DEPARTMENT OF THE TREASURY

# Annual Performance Report

FISCAL YEAR 2009


FEBRUARY 1, 2010

# The United States Department of the Treasury

## Our Vision

*Set the global standard in financial and economic leadership*

## Our Mission

*Maintain a strong economy  and create economic and job opportunities by promoting the conditions that enable economic growth and stability at home and abroad, strengthening national security by ensuring the safety, soundness and integrity of the financial system, and managing the U.S. Government's finances and resources effectively.*

## Our Values

**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*

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# Message from the Secretary of the Treasury

February 1, 2010

The Treasury Department has spent the past year confronting the worst economic and financial crisis in generations.

While policy interventions at the end of 2008 succeeded in achieving the vital, but narrow, objective of preventing a catastrophic systemic meltdown, by the time President Obama took office, the financial system remained extremely fragile and the Administration faced a rapidly evolving set of challenges.

In the financial sector the flow of credit to businesses and families had frozen; the issuance of new asset-backed securities had essentially come to a halt; and liquidity in a broader range of securities markets had fallen sharply. In addition, the broader economy was in a free fall. In January 2009 we lost 741,000 nonfarm jobs, the largest single monthly decline in 60 years. Our Gross Domestic Product was contracting at rates not seen in decades. American families lost $17-1/2 trillion in household wealth between the spring of 2007 and early 2009. And there was genuine concern we were headed toward a second Great Depression.

The Obama Administration responded with a comprehensive strategy unprecedented in size and scope.

First, we worked with Congress to enact the most sweeping economic recovery package in our nation's history. The Recovery Act included a program of immediate tax incentives for businesses and households, support for state and local governments, and investments in critical economic priorities, from infrastructure and energy to health care and education. More than 110 million families – 95 percent of working families – received hundreds of dollars in the Making Work Pay tax benefit.

Second, we moved quickly to stabilize our financial system with as much private capital as possible. Following the release of the "stress test" results, our nation's largest banks were able to raise over $80 billion in private capital and, as of September 30, 2009, have paid roughly $70 billion back to the government for previous investments. More broadly, last December, 70 percent of corporate bond issuance was supported by the government. In September of this year, corporations raised over $100 billion in debt, 82 percent of which was issued without a government guarantee.

Third, we jump-started channels of credit that are critical for American families and businesses. Our Term Asset-Backed Securities Loan Facility (TALF) has helped to improve conditions substantially. Issuance of securities backed by consumer and business loans has averaged $14 billion per month since the government launched TALF in March, compared to about $1.6 billion per month in the six months prior to the program's launch.

Fourth, we created a public-private investment program to purchase legacy assets to help clean up the balance sheets of major financial institutions and re-liquefy key markets. Program announcements helped improve prices for these assets in advance of actual purchases. And due to continued improvements in financial market conditions, we are able to proceed with the program at a scale smaller than initially envisioned.

Fifth, we worked to ease the housing crisis by helping to bring mortgage rates to historic lows and establishing new programs to allow responsible homeowners to refinance into affordable mortgages or modify at-risk loans to lower monthly mortgage payments.

And finally, we worked with the major economies of the world on a coordinated program of macroeconomic stimulus and financial stabilization, alongside regulatory reform.

Because of these steps, an economy that was in free-fall in January is now on the road to recovery. It grew at an annual rate of 2.2 percent in the third quarter, and private economists generally expect moderate growth over the next year. Business and consumer confidence has started to improve. The housing market is showing some signs of stabilizing. Home prices have increased modestly since April, and sales of existing single-family homes rose by 42 percent over the year ending in November. The cost of credit in securities markets has fallen substantially for businesses, and credit is flowing again in these markets.

These early signs of progress have allowed us to begin evolving our strategy from rescuing the economy to repairing and rebuilding the foundation for future growth.

As we enter this new phase we are winding down some of the extraordinary support put in place for the financial system. But we are also mindful that unemployment is still too high and that small businesses, an important engine of job growth in America, still face enormous difficulty accessing credit.

