treasury



# Message from the Assistant Secretary for Management & Chief Financial Officer

December 31, 2008

Secretary Paulson's message describes the Department of the Treasury's unprecedented role and expanded responsibilities in helping to stabilize the nation's economy. During the first critical weeks following enactment of the Housing and Economic Recovery Act and the Emergency Economic Stabilization Act, Treasury professionals in the areas of procurement, financial management, information technology, human capital, and operations acted swiftly to ensure that these functions were mobilized to support rapid implementation. We anticipate a continuing critical role for these teams in fiscal year 2009 in support of the Troubled Asset Relief Program and the newly established Office of Financial Stability.



During the course of the year, Treasury took a number of steps to strengthen corporate management councils and forums, including bureau head meetings and active Department-wide functional councils headed by the Chief Financial Officer, the Chief Information Officer, the Chief Human Capital Officer, the Senior Procurement Executive, and the Director of Emergency Programs. To strengthen the Department's privacy, governance, disclosure, and record-keeping programs, a new Office of Privacy and Treasury Records was established by combining key functions and elevating the integrated effort to report directly to the Assistant Secretary for Management. The Department also re-energized the E-Board Information Technology Investment Oversight forum to provide increased executive-level strategic direction and scrutiny of major projects, and strengthened corporate management of shared services by initiating an ongoing Working Capital Fund Review Program with participation by all bureaus.

The Department of the Treasury once again received an unqualified audit opinion on its financial statements. We are working diligently to resolve financial systems material weaknesses which are preventing the Department from achieving full compliance with federal financial systems requirements and, along with weaknesses in non-financial areas, result in providing only qualified assurance that the Department is meeting federal financial management and internal control objectives. The Department closed two long-standing material weaknesses in fiscal year 2008, and no new weaknesses were identified, leaving four open material weaknesses as of September 30, 2008. These remaining weaknesses involve complex solutions that will require several years of sustained, hard work to resolve. The last of the Department's material weaknesses is scheduled to be closed in fiscal year 2012. The Department will also need to devote special attention to the Management Challenges outlined by the Department's Inspectors General. These challenges do not necessarily indicate deficiencies in performance; however, they represent inherent risks that must be monitored continuously. This is especially true of the new challenges the Department faces in working to stabilize and improve the distressed financial markets.

As our nation awaits the beginning of a new Administration, the dedicated men and women of the Department of the Treasury will continue to carry out the vital mission of the Treasury Department on behalf of the American people, while continuing to support a smooth and effective transition.

Sincerely,

A handwritten signature in black ink, appearing to read "P. McCarthy".

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

## Introduction

The *Department of the Treasury Citizens' Report: Fiscal Year 2008 Summary of Performance and Financial Results* provides information for the general public to assess the Department's performance relative to its mission and stewardship of the resources entrusted to it.

The report begins by posing a fundamental question on the minds of most Americans today – What is Treasury doing to address the economy? An overview follows providing the reader an understanding of the contributions Treasury has made over the last year to stabilize financial markets, improve mortgage availability, protect the taxpayer and restore confidence in the economy.

Agency-level performance information is presented next, along with a summary of performance by strategic goal, which includes key accomplishments, challenges, and trends in performance, budget and cost.

Each goal is then examined more closely through a series of charts including budget, cost, and performance measures. A one page narrative follows this and includes a short description of the goal, key points of discussion, and summary of performance trends. Useful links are included to provide the reader additional information.

The status and progress made on Management Challenges is presented next, along with actions taken on High Risk Areas.

The report concludes with a summary of financial audit and statement data.

This report is a summarized version of the Treasury *Fiscal Year 2008 Performance and Accountability Report*, which can be found [here](#).



# What is Treasury Doing to Address the Economy?

2008 has been a challenging year. The ongoing housing correction has reverberated throughout the U.S. financial system and severely impacted the U.S. economy. Lack of confidence among lenders and strained capital markets have made it harder to obtain student loans, home loans and business loans. Treasury has made significant efforts this year to address financial market difficulties and mitigate effects on the overall economy. The list below constitutes some of the actions taken by the Department:

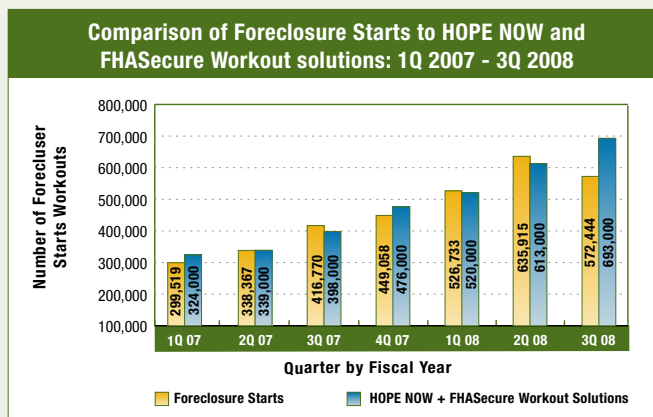
- Led the government response to financial market challenges in coordination with federal, state and international authorities
- Participated in development and implementation of the *Economic Stimulus Act of 2008*
- Participated in development and implementation of the *Emergency Economic Stabilization Act of 2008*
- Helped homeowners by supporting creation of the *HOPE NOW Alliance*, the *Hope for Homeowners* program and expansion of the *FHASecure* program
- Contributed to placement of *Fannie Mae* and *Freddie Mac* in conservatorship
- Participated in finding solutions for troubled financial institutions
- Implemented measures to bolster regulation of national banks and thrift institutions
- Established a *Temporary Guarantee Program* for money market mutual funds
- Released the *Blueprint for a Modernized Financial Regulatory Structure*
- Participated in the development and implementation of temporary tax relief for mortgage holders

Key actions in 2008:

*Led the government response to financial market challenges in coordination with federal, state and international authorities*

Throughout the year, Treasury coordinated with federal agencies, state authorities, international bodies and private groups to address challenges in financial markets and the broader economy. For example, Treasury chaired the President's Working Group on Financial Markets, a multi-agency body including Treasury, the Federal Reserve, Securities and Exchange Commission and Commodities Futures Trading Commission charged with assessing the underlying causes of financial market turmoil and developing policy recommendations. In March the group issued a *Policy Statement on Financial Market Developments* outlining 27 specific measures to address regulatory and management shortfalls, followed up by a report in October assessing progress. To manage financial difficulties at some of the nation's largest financial institutions, members of the working group coordinated throughout the year with the Federal Deposit Insurance Corporation and other government agencies to monitor conditions and implement solutions. Internationally, Treasury and the Federal Reserve collaborated with the G-7, G-20 and Financial Stability Forum to develop international guidelines for managing financial market challenges. Domestically, Treasury worked with various state authorities to address mortgage origination issues and concerns about conditions at state-chartered financial institutions. For homeowners, creation of the HOPE NOW Alliance and expansion of Federal Housing Administration programs with Treasury support have helped over two-and-a-half million at-risk homeowners avoid foreclosure and keep their homes. The Treasury Department, as the nation's foremost economic policy agency, will continue to make necessary steps to address financial market challenges in coordination with public and private sector agencies.

Figure 1



Sources: Mortgage Bankers Association, HOPE NOW, FHASecure.



**Participated in development and implementation of the Emergency Economic Stabilization Act of 2008**

The *Emergency Economic Stabilization Act of 2008* was signed into law on October 3, 2008. The legislation provided \$700 billion to stabilize the financial system and facilitate access to credit by creditworthy households and businesses. As of December 31, 2008, funds from the Troubled Asset Relief Program (TARP) established under the Act had been deployed in five programs: a Capital Purchase Program, an Asset Guarantee Program, an Automotive Industry Financing Program, a Targeted Investment Program and the Federal Reserve's Term Asset-Backed Securities Lending Facility.

Under the Capital Purchase Program, Treasury has committed \$250 billion to purchase preferred shares and warrants in qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies. The program is intended to provide banks 1) a stronger capital base to take losses as they write down or sell troubled assets, and 2) resources to increase lending. Under the Asset Guarantee Program, Automotive Industry Financing Program and Targeted Investment Program, Treasury has purchased preferred shares and warrants and provided other support to AIG, General Motors, GMAC, Chrysler and Citigroup. The measures were essential to support these companies' capital base and avoid a disorderly sale of company assets which could have destabilized financial markets and inflicted further damage on the economy. For the Federal Reserve's Term Asset-Back Securities Lending Facility, Treasury provided \$20 billion in backing to enable financial institutions to step up their lending and borrowers to access more affordable auto loans, student loans, credit cards and small business loans.

As of the end of 2008, the TARP program was continuing to take steps to stabilize financial markets and reduce systemic risk, support the housing market by avoiding preventable foreclosures and facilitating mortgage finance, and protect taxpayer interests.

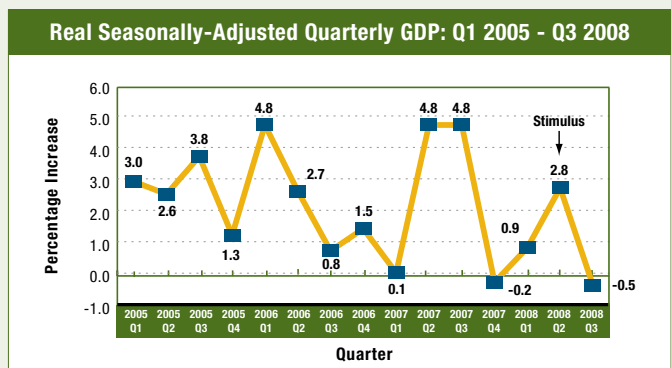
**Participated in development and implementation of the Economic Stimulus Act of 2008**

The *Economic Stimulus Act of 2008* was signed into law on February 13, 2008. Created to support the economy during a period to slowing growth, the bill provided relief in the form of individual tax rebates for households and tax incentives for business investment. In total, over 118.9 million stimulus payments, totaling \$96.1 billion, were issued in the form of checks and electronic deposits. Issuance of 112 million payments between late April and early July helped moderate weakness in consumer spending during the second quarter of the year and support economic growth. (See Figure 2). Businesses were expected to utilize an additional \$45 billion in tax deductions through the end of 2008.

**Contributed to placement of Fannie Mae and Freddie Mac in conservatorship**

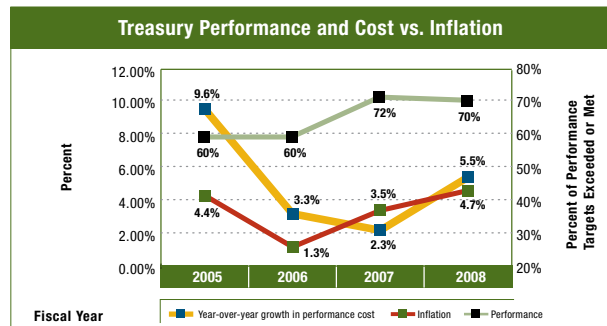
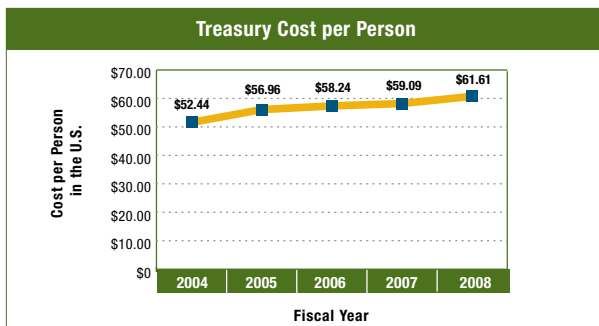
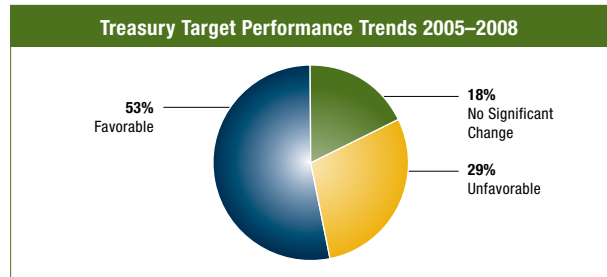
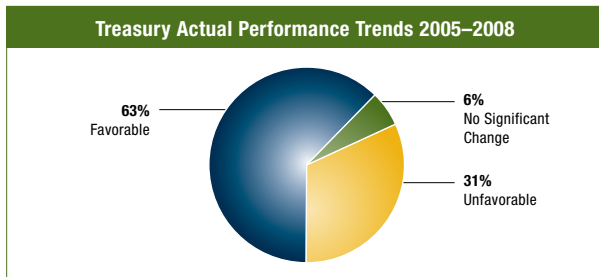
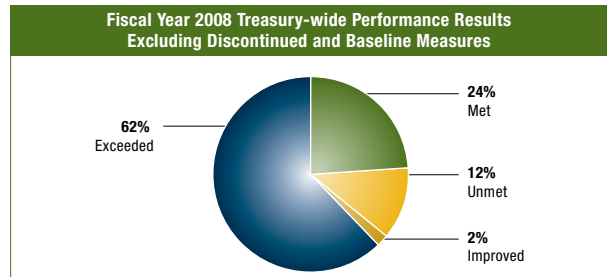
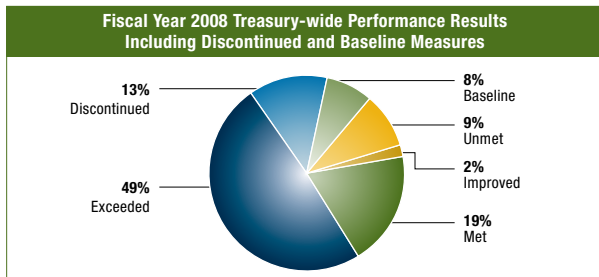
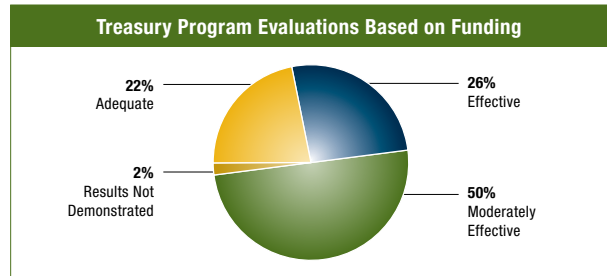
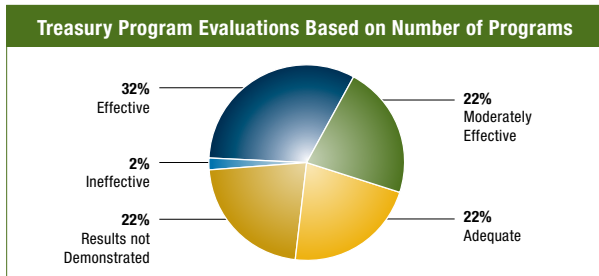
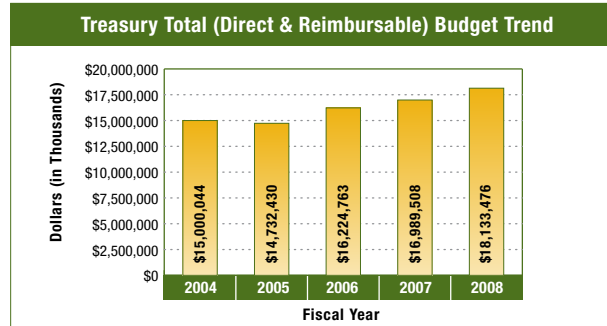
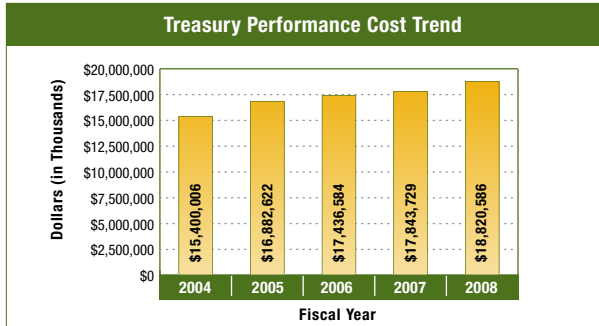
To support mortgage markets, in September 2008 Treasury helped place the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) under government conservatorship. As the nation's two largest providers of mortgage financing, the action was directed at minimizing the near-term costs of insolvency at the two institutions. In return for providing a \$100 billion secured lending facility for each enterprise and agreeing to purchase up to \$5 billion in mortgage-backed securities, Treasury has received \$1 billion in senior preferred stock with a ten percent annual dividend and controlling ownership options.

Figure 2



Source: Bureau of Economic Analysis.

# How Well is Treasury Performing?



# How Well is Treasury Performing Discussion

## Performance Cost and Budget Trends

Performance cost represents the best indication of the total cost to operate the Treasury Department. It includes normal operating expenses as well as imputed costs, depreciation, losses, and other expenses not requiring budgetary resources. Performance cost on the average has risen four to five percent per year since 2004. The Department's total budget, which includes direct appropriations and reimbursable amounts, has also risen an average of four to five percent per year since 2004.

## Program Evaluations

A total of 37 of Treasury Department programs have been evaluated using the Office of Management and Budget's Program Assessment Rating Tool (PART) since 2002. Each program receives a rating of effective, moderately effective, adequate, results not demonstrated, or ineffective. Results for all program evaluations are shown in two different charts. One chart is based on the number of programs, and the other on program funding. Programs receiving an adequate or better rating were 76 percent using the number of programs, but 98 percent based on program funding.

## Performance to Target

In fiscal year 2008, the Treasury Department revised its performance rating system. Performance to target was rated as exceeded, met, improved from the prior year (but not met), unmet, baseline or discontinued. Prior to this, performance measures were rated only as met or unmet. Results are shown in two charts, one including all performance measures, and one not including baseline and discontinued measures. While 70 percent of targets were exceeded, met or improved based on all measures, 88 percent of targets were exceeded, met or improved based on measures that were not base-lined or discontinued.

## Actual and Target Performance Trends

Trends in actual performance and targets have been analyzed since 2004 where data was available. Trends can move upward, downward, or remain flat. Depending on the type of measure, a trend can be favorable, unfavorable, or remain unchanged. Results indicate that 63 percent of actual performance trends were favorable, 31 percent were unfavorable, and 6 percent were unchanged. Target trends were 53 percent favorable, 29 percent unfavorable, and 18 percent unchanged.

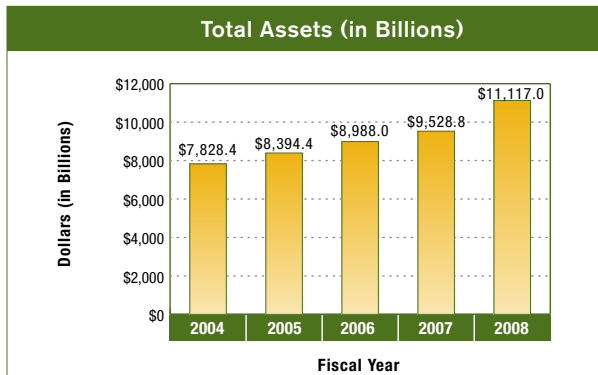
## Treasury Cost per Person

A chart that indicates the approximate cost of the Treasury Department per person in the United States is shown here. The calculation is determined by dividing Treasury Performance Cost by an estimate of the U.S. population at the end of fiscal year 2008. This ratio attempts to describe the cost of the Department in terms people can relate to.

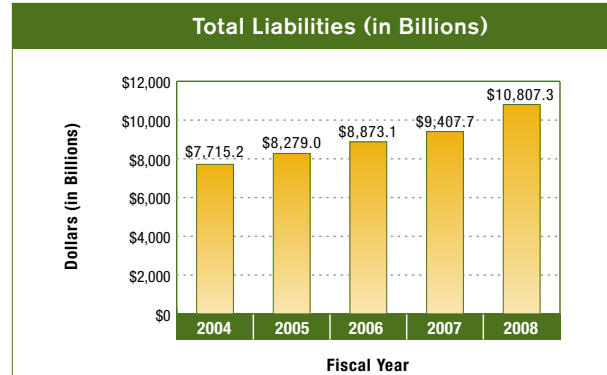
## Treasury Performance and Cost versus Inflation

A dual scale chart provides Treasury performance to target, performance cost, and inflation information since fiscal year 2004. The data indicate that the gap between Treasury Performance Cost and inflation is narrowing while performance has improved.

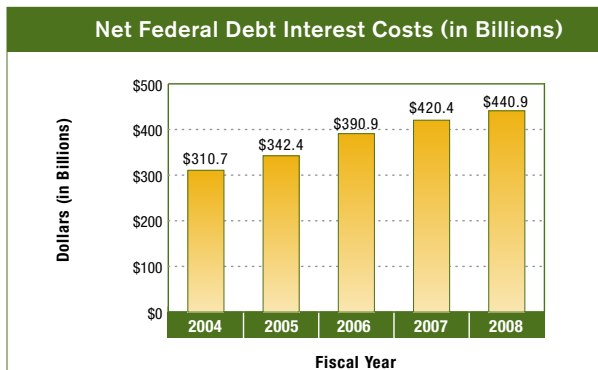
# Financial Trends



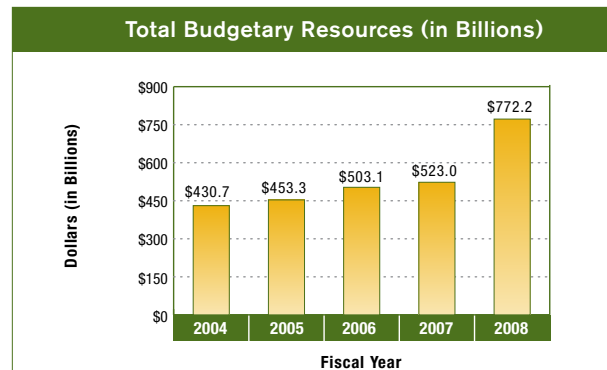
The increase of \$1.6 trillion in total assets in fiscal year 2008 is largely due to the increase in future funds required from the General Fund of the U.S. Government to pay for the federal debt owed to the public and other federal agencies.