Because of the economic and financial stewardship role the Department plays for the Nation, the performance of the Treasury is never more important. This year, the Department met or exceeded 64 percent of its performance targets, a reduction of three percentage points compared to last year, reflecting the challenges the Department faced in confronting the financial and economic crisis. While the percentage of unmet targets increased over last year, on average the unmet performance targets were within 19 percent of desired results. Discretionary budget resources increased 4.8 percent over 2008.

The Department has validated the accuracy, completeness, and reliability of the performance data contained in this report.

Timothy F. Geithner
Secretary of the Treasury

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

February 1, 2010

The message from Secretary Geithner describes the extraordinary actions taken by the Department of the Treasury to help stabilize the nation's financial system and build the foundations for a sustainable economic recovery. Following enactment of the Housing and Economic Recovery Act in July 2008 and the Emergency Economic Stabilization Act in early fiscal year 2009, Treasury took bold and aggressive action to restore confidence in our financial system and ease the housing crisis.

With the enactment of the American Recovery and Reinvestment Act and within weeks of the new Administration taking office, Treasury built on its other rescue efforts by quickly launching new programs to help revive the economy. These efforts included:

- Tax benefits to more than 110 million families, or 95 percent of working families, and tax incentives for businesses and households;
- Aid for revenue-strapped state and local governments;
- New methods for low cost borrowing; and
- Investments in renewable energy, low-income housing, and health care.

In fiscal year 2009, Treasury met or exceeded 64% of the measureable targets that it set for itself. That was down from 68% in fiscal year 2008. The Department came close, however, to meeting the FY 2009 targets it did not attain, getting, on average, more than three-fourths of the way to achieving them. Much of the change in performance between the two fiscal years was due to the extraordinary circumstances that the Department faced in confronting the financial and economic crises.

The Department is working to improve the value of all of our products and services. A Department-wide effort is seeking to identify key goals and objectives to be achieved through 2011; to establish meaningful measures and reporting to gauge progress toward achievement, and to drive improvement through formal review and follow-up. Among these goals and objectives will be continuing to repair and reform the financial system, improving voluntary tax compliance, and achieving management excellence. An important new initiative is moving the Department towards paperless operation, which is environmentally responsible, saves money, and provides faster, better service to our customers.

The Department will continue devoting special attention to programs on the Government Accountability Office's High Risk List and to management and performance challenges identified by the Department's Inspectors General.

In the past year, Treasury has taken an extraordinary set of actions to rescue and reform the financial system, revive the economy and ease the housing crisis. In the coming year, we will continue to pursue our efforts in all of these areas while improving the operations of the Department. Our ultimate aim is to restore this nation's economy and expand economic opportunity for all Americans.

Dan Tangherlini
Assistant Secretary for Management,
Chief Financial Officer, and Chief Performance Officer

# Annual Performance Report vs. Management's Discussion & Analysis

# Overview

The Annual Performance Report (APR) provides information that enables the public to assess the Department's performance relative to its mission and stewardship of the resources entrusted to it. The Report is organized by strategic goal, objective, and outcome, and provides detail on how each of the metrics contributes to the Department's overall mission. A performance statement is provided for each objective, along with charts and tables for cost, budget and performance. Progress is calculated based on active performance measures for which targets were exceeded, met, improved, or not met. Baseline and discontinued measures are not included in the calculations. While baseline measures are not counted in the calculation, they are shown as "met" in the following performance tables. Several measures were discontinued and/or base-lined this year as a result of the ongoing analysis of Treasury's performance measures as they relate to outcomes.

The table of key performance measures in each goal section includes data from the last four years; a performance rating for 2009; the percent of target achieved; the fiscal year 2010 targets, and trends in both performance and targets. Trends are indicated by colored arrows, with red indicating an unfavorable direction, green a favorable direction, black indicating no change and "B" for a baseline measure.