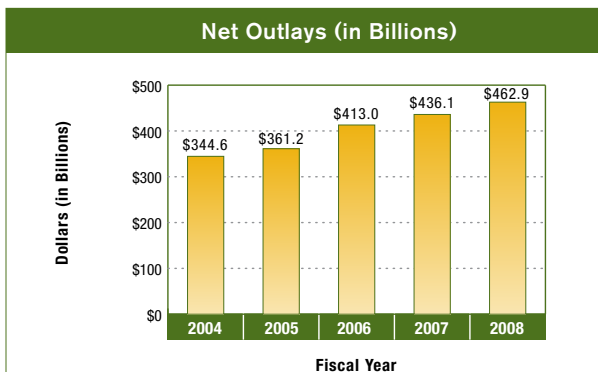
Total liabilities increased by \$1.4 trillion from fiscal year 2007 to fiscal year 2008. The majority of the increase is due to borrowings from other federal agencies and debt issued to the public.



The increase of \$20.5 billion in net interest paid on the federal debt is due to the increase in the debt. Total federal debt and interest payable increased by \$1.05 trillion in fiscal year 2008.



The majority of the increase in total budgetary resources for fiscal year 2008 was to ensure liquidity of Government-Sponsored Enterprises (GSEs) pursuant to the Housing and Economic Recovery Act of 2008.



The majority of the \$26.8 billion increase in net outlays was due to the increase in interest payments on the federal debt.



Total custodial revenue collected on behalf of the U.S. Government decreased by \$82 billion. The majority of the decrease can be attributed to the Economic Stimulus payments of \$93.4 billion issued by the Internal Revenue Service.

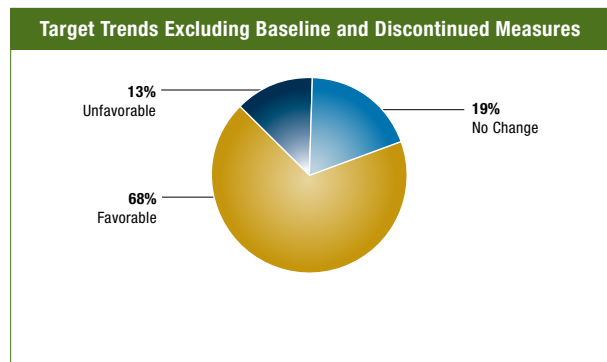
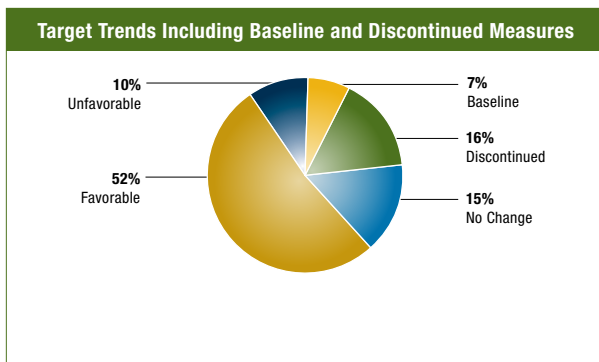
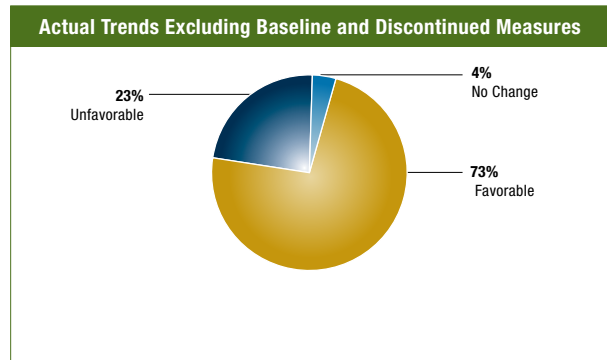
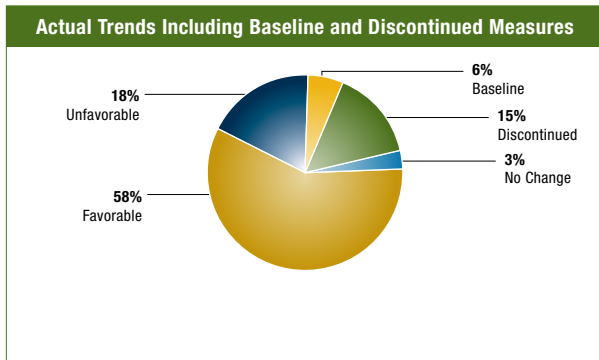
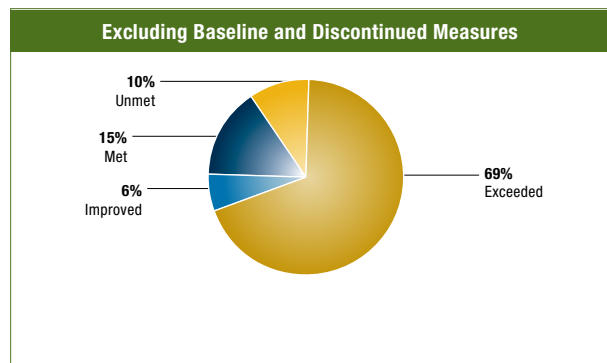
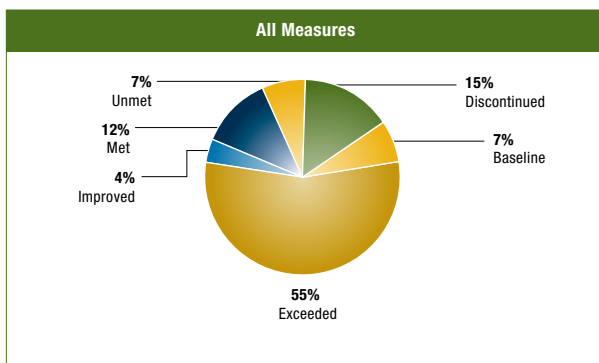
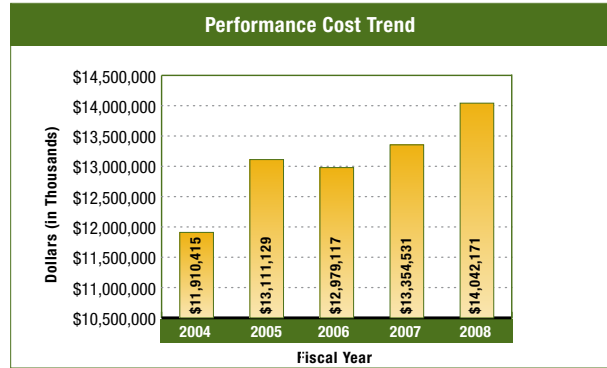
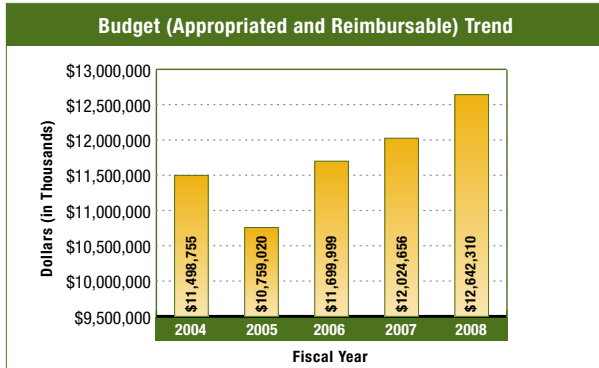
# Fiscal Year 2008 Summary of Performance by Strategic Goal

Strategic Goal	Key Accomplishments	Key Challenges	Trend
<b>Effectively Managed U.S. Government Finances</b>  <b>Cost*:</b> 2007: \$13.3 Billion 2008: \$14.0 Billion	<ul style="list-style-type: none"> <li>Collected \$2.74 trillion in tax revenue and \$14.6 billion in federal excise taxes on tobacco, alcohol, firearms and ammunition</li> <li>Processed 98.5 million tax returns electronically, up 10 percent over 2007</li> <li>Administered 116.2 million payments under the Economic Stimulus Act of 2008</li> <li>Conducted more than 200 auctions resulting in the issuance of more than \$5.6 trillion in marketable Treasury securities</li> <li>Resumed issuance of the 52-week bill on a monthly basis in order to finance budget deficit projections</li> <li>Reduced the minimum bid at Treasury auctions from \$1,000 to \$100</li> </ul>	<ul style="list-style-type: none"> <li>Continue to work toward the Congressional goal of having 80 percent of tax returns filed electronically</li> <li>Continue to convert from paper to electronic savings bonds</li> <li>Meet the long-term goal to have 90 percent of payments made electronically</li> <li>Reduce the use of illegal international tax shelters</li> <li>Reduce the erroneous payments rate within the Earned Income Tax Credit (EITC) program</li> </ul>	Performance ▲  Budget ▲  Cost ▲
<b>U.S. and World Economies Perform at Full Economic Potential</b>  <b>Cost:</b> 2007: \$3.2 Billion 2008: \$3.7 Billion	<ul style="list-style-type: none"> <li>Participated in development and implementation of the <i>Economic Stimulus Act of 2008</i></li> <li>Helped homeowners by supporting creation of the HOPE NOW alliance</li> <li>Participated in finding solutions for troubled non-depository financial institutions</li> <li>Contributed to placement of Fannie Mae and Freddie Mac in conservatorship</li> <li>Proposed legislation allowing Treasury to increase liquidity in financial markets</li> <li>Implemented measures to bolster regulation of national banks and thrifts</li> <li>Established a Temporary Guarantee Program for money market funds</li> <li>Released the <i>Blueprint for a Modernized Financial Regulatory Structure</i></li> <li>Participated in Federal Housing Administration modernization</li> <li>Participated in the development and implementation of temporary tax relief for mortgage holders</li> <li>Issued the <i>Best Practices for Residential Covered Bonds</i></li> <li>Coordinated the U.S. policy agenda for the U.S.-China Strategic Economic Dialogue (U.S.-China SED)</li> <li>Contributed to reform initiatives at the International Monetary Fund (IMF), World Bank and other international financial institutions</li> <li>Participated in finalization of proposed rules for U.S. Basel II implementation</li> <li>Provided loans, investments, financial services and technical support through the CDFI Fund</li> </ul>	<ul style="list-style-type: none"> <li>Continue to mitigate risks at national banks and thrifts</li> <li>Restructure regulatory institutions to improve supervision of financial markets</li> <li>Reform Medicare and Social Security to ensure long-term solvency</li> <li>Maintain open economies despite rising protectionist interests</li> <li>Improve productivity management relating to the printing and engraving of currency notes</li> <li>Improve supply management for bullion coin production</li> <li>Manage cost issues related to the penny and nickel</li> </ul>	Performance ►  Budget ▲  Cost ▲
<b>Prevented Terrorism and Promoted the Nation's Security Through Strengthened International Financial Systems</b>  <b>Cost:</b> 2007: \$537 Million 2008: \$555 Million	<ul style="list-style-type: none"> <li>Persuaded a number of the world's leading financial institutions of the risks of dealing with Iran and Iranian banks</li> <li>Designated and blocked key Zimbabwe regime supporters</li> <li>Completed actions targeted at the Revolutionary Armed Forces of Columbia (FARC)</li> <li>Led efforts within the Financial Action Task Force (FATF)</li> <li>Increased collaboration within the Intelligence Community</li> <li>Implemented efforts to increase Bank Secrecy Act (BSA) effectiveness and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Fully implement anti-money laundering and counter-terrorist financing (AML/CFT) laws in key countries</li> <li>Establish an external validation process to justify performance results</li> </ul>	Performance ▲  Budget ▲  Cost ▲
<b>Management and Organizational Excellence</b>  <b>Cost:</b> 2007: \$763 Million 2008: \$508 Million	<ul style="list-style-type: none"> <li>Issued 179 audits reports that produced financial accomplishments of \$2.4 billion</li> <li>Provided integrity and fraud awareness presentations to more than 90,000 IRS employees and educated tax professionals by providing awareness presentations to tax practitioners and preparers</li> <li>Created the Office of Privacy and Treasury Records (PTR)</li> <li>Established two Human Capital performance measures</li> </ul>	<ul style="list-style-type: none"> <li>Improve security configuration management</li> <li>Provide effective corporate leadership and accountability to improve performance between corporate, bureau, and program office management</li> <li>Complete an increased number of Material Loss Reviews (MLRs)</li> <li>Remain at last year's levels for the President's Management Agenda (PMA) Initiatives</li> </ul>	Performance ►  Budget ▼  Cost ▼

\* Cost is stated as "Performance Cost", and represents imputed costs, depreciation, losses, and other expenses not requiring budgetary resources. A full definition can be found in the Introduction to Part 2.



# Effectively Managed U.S. Government Finances



Treasury manages the nation's finances by collecting money due to the U.S. Government, making its payments, managing its borrowing, investing when appropriate, and performing central accounting functions. Sound fiscal management enables continual operation of essential government services and allows the Department to meet its financial obligations while minimizing borrowing costs. Accurate projections of the U.S. Government's cash requirements ensure that funds are available to cover federal payments on a daily basis. Treasury's ability to manage the nation's finances is essential to maintaining the integrity of the financial system.

### Key Points

A key element of the Department's strategy is to expand all electronic transactions to reduce cost and improve security. In fiscal year 2008, a total of 98.5 million tax returns were filed electronically, a 10 percent increase over 2007. Although the Department has not yet reached the Congressional goal of having 80 percent of tax returns filed electronically, in fiscal year 2008 the Department achieved 63 percent for individual taxpayers, including those who filed solely to claim the economic stimulus. Treasury continues to promote the use of *IRS Free File* to increase electronic filing.

Treasury has issued over 119 million economic stimulus payments. However, only 36 percent were made electronically. Treasury continues to promote the use of direct deposit for government payments through the Go Direct campaign because the cost of electronic deposit is significantly lower and more secure than issuing a paper check. There were 901,054 conversions from paper checks to direct deposit during the third year of the *Go Direct* campaign.

Debt financing is critical to ensuring that the government has the funds needed to continue operations. In fiscal year 2008, the Department conducted over 200 electronic auctions, resulting in the issuance of over \$5.6 trillion in marketable securities. Treasury successfully resumed the issuance of the 52-week bill on a monthly basis in order to meet increased borrowing needs. Additionally, the minimum bid at Treasury auctions was reduced from \$1,000 to \$100 to broaden the potential investor pool.

Issuing savings bonds is another aspect of debt financing and Treasury is committed to offering them in an efficient manner. There are approximately \$700 billion in paper savings bonds outstanding. Going forward, Treasury is encouraging its customers to purchase and manage their holdings online using *TreasuryDirect*, which allows customers to buy savings bonds and convert paper bonds to an electronic version, increasing efficiency in the management and servicing of bonds.

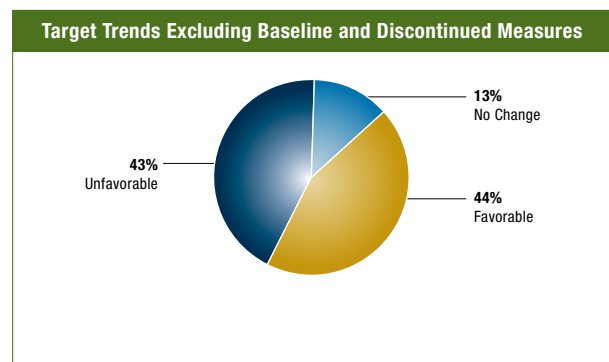
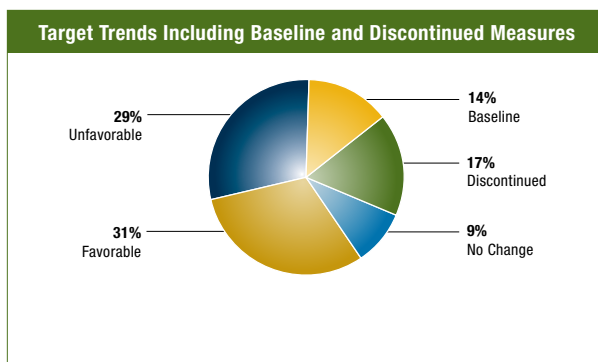
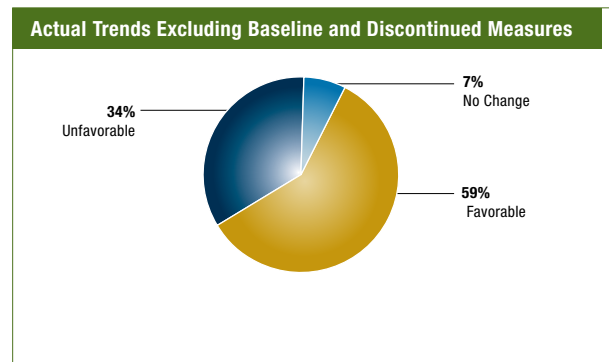
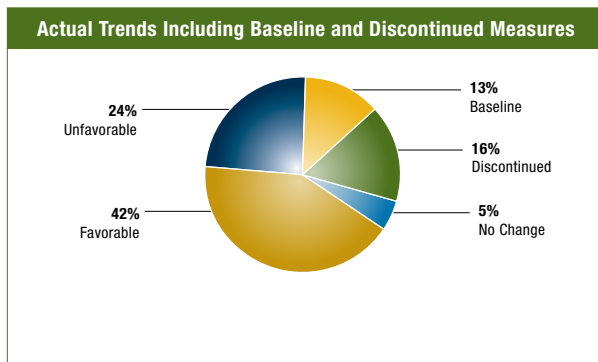
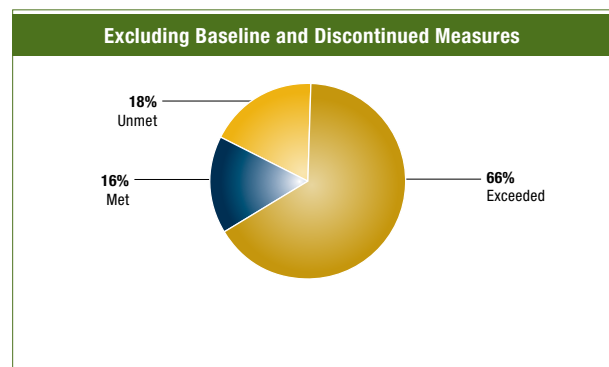
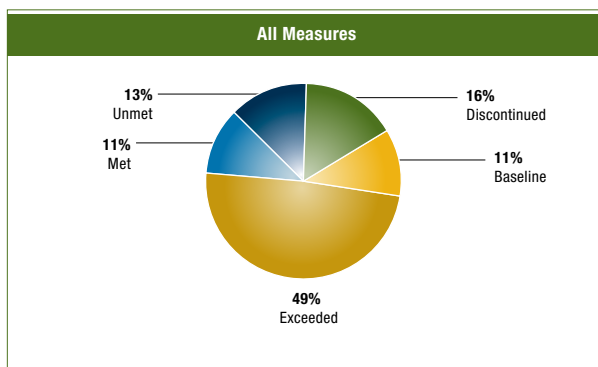
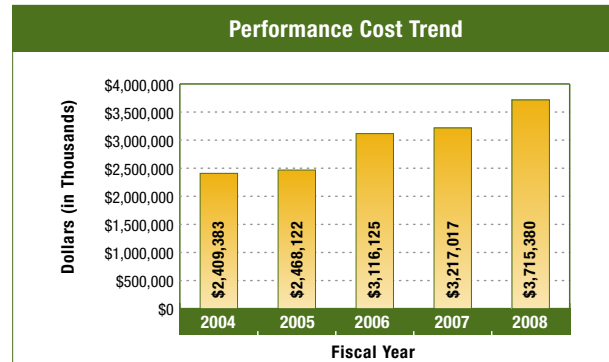
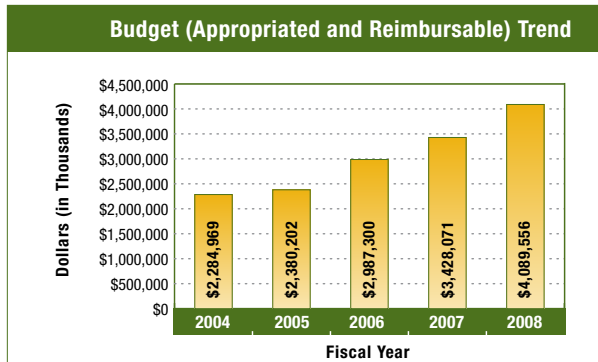
Finally, Treasury manages the government's central operating account and cash position, supporting gross annual transactions totaling \$15 trillion. The Department provides forecasts of federal receipts, outlays, and debt transactions to ensure that funds are available on a daily basis to cover payments. By increasing the accuracy of fiscal projections, the Department is able to maximize earnings on investments and minimize borrowing costs, which directly impacts the government's net operating cost. Treasury anticipates that forecasting will be a challenge in fiscal year 2009, given volatility caused by changing economic conditions, new programs and initiatives enacted by Congress to address systemic risk, and market concerns.

### Summary of Performance

Based on results, Treasury was generally successful in achieving this goal in fiscal year 2008. Excluding discontinued and baseline measures, 84 percent met or exceeded their targets. Treasury's 73 percent favorable improvement in performance has significantly outpaced the modest seven percent increase in cost. Sixty-eight percent of targets show a positive trend from fiscal year 2005-2008, suggesting target setting was reasonable. Forty-two percent of targets set for fiscal year 2009 display an expectation of improvement.

Element	Trend	Performance
Fiscal Year 2008 Performance		84% of targets met or exceeded
Budget	▲	Increased 17% since 2005
Cost	▲	Increased 7% since 2005
Actual Results	▲	Favorable (73% improved)
Target Setting	▲	Favorable (68% improved)

# U.S. and World Economies Perform at Full Economic Potential



To achieve conditions that enable economies to perform at full economic potential, the Treasury Department must stimulate growth through the development and implementation of policies that effectively regulate banking and financial markets, create pro-growth tax policies, and advocate free trade. Modernizing entitlement programs and ensuring optimal economic performance, by encouraging and supporting American competitiveness through innovation, is a critical aspect of this strategic goal. Strong and dynamic foreign and domestic economies serve the United States by creating markets for the trade of goods and services, and encouraging cooperation and collaboration among nations. A more robust global economy is brought about by people and nations exchanging value and information through trade.