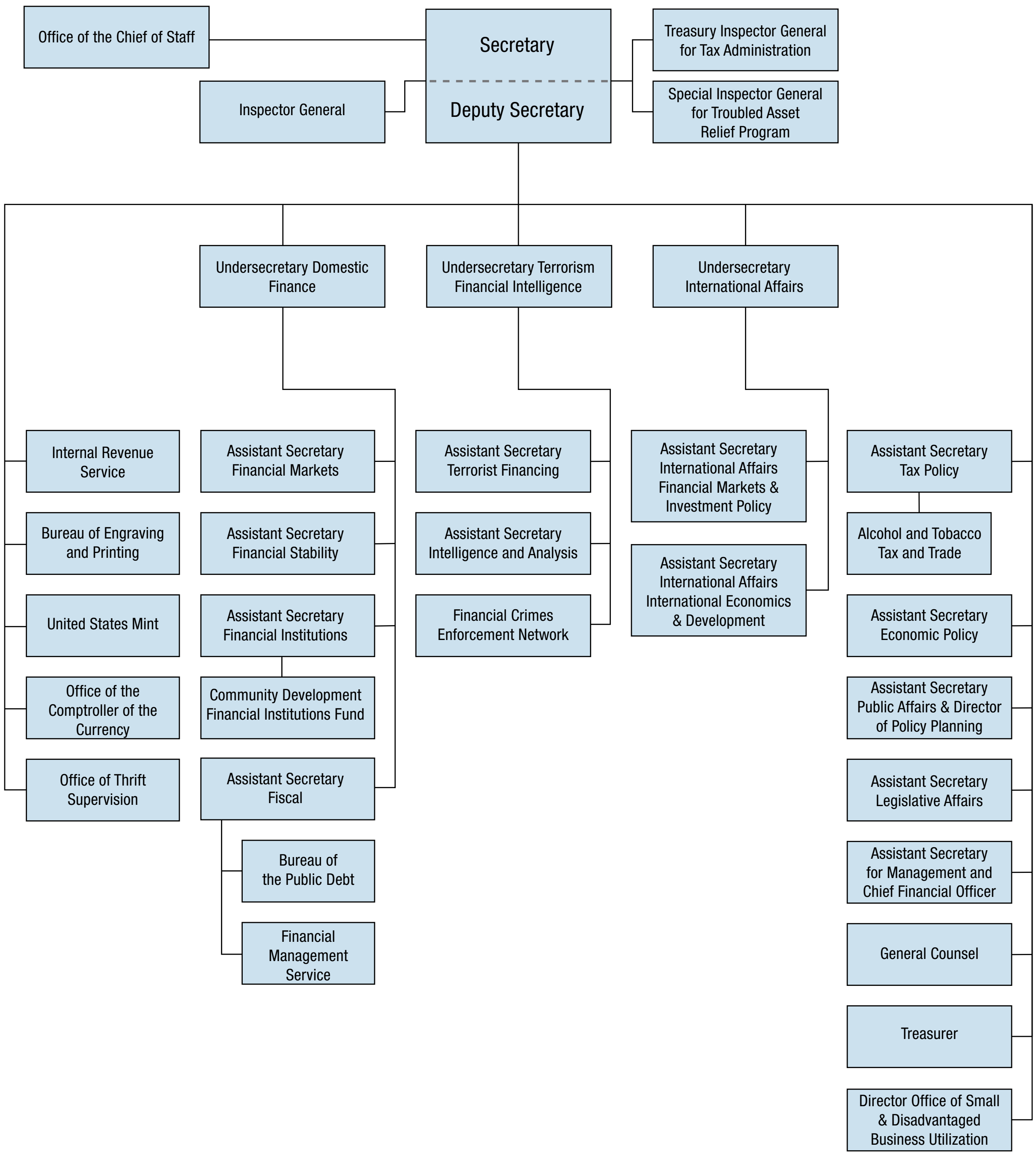
In addition to analyzing the Department's performance relative to the targets it sets for itself, the Department also considers external factors. In some cases, underlying causes are not clear or the measures may be weak in describing the performance of an outcome, and this is discussed. This is particularly true in the case of the Office of Financial Stability (OFS), an office that was stood-up in the fall of 2008 in support of the Troubled Asset Relief Program (TARP). While OFS played a major role in the economic rescue for the nation, other government organizations contributed as well, and it is difficult to determine direct attribution for OFS's efforts on broad-based market or credit indicators. Regardless, this report utilizes some of these broad-based indicators because they do provide some measure of progress against important outcomes for the nation's economy.