### Key Points

Given the challenges in financial markets and the economy, Treasury participated in a range of initiatives in 2008. In addition to those outlined in the opening section of the report, the Department:

- Coordinated the U.S. policy agenda for the *U.S.-China Strategic Economic Dialogue*
- Issued the *Best Practices for Residential Covered Bonds*
- Contributed to reforms at the IMF, World Bank, and other international financial institutions
- Finalized U.S. Basel II supervisory rules for the country's largest banks (smaller banks can abide by the rules at their option)
- Issued *five research articles* offering policy recommendations to address funding problems associated with Medicare and Social Security
- Provided loans, investments, financial services, and technical support for low-income and distressed communities through the Community Development Financial Institutions Fund
- Promoted free trade efforts through participation in multilateral and bilateral trade negotiations
- Designed and issued a new \$5 bill for circulation and progressed towards issuance of a new \$100 bill
- Completed the *50 States Quarter Program* and continued the *Presidential \$1 Coin Program*
- Managed unprecedented bullion coin sales
- Supported legislative efforts to permit lower-cost manufacturing of the penny and nickel

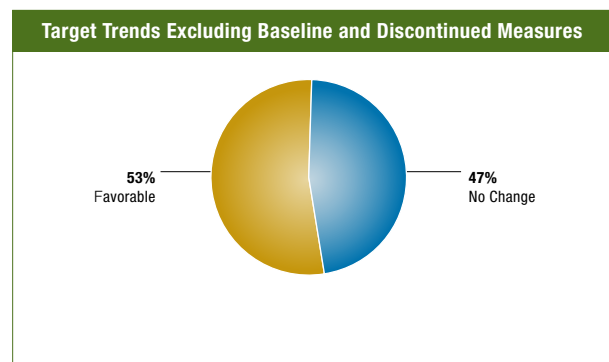
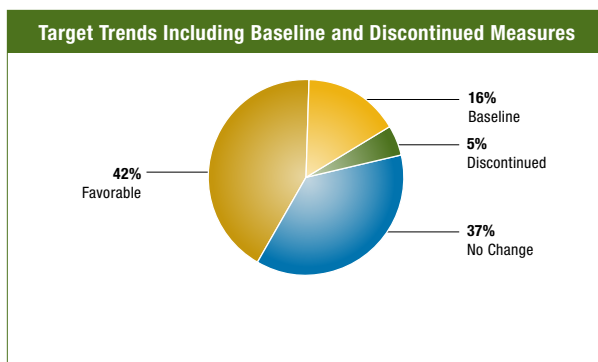
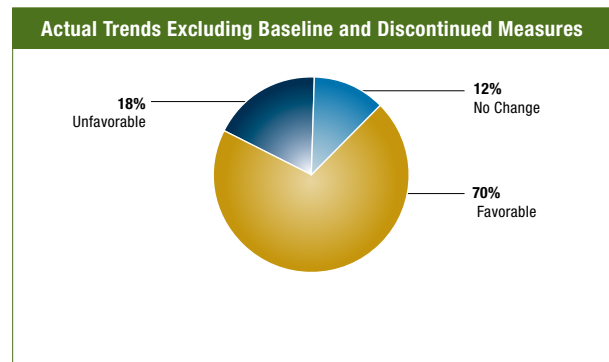
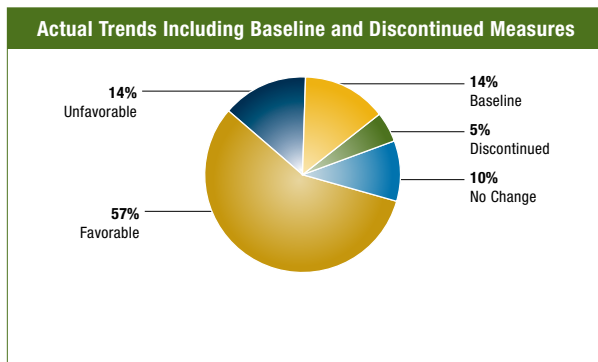
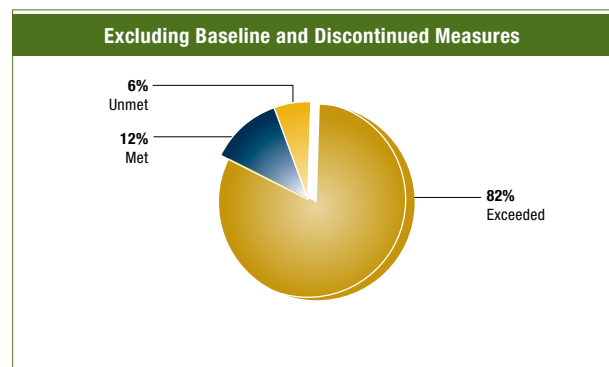
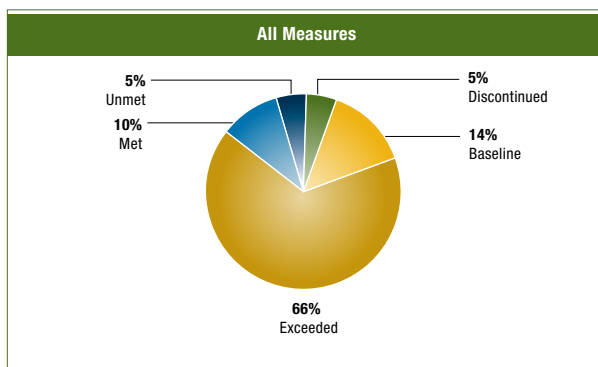
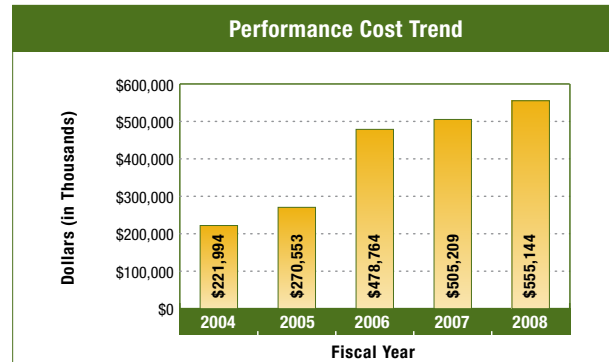
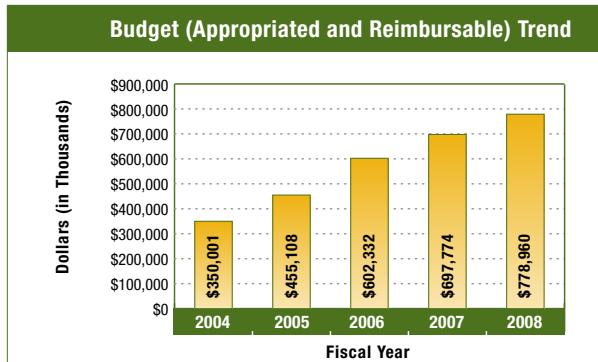
### Summary of Performance

Based on results, Treasury was generally successful in achieving this goal in fiscal year 2008. Excluding discontinued and base-lined measures, 82 percent met or exceeded their targets. Fifty-nine percent of measures show a favorable trend for 2005 – 2008, suggesting general improvement. Target trends were favorable for 44 percent of measures, unchanged for 13 percent of measures, and unfavorable for 43 percent of measures, suggesting that target setting could be improved. Budget and cost have both increased significantly since 2005, rising 72 percent and 51 percent, respectively.

While these results are generally positive, there remain significant areas for improvement. Performance targets at the Office of the Comptroller of the Currency and Office of Thrift Supervision were significantly exceeded in 2008 despite challenges in financial markets, strongly suggesting that target levels and measures need to be reevaluated. While development of a new measure for the Office of Technical Assistance has improved assessment of policy initiatives, measures for other policy offices still need to be developed, including new measures and/or indicators for the Office of Financial Stability. Treasury will continue to monitor market events, analyze existing conditions, and take action as necessary to return the U.S. and world economies to full economic potential.

Element	Trend	Performance
Fiscal Year 2008 Performance		82% of targets met or exceeded
Budget	▲	Increased 72% since 2005
Cost	▲	Increased 51% since 2005
Actual Results	▲	Favorable (59% improved)
Target Setting	▶	Flat (44% of targets were favorable, 43% were unfavorable, 13% had no change)

# Prevented Terrorism and Promoted the Nation's Security Through Strengthened International Financial Systems





The Department's regulatory, law enforcement, and intelligence authorities provide powerful tools for the United States to apply pressure against threats to national security when diplomatic outreach may be unproductive and traditional military action may be ineffective or inappropriate. Treasury leverages its unique authorities to safeguard the security of the U.S. and international financial and economic systems to keep them free and open to legitimate users.

### Key Points

Designations are an important resource in combating the financial element of the war on terror. Designations enable the U.S. Government to freeze the assets of individuals and groups who seek to commit terrorist acts, as well as those entities who attempt to support them. When examining individuals or organizations for potential designation, the United States works in conjunction with authorities from several other nations, and with international organizations, such as the European Union and United Nations. The Department has designated over 530 individuals and entities as terrorists, their financiers or facilitators.

The Department continued to focus its efforts on addressing the multi-faceted threat posed by Iran. Designations included one of Iran's largest banks, a major shipping company, and several firms associated with providing military assistance to the Iranian government. Response by the private sector was a key factor for using targeted financial measures. This type of positive voluntary action amplified the effectiveness of government-imposed measures, deterring this type of behavior. For example, many leading financial institutions have either scaled back dramatically or even terminated Iran-related business entirely. A number of other foreign banks, in Europe, China, and the Middle East reportedly are refusing to issue new letters of credit to Iranian businesses, and the United Arab Emirates prohibited their banks from issuing letters of credit for businesses with production in Iran. This represents a substantial success in protecting the integrity of the financial system from Iranian illicit conduct, while simultaneously providing leverage to support the multilateral effort to reach a negotiated solution on Iran's nuclear program.

As administrator of the Bank Secrecy Act, Treasury is responsible for safeguarding the domestic financial system from illicit activity by sharing information and analysis with domestic law enforcement and regulatory agencies. The Department continued its support to these agencies by focusing on actionable analysis of high-priority money laundering and terrorist financing targets. State Bank Secrecy Act Data Profiles were enhanced to incorporate intricate graphing, thematic mapping, and infusing of statistical data to depict each state's suspicious activity and currency transaction reporting trends. Additional information is available [here](#).