Each section of the APR concludes with a "Moving Forward" piece that describes future action to be taken. Actions could include closing performance gaps, developing new measures, or drafting new polices and/or regulations.

Throughout the Report, cost is stated as "Performance Cost," and represents imputed costs, depreciation, losses, and other expenses not requiring budgetary resources. Performance Cost was used rather than Net Cost because it more accurately represents the total cost to achieve a result or outcome. For instance, while the Net Cost to manufacture coins and currency for non-appropriated bureaus such as the U.S. Mint and the Bureau of Engraving and Printing is zero because it is essentially self-funded, the real cost of operating these organizations is over $2 billion once all imputed costs, depreciation, losses and other expenses are included. While performance cost is more than Net Cost, it is less than the Gross Cost reported on the Statement of Net Cost because it excludes accounts that do contribute to the cost of achieving performance for the agency, such as the Exchange Stabilization Fund and the Federal Financing Bank. Fiscal year 2009 is the third year that Treasury has included this information.

# Organization

## THE DEPARTMENT OF THE TREASURY ORGANIZATION CHART



# The Treasury Department's 2007-2012 Strategic Framework

The Treasury Department's *Strategic Framework* is a summary of our goals, objectives, and outcomes. This framework provides the basis for performance planning and continuous improvement.

| | Strategic Goals | Strategic Objectives | Value Chains** | Value Chain Outcomes |
|---|---|---|---|---|
| FINANCIAL | Effectively Managed U.S. Government Finances | Available cash resources to operate the government | Collect<br>Disburse<br>Borrow<br>Account<br>Invest | • Revenue collected when due through a fair and uniform application of the law at the lowest possible cost<br>• Timely and accurate payments at the lowest possible cost<br>• Government financing at the lowest possible cost over time<br>• Effective cash management<br>• Accurate, timely, useful, transparent, and accessible financial information |
| ECONOMIC | U.S. and World Economies Perform at Full Economic Potential | Improved economic opportunity, mobility and security with robust, real, sustainable economic growth at home and abroad | Strengthen<br>Regulate | • Strong U.S. economic competitiveness<br>• Free trade and investment<br>• Decreased gap in global standard of living<br>• Competitive capital markets<br>• Prevented or mitigated financial and economic crises |
| | | Trust and confidence in U.S. currency worldwide | Manufacture | • Commerce enabled through safe, secure U.S. notes and coins |
| SECURITY | Prevented Terrorism and Promoted the Nation's Security Through Strengthened International Financial Systems | Pre-empted and neutralized threats to the international financial system and enhanced U.S. national security | Secure | • Removed or reduced threats to national security from terrorism, proliferation of weapons of mass destruction, narcotics trafficking ,and other criminal activity on the part of rogue regimes, individuals, and their support networks<br>• Safer and more transparent U.S. and international financial systems |
| MANAGEMENT | Management and Organizational Excellence | Enabled and effective Treasury Department | Manage | • A citizen-centered, results-oriented, and strategically aligned organization<br>• Exceptional accountability and transparency |

** Value Chains – Programs grouped by a common purpose.

# Fiscal Year 2009 Summary of Performance by Strategic Goal

| STRATEGIC GOAL | KEY ACCOMPLISHMENTS | KEY CHALLENGES | TREND |
|---|---|---|---|
| Effectively Managed U.S. Government Finances<br><br>Cost*:<br>2008:$14.0 Billion<br>2009: $14.4 Billion | • Collected $2.3 trillion in tax revenue and $20.6 billion in federal excise taxes on tobacco, alcohol, firearms, and ammunition<br>• Processed over 144.4 million individual returns and issued over 111.4 million refunds<br>• Increased individual electronic tax returns processed by 8 percentage points, from 58 to 66 percent<br>• Issued over 54.8 million payments valued at more than $13.7 billion under the *American Recovery and Reinvestment Act of 2009*<br>• Converted over one million federal benefit check recipients to direct deposit<br>• Conducted more than 290 auctions resulting in the issuance of more than $8 trillion in marketable Treasury securities<br>• Began the monthly issuance of the three and seven year notes<br>• Collected $5.07 billion in delinquent debt | • Continue to work toward the Congressional goal of having 80 percent of tax returns filed electronically<br>• Continue to convert from paper to electronic savings bonds<br>• Process 90 percent of Treasury payments and associated information electronically<br>• Reduce the use of illegal international tax shelters<br>• Reduce the erroneous payments rate within the Earned Income Tax Credit (EITC) program<br>• Continue on path to complete CADE implementation by 2011<br>• Improve audit coverage of high net-worth/high-income taxpayers<br>• Reduce average taxpayer telephone wait time<br>• Accurately forecast government receipts | Performance ▲<br><br>Budget ▲<br><br>Cost ▲ |
| U.S. and World Economies Perform at Full Economic Potential<br><br>Cost:<br>2008: $3.7 Billion<br>2009: $4.4 Billion | • Supported stabilization of the financial system through implementation of the *Emergency Economic Stabilization Act of 2008* and the Financial Stability Plan<br>• Improved mortgage availability and stability of the housing market through implementation of the *Housing and Economic Recovery Act of 2008*<br>• Implemented economic stimulus measures under the *American Recovery and Reinvestment Act of 2009*<br>• Issued "Financial Regulatory Reform: A New Foundation" and drafted legislation for fundamental financial regulatory reform<br>• Contributed to stabilization of the money market through implementation of a Temporary Guarantee Program for Money Market Funds<br>• Implemented measures to bolster regulation of national banks and thrifts<br>• Expanded international economic partnerships to better manage the financial crisis<br>• Hosted G-20 meetings and supported elevation of the G-20 to premier international economic forum<br>• Supported trebling resources for the International Monetary Fund and restructuring of the Financial Stability Forum into the Financial Stability Board<br>• Coordinated the Economic Track of the U.S.-China Strategic and Economic Dialogue<br>• Provided grants, investments, financial services and technical support for underserved and low-income communities through the CDFI Fund | • Repair and reform the regulatory system to improve supervision of financial markets and institutions<br>• Continue to mitigate risks at national banks and thrifts<br>• Reduce mortgage delinquency and foreclosure rates<br>• Reduce direct government support for securitization and other financial markets<br>• Maintain open economies despite rising protectionist interests<br>• Reform Medicare and Social Security to ensure long-term solvency<br>• Continue international movement towards a global agreement on climate change<br>• Increase financial knowledge and access, especially in low-income and underserved communities<br>• Improve productivity management related to coin and currency production<br>• Improve supply management for bullion coin production<br>• Manage cost issues related to the penny and nickel<br>• Encourage robust circulation of the $1 coin cost-effectively<br>• Increase financial literacy and access to financial services in low-income and underserved communities | Performance ▼<br><br>Budget ▲<br><br>Cost ▲ |