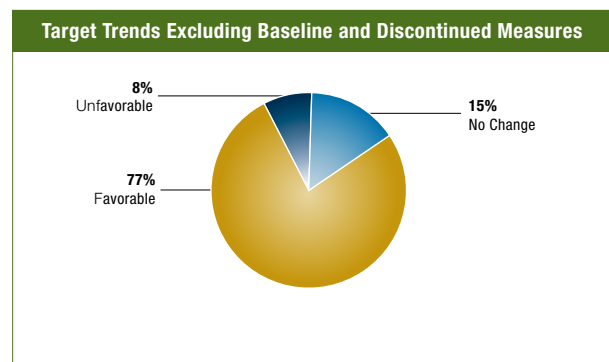
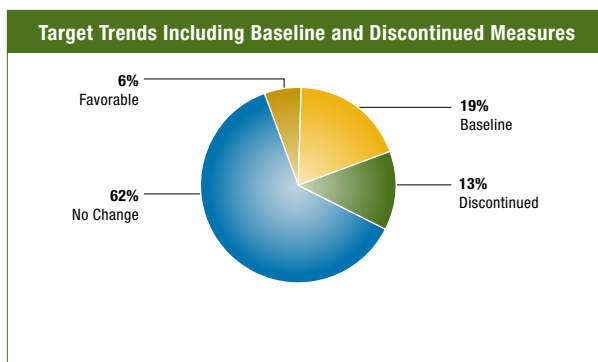
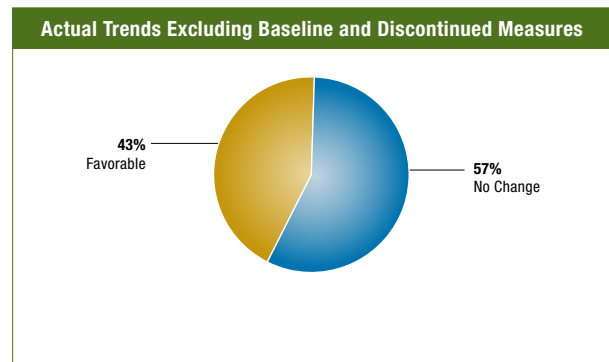
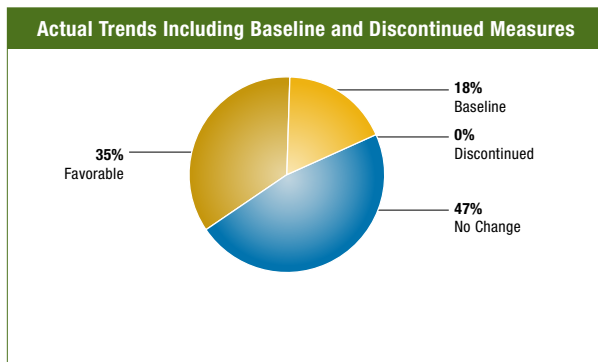
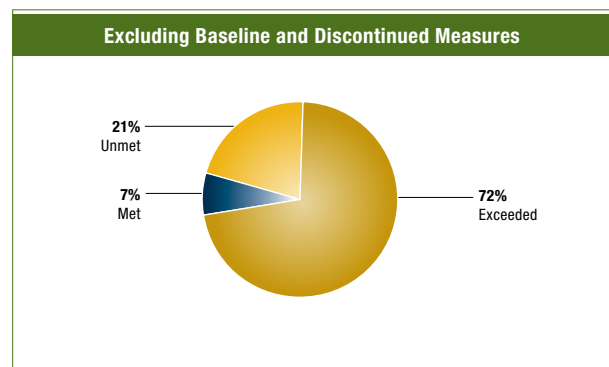
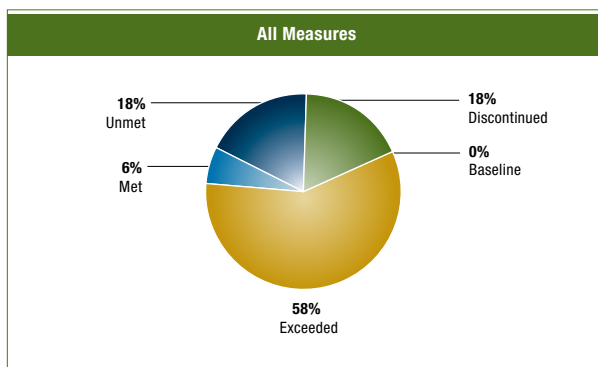
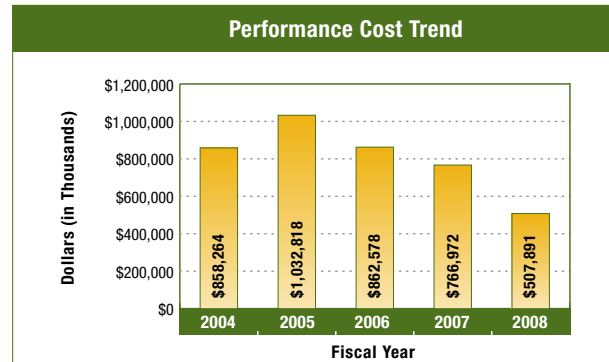
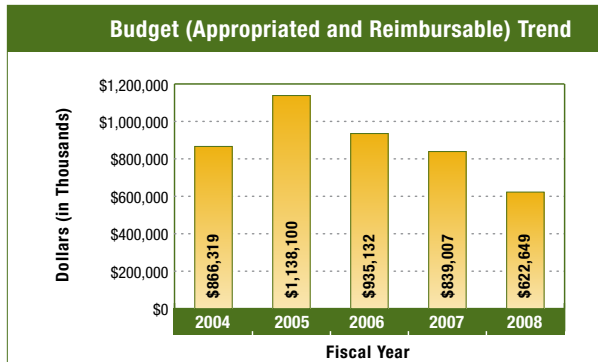
The Department also serves as the nation's financial intelligence unit, which is responsible for collecting, analyzing, disseminating, and exchanging information pursuant to a country's anti-money laundering/counter-terrorist financing regulations. In fiscal year 2008, Treasury increased its collaboration with a Mexican financial intelligence unit, providing analytical training, on-site visits, joint analytical projects, and supporting technology updates. Currently, work is being conducted with a Canadian financial intelligence unit to analyze cross border currency flows, and the Spanish financial intelligence unit to begin analyzing the flow of euros into and out of the U.S. and conduct strategic analysis of money laundering characteristics. Partnerships in such projects protect the public from serious crime and terrorist acts that threaten multiple nations.

### Summary of Performance

Based on performance results, Treasury was successful in achieving this goal in fiscal year 2008. Since 2003 resources have been added resulting in the increased budget and cost. Excluding discontinued and base-lined measures, 94 percent met or exceeded their targets. The Department showed 53 percent of its target trends were favorable, and 47 percent had no change, this suggests that target setting can be more aggressive as the measures progress. Based on results since 2005, actual trends are mostly favorable, 70 percent, showing 18 percent unfavorable, and 12 percent with no change. In the future, performance measures that better depict the achievement of this goal will be established.

Element	Trend	Performance
Fiscal Year 2008 Performance		94% of targets met or exceeded
Budget	▲	Increased 71% since 2005
Cost	▲	Increased 105% since 2005
Actual Results	▲	Favorable (70% improved)
Target Setting	▲	Favorable (53% improved)

# Management and Organizational Excellence



The Department of the Treasury strives to maintain public trust and confidence in U.S. and international economic and financial systems through exemplary leadership, best-in-class processes, and a culture of excellence, integrity and teamwork. The Treasury Department realizes its strategic goals by building a strong institution that is citizen-centered, results-oriented, and efficient, while maintaining exceptional accountability and transparency. The Department works to implement initiatives and programs that benefit the American people.

## Key Points

### Transparency and Accountability

The Office of Inspector General (OIG) is mandated to conduct Material Loss Reviews (MLRs) of any Treasury-regulated bank failures resulting in material losses greater than \$25 million or two percent of the institution's assets. An MLR examines the cause(s) of the failure, the supervision exercised over the institution, and recommendations regulators can consider to help prevent future failures. Also examined are indicators of fraud that may lead to the criminal or civil prosecution of the perpetrators. OIG completed two MLRs and currently has five MLRs in progress.

The Treasury Inspector General for Tax Administration (TIGTA) conducted audits and investigations to ensure fair administration of the nation's tax system and accountability for more than \$2 trillion in tax revenue collected each year. The audits conducted identify high-risk issues and deficiencies related to the administration of programs and operations. These audits ensure that taxpayers are served appropriately and their rights adequately protected. In fiscal year 2008, TIGTA issued 179 audit reports, making recommendations to improve areas such as tax compliance, security maintenance, systems, and operations.

### Protecting Information and Serving the Public for Information Requests

The Treasury Department strives to provide a secure information technology infrastructure. Treasury strengthened its networks by encrypting 99.8 percent of laptops, 99.7 percent of digital assistants, testing 98 percent of system contingency plans, certifying and accrediting 97 percent of systems, strengthening security policies, and implementing enhanced safeguards to reduce exposure to Internet-based threats.

The Department recognizes the importance of cyber security in fulfilling its mission. In fiscal year 2008, Treasury made significant progress in strengthening information security configuration management, which was noted as a significant deficiency in fiscal year 2007. The *Federal Information Security Management Act 2008* audit found no significant deficiencies in information security, and the Department's remaining material weakness in this area was formally closed.

The Privacy and Treasury Records Office was created to enhance the system that Treasury has in place to serve and inform the public, and strengthen the Department's compliance with privacy and disclosure requirements. For more information on this office, click here [Privacy and Treasury Records Office website](#).

## Summary of Performance

Based on results, Treasury was successful in achieving this goal in fiscal year 2008. Excluding discontinued and base-lined measures, 79 percent met or exceeded their targets. Fifty seven percent of measures show a flat trend for fiscal years 2005-2008, suggesting actual results have not significantly increased or decreased. Targets have a favorable trend, with 77 percent of targets improving from 2005-2008. Treasury budget and performance cost has decreased dramatically since 2005 due to the realignment of Treasury Franchise businesses.

Element	Trend	Performance
Fiscal Year 2008 Performance		79% of targets met or exceeded
Budget	▼	Down 54% since 2005
Cost	▼	Down 49% since 2005
Actual Results	►	Flat (57% had no change)
Target Setting	▲	Favorable (77% improved)

# Summary of Management Challenges

## Treasury-Wide Management Challenges

Management Challenges	Importance	Progress	Status
Management of Treasury's Authorities Related to Distressed Financial Markets	Protection of the taxpayer from unnecessary risk associated with the implementation of the program	New	New
Regulation of National Banks and Thrifts	Prevent or better mitigate unsafe and unsound practices and protect the financial health of the banking industry	New	New
Corporate Management	Overall agency performance/improved value for the taxpayer	Reasonable	Adequate
Management of Capital Investments	Effective use of taxpayer funds for large capital investments	Significant	Meets Expectations
Information Security	Appropriate protection of electronic information and cyber assets	Significant	Meets Expectations
Linking Resources to Results	Resources that are focused on producing the best value for stakeholders	A cost accounting policy revision and changes to operations allowed removal of challenge	Closed
Anti-Money laundering and Terrorist Financing/BSA Reporting	U.S. and international financial systems are safe	Reasonable	Meets Expectations

## IRS Management Challenges

Management Challenges	Importance	Progress	Status
Modernization of the Internal Revenue Service (Computerized Systems and Business Structure) and IRS Business Systems	Improved taxpayer service and efficiency of operations	Reasonable	Meets Expectations
Tax Compliance Initiatives	Improved compliance and fairness in the application of the tax laws	Reasonable	Meets Expectations
Security of the Internal Revenue Service	Appropriate protection of financial, personal, and other information	Reasonable	Meets Expectations
Providing Quality Taxpayer Service Operations	Improved taxpayer service	Significant	Exceeds Expectations
Human Capital	Enables the IRS to achieve its mission	Significant	Exceeds Expectations
Erroneous and Improper Payments	Effective use of taxpayer funds	Reasonable	Adequate
Taxpayer Protection and Rights	Fairness in the application of the tax laws	Significant	Meets Expectations
Processing Returns and Implementing Tax Law Changes During the Tax Filing Season	Improved taxpayer service and efficiency of operations	Significant	Exceeds Expectations
Using Performance and Financial Information for Program and Budget Decisions	Resources that are focused on producing the best value for stakeholders	Significant	Exceeds Expectations

Progress Rating	Description
New	A new management challenge in fiscal year 2008
None	No progress was made on the management challenge
Marginal	Minimal progress was made on the management challenge compared to the prior year
Reasonable	Progress was made in addressing the management challenge, improving from the prior year
Significant	A large amount of progress was made compared to the prior year assessment

Status Rating	Description
New	A new management challenge in fiscal year 2008
Inadequate	Regardless of progress made in the fiscal year, the status of the management challenge remains incomplete and falls significantly short of expectations
Adequate	The current status of the management challenge is acceptable but falls slightly short of expectations set for the fiscal year
Meets Expectations	The current status of the management challenge meets expectations set for the fiscal year
Exceeds Expectations	The current status of the management challenge exceeds expectations set for the fiscal year
Closed	Actions taken resulted in the elimination of the management challenge

## High Risk Area Update: Enforcement of the Tax Laws

**Problem:** Every year an unacceptably large amount of tax that should be paid is not, causing a persistent tax gap and forcing compliant taxpayers to bear a disproportionate share of the revenue burden.

**Goal:** Increase taxpayer compliance and reduce the tax gap.

### Challenges/Actions

#### Reduce the opportunity for evasion

- Propose legislation changes targeted at information reporting, compliance by businesses, and strengthening tax administration.

#### Target specific areas of noncompliance and improve voluntary compliance with extensive research.

- In fiscal year 2008 compliance studies will be completed on S corporations and individuals; in fiscal year 2009 updates to the payment and filing compliance estimates of the tax gap will be completed.
- Research the effect of service and its relationship to taxpayer compliance. In addition, survey taxpayers to see the relationship between complexity, burden, and compliance to improve workload selection formulas and reduce the burden of unnecessary taxpayer contacts.
- Assess outreach and education awareness campaigns that target the EITC eligible and noncompliant population, and adjust as necessary to increase participation and improve compliance. In fiscal year 2008 significant achievements were made: 1) established diagnostic measures for compliance, outreach, and support, 2) developed full cost computation for EITC compliance activities, 3) increased protected revenue from the under-reporter program by 190 percent, 4) increased base compliance activities by 35 percent, 5) reduced the no-change rate on examination cases by 59 percent, and 6) realized a return on investment in compliance activities of 12-to-1 for examinations and 67-to-1 for under-reporter cases. In fiscal year 2009, activities from the fourth year of the EITC Return Preparer Study will be completed and short-term outcomes will be analyzed, including penalties and accuracy of returns, and the effect of due diligence visits, education/compliance notices, and phone calls to first-time EITC preparers.

#### Improve information technology through modernization.

- Execute the following initiatives: In fiscal year 2008 and fiscal year 2009 the process to match information documents to information on a tax return and improved case selection and scoring will be reengineered. In fiscal year 2009 data storage facilities will be enhanced to improve the workload identification. In fiscal year 2009 automated lien delivery will be deployed. In fiscal year 2009 new and improved analytics will be developed that identify issues and select cases for all types of audits. By fiscal year 2009 features will be built and implemented for an electronic transmission capability for additional tax forms on Modernized electronic Filing (MeF). In fiscal year 2009 the Broker Compliance Initiative pilot will be used to identify and address tax schemes of individuals and businesses.

For additional information, click here: [Enforcement of Tax Laws](#)



## High Risk Area Update: IRS Business Systems Modernization

**Problem:** The Business Systems Modernization (BSM) program is developing and delivering a number of modernized systems to replace the aging business and tax processing systems currently in use. This effort is highly complex and scheduled to be carried out over a numbers of years, ultimately creating a more efficient and effective IRS. Though the IRS experienced delays and cost overruns in the early years of the effort, improved practices and oversight are now contributing to better delivery of outcomes.

**Goal:** Meet all BSM project milestones within a cost and schedule variance of 10 percent of the initial estimate

### *Challenges/Actions*

Fully implement all projects and programs for the Business Systems Modernization program.

- Customer Account Data Engine (CADE) will hold over 200 million individual and business taxpayer's information that will provide flexibility to respond quickly to complex tax law and policy initiatives. Through mid-August 2008 CADE processed 30.5 million individual tax returns which is 21 percent of all individual tax returns filed. Each new release of CADE will expand the functionality CADE can process and thus increase the numbers of returns processed. Under current resource assumptions, IRS has a goal of processing over 90 percent of all returns through CADE by Fall 2012.
- Make similar progress on all other BSM projects: Accounts Management Services applies applications that enable IRS employees and taxpayers to access, validate, and update taxpayer accounts on demand. Modernized E-File will allow the IRS to store all tax return data in a modernized tax return database allowing all viewers to see an entire tax return online. Custodial Detail Database provides detailed data to support revenue financial reporting. Revenue Accounting Control System will reduce the risk of failure to sustain future clean IRS audit opinions, and streamline financial reporting.

For additional information, click here: [IRS BSM](#)

## Summary of Financial Results

The following provides the major highlights of Treasury's financial position and results of operations for fiscal year 2008:

Clean Opinion on Financial Statements			Yes
Timely Financial Reporting	Yes	Material Weaknesses	4
Improper Payment Rate for EITC	25.4%	Total Assets	\$11,117,038
Total Liabilities	\$10,807,327	Net Cost of Operations	\$27,143

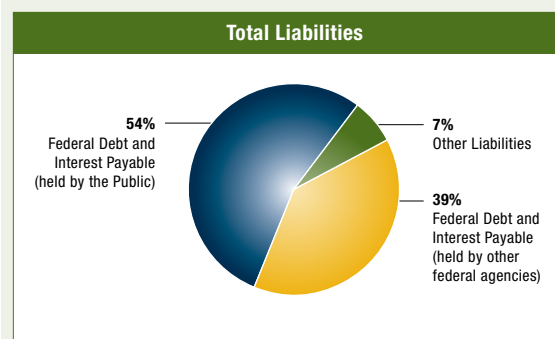
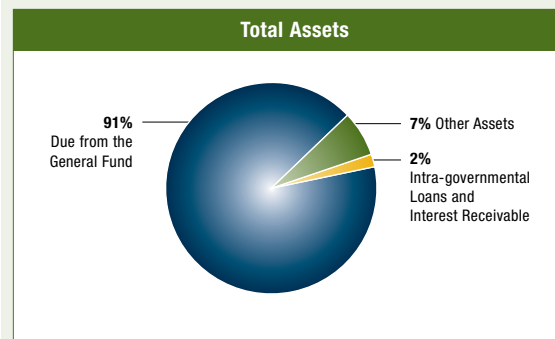
\$ in millions

**Assets.** Total assets increased from \$9.5 trillion at September 30, 2007, to \$11.1 trillion at September 30, 2008. The primary reason for the increase is the rise in the federal debt, which causes a corresponding rise in the "Due from the General Fund of the U.S. Government" account (\$10.1 trillion). This account represents future funds required from the General Fund of the U.S. Government to pay borrowings from the public and other federal agencies.

The majority of loans and interest receivable (\$264.9 billion) included in "Intra-governmental" assets are the loans issued by the Bureau of the Public Debt to other federal agencies for their own use or to private sector borrowers, whose loans are guaranteed by the federal agencies.

**Liabilities.** Intra-governmental liabilities totaled \$4.9 trillion, and include \$4.3 trillion of principal and interest payable to various federal agencies such as the Social Security Trust Fund.

Liabilities also include federal debt held by the public, including interest, of \$5.8 trillion; this debt was mainly issued as Treasury Notes. The increase in total liabilities in fiscal year 2008 over fiscal year 2007 (\$1.4 trillion and 14.9%) is the result of increases in borrowings from various federal agencies (\$257 billion), and federal debt held by the public, including interest (\$759.4 billion). Debt held by the public increased primarily because of the need to finance budget deficits.



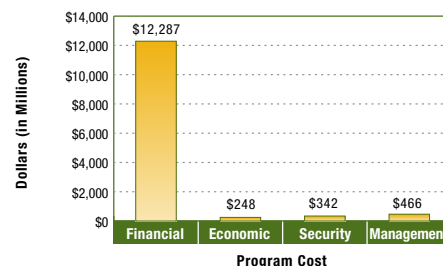
**Net Cost of Treasury Operations.** The Consolidated Statement of Net Cost presents the Department's gross and net cost for its four strategic missions: financial program, economic program, security program, and management program. The majority of the Net Cost of Treasury Operations is in the financial program. Treasury is the primary fiscal agent for the Federal Government in managing the nation's finances by collecting revenue, making federal payments, managing federal borrowing, performing central accounting functions, and producing coins and currency sufficient to meet demand.

Net cost of Treasury operations before GSE Keepwell Agreement is \$13.34 billion. Adding in the Keepwell Agreement year-end accrual of \$13.8 billion increases Net Cost to \$27.14 billion. The GSE Keepwell Agreement is part of the measures supporting Fannie Mae and Freddie Mac permitted under the *Housing and Economic Recovery Act of 2008*.

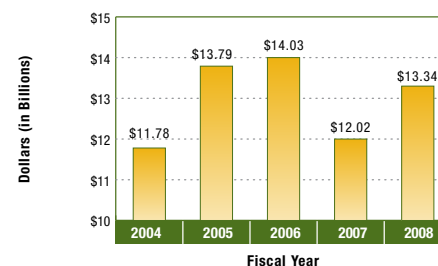
**Net Federal Debt Interest Costs.** Interest costs have increased over the past four years due to the increase in the federal debt.

**Custodial Revenue.** Total net revenue collected by Treasury on behalf of the Federal Government includes various taxes, primarily income taxes, user fees, fines and penalties, and other revenue. Over 94.8 percent of the revenues are from income and social security taxes.

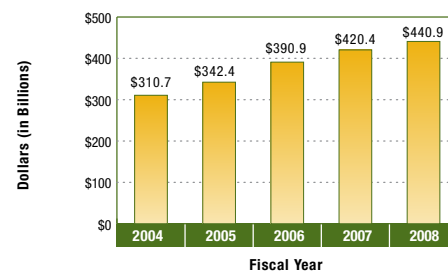
**Net Cost of Treasury Operations (in Millions)**



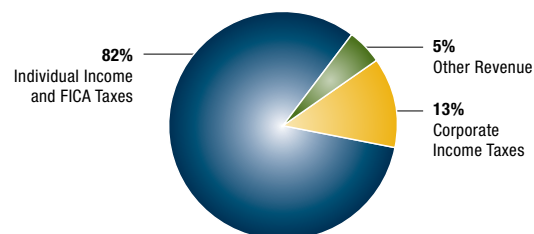
**Net Cost of Treasury Operations (in Millions)**



**Net Federal Debt Interest Cost (in Billions)**



**Total Revenue (in Trillions)**



## Analysis of Financial Statements

The complete financial statements and auditor's report are in part III of the full report.

<b>Condensed Consolidated Balance Sheets</b> (in Millions):	<b>2008</b>	<b>2007</b>
Due From the General Fund	\$ 10,100,763	\$ 9,052,624
Other Intra-governmental Assets	551,115	322,255
Cash, Foreign Currency, and Other Monetary Assets	387,270	92,330
Gold and Silver Reserves	11,062	11,062
Investments and Related Interest	10,576	10,074
Tax, Other, and Related Interest Receivables, Net	30,878	27,559
Other Assets	25,374	12,903
<b>Total Assets</b>	<b>11,117,038</b>	<b>9,528,807</b>
Federal Debt and Interest Payable	10,075,108	9,029,038
Other Intra-governmental Liabilities	681,621	343,466
Other Liabilities	50,598	35,204
<b>Total Liabilities</b>	<b>10,807,327</b>	<b>9,407,708</b>
Unexpended Appropriations	271,968	72,317
Cumulative Results of Operations	37,743	48,782
<b>Total Net Position</b>	<b>309,711</b>	<b>121,099</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 11,117,038</b>	<b>\$ 9,528,807</b>

<b>Condensed Consolidated Statements of Net Cost</b> (in Millions):	<b>2008</b>	<b>2007</b>
Net Financial Program Cost	\$ 12,287	\$ 11,735
Net Economic Program (Revenue)/Cost	248	(456)
Net Security Program Cost	342	300
Net Management Program Cost	466	440
<b>Total Net Cost of Treasury Operations</b>	<b>13,343</b>	<b>12,019</b>
GSE Costs	13,800	—
Net Federal Costs (primarily interest on the Federal Debt)	\$ 442,208	\$ 429,302

<b>Condensed Statements of Custodial Activity</b> (in Millions):	<b>2008</b>	<b>2007</b>
Individual and FICA Taxes	\$ 2,294,326	\$ 2,201,464
Corporate Income Taxes	354,063	395,320
Other Revenues	144,218	142,005
<b>Total Revenue Received</b>	<b>2,792,607</b>	<b>2,738,789</b>
Less Refunds	(426,074)	(292,684)
<b>Net Revenue Received</b>	<b>2,366,533</b>	<b>2,446,105</b>
Accrual Adjustment	3,132	5,588
<b>Total Custodial Revenue</b>	<b>2,369,665</b>	<b>2,451,693</b>
Amounts Provided to Fund the Federal Government	2,366,126	2,445,619
Other	407	486
Accrual Adjustment	3,132	5,588
<b>Total Disposition of Custodial Revenue</b>	<b>2,369,665</b>	<b>2,451,693</b>
<b>Net Custodial Revenue Activity</b>	<b>\$ 0</b>	<b>\$ 0</b>

**Condensed Consolidated Statements of Changes in Net Position** (in Millions):

	<b>2008</b>	<b>2007</b>
Beginning Balance	\$ 48,782	\$ 46,644
Budgetary Financing Sources	482,150	447,331
Other Financing Sources (Uses)	<u>(23,838)</u>	<u>(3,872)</u>
Total Financing Sources	458,312	443,459
Net Cost of Operations	(469,351)	(441,321)
Net Change	<u>(11,039)</u>	<u>2,138</u>
<b>Cumulative Results of Operations</b>	<b>37,743</b>	<b>48,782</b>
Beginning Balance	72,317	68,270
Appropriations Received	681,473	451,222
Appropriations Used	(481,735)	(447,057)
Other	<u>(87)</u>	<u>(118)</u>
Total Budgetary Financing Sources	<u>199,651</u>	<u>4,047</u>
<b>Total Unexpended Appropriations</b>	<b>271,968</b>	<b>72,317</b>
<b>Net Position - Year End</b>	<b>\$ 309,711</b>	<b>\$ 121,099</b>

**Condensed Combined Statements of Budgetary Resources** (in Millions):

	<b>2008</b>	<b>2007</b>
Unobligated Balance, Brought Forward	\$ 57,450	\$ 57,540
Recoveries of Prior Year Unpaid Obligations	413	474
Budget Authority	722,859	474,974
Other Budget Authority	<u>(8,558)</u>	<u>(10,008)</u>
<b>Total Budgetary Resources</b>	<b>772,164</b>	<b>522,980</b>
Obligations Incurred	487,534	465,530
Unobligated Balance	273,235	46,455
Unobligated Balance Not Available	<u>11,395</u>	<u>10,995</u>
<b>Total Status of Budgetary Resources</b>	<b>772,164</b>	<b>522,980</b>
Total Unpaid Obligated Balances, Net	57,393	52,448
Obligations Incurred, Net	487,534	465,530
Gross Outlays	(487,608)	(460,302)
Recoveries of Prior Year Unpaid Obligations, Actual	(413)	(474)
Changes in Uncollected Customer Payments Federal	<u>71</u>	<u>191</u>
<b>Total Unpaid Obligated Balance, Net, End of Year</b>	<b>56,977</b>	<b>57,393</b>
Gross Outlays	487,608	460,302
Offsetting Collections & Distributed Offsetting Receipts	<u>(24,740)</u>	<u>(24,232)</u>
<b>Net Outlays</b>	<b>\$ 462,868</b>	<b>\$ 436,070</b>

# Auditor's Report on the Treasury Department's Financial Statements

The Department received an unqualified audit opinion on its fiscal year 2008 financial statements. The auditor reported a material weakness related to financial systems and reporting at the IRS and significant deficiencies related to financial management practices at the departmental level and controls over foreign currency transactions. The auditor also reported an instance of noncompliance with laws and regulations related to Section 6325 of the Internal Revenue Code and that the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996. In addition, a potential Anti-deficiency Act violation related to transactions and activities of the Financial Crimes Enforcement Network was reported.

## Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Auditor Identified Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Systems and Reporting at the IRS	1	0	0	0	1

## Limitations on the Principal Financial Statements

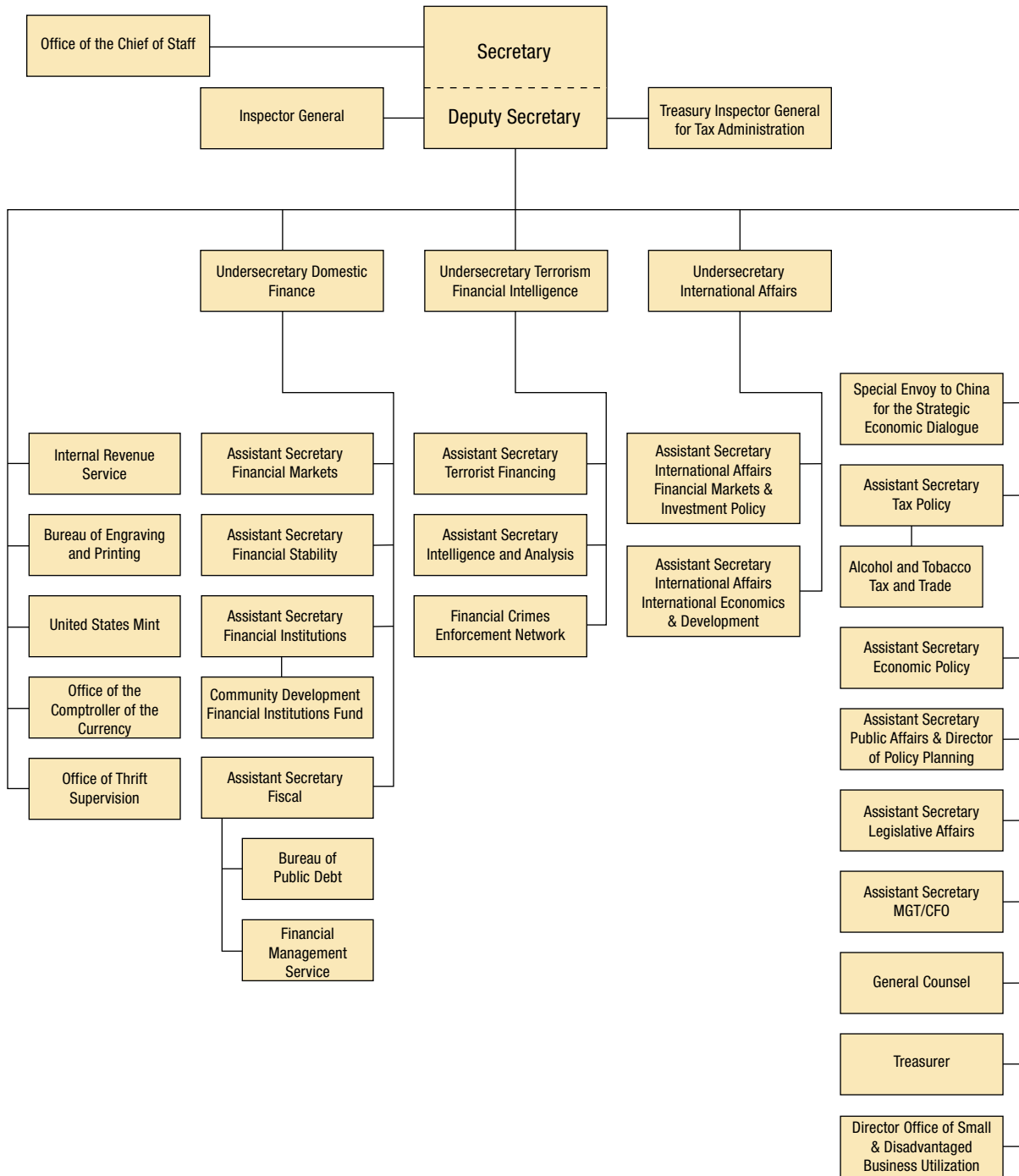
The principal financial statements have been prepared to report the financial position and results of operations of the Department of the Treasury, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Department of the Treasury, in accordance with Generally Accepted Accounting Principles for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The financial statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.



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# THE DEPARTMENT OF THE TREASURY ORGANIZATIONAL CHART



# WEBSITE INFORMATION

Treasury On-line	<a href="http://www.treas.gov">www.treas.gov</a>
Alcohol and Tobacco Tax And Trade Bureau	<a href="http://www.ttb.gov">www.ttb.gov</a>
Community Development Financial Institutions Fund	<a href="http://www.treas.gov/cdfi">www.treas.gov/cdfi</a>
Comptroller of the Currency	<a href="http://www.occ.treas.gov">www.occ.treas.gov</a>
Bureau of Engraving & Printing	<a href="http://www.bep.treas.gov">www.bep.treas.gov</a>
Financial Crimes Enforcement Network	<a href="http://www.treas.gov/fincen">www.treas.gov/fincen</a>
Financial Management Service	<a href="http://www.fms.treas.gov">www.fms.treas.gov</a>
Internal Revenue Service	<a href="http://www.irs.gov">www.irs.gov</a>
U.S. Mint	<a href="http://www.usmint.gov">www.usmint.gov</a>
Bureau of the Public Debt	<a href="http://www.publicdebt.treas.gov">www.publicdebt.treas.gov</a>
Office of Thrift Supervision	<a href="http://www.ots.treas.gov">www.ots.treas.gov</a>

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