| STRATEGIC GOAL | KEY ACCOMPLISHMENTS | KEY CHALLENGES | TREND |
|---|---|---|---|
| Prevented Terrorism and Promoted the Nation's Security Through Strengthened International Financial Systems<br><br>Cost:<br>2008: $555 Million<br>2009: $570 Million | • Strengthened measures against Iran to protect U.S. national security<br>• Enhanced mechanisms to combat mortgage and loan modification fraud<br>• Lifted sanctions on 125 individuals or entities from the list of Specially Designated Nationals (SDNs)<br>• Retired magnetic media filing<br>• Strengthened the review process for foreign investment in the United States | • *Modernize Bank Secrecy Act* (BSA) information and analysis<br>• Encourage Pakistan to make its anti-money laundering law permanent<br>• Continue to provide additional guidance to the charitable sector<br>• Establish external performance measure evaluation | Performance ▲<br><br>Budget ▲<br><br>Cost ▲ |
| Management and Organizational Excellence<br><br>Cost:<br>2008: $508 Million<br>2009: $296 Million | • Treasury OIG completed 10 Material Loss Reviews (MLRs)<br>• Treasury OIG issued 68 audit products related to Treasury operations<br>• Treasury Inspector General for Tax Administration issued 142 audit reports of the IRS that could produce $14.7 billion in financial benefits<br>• Employed dynamic new approach to the 2011 Treasury budget process<br>• Expanded human capital initiatives | • Continue to complete an increased number of MLR<br>• Continue to improve management of information technology | Performance ▼<br><br>Budget ▼<br><br>Cost ▼ |

*Cost is stated as "Performance Cost," and in addition to budgetary resources, includes imputed costs, depreciation, losses, and other expenses not requiring budgetary resources.

| TREND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |

# How Well is Treasury Performing?

**FIGURE A. Treasury Performance Cost Trend**

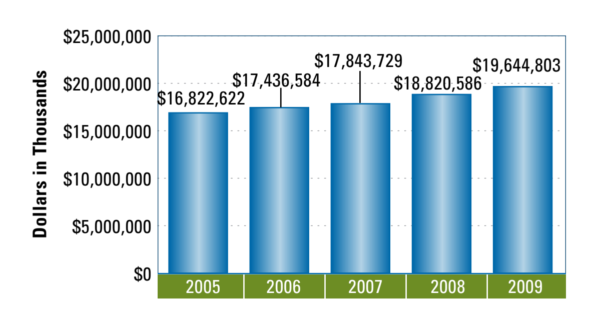



**FIGURE B. Treasury Total (Direct and Non-Appropriated) Budget Trend**

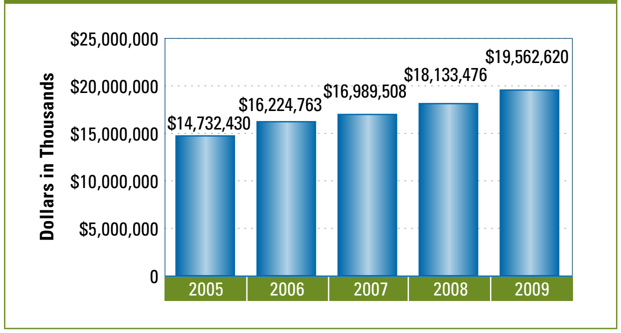



**FIGURE C. Fiscal Year 2009 Treasury-wide Performance Results Including Discontinued and Baseline Measures**

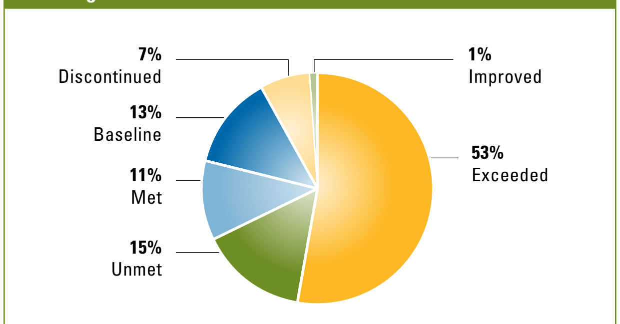



**FIGURE D. Fiscal Year 2009 Treasury-wide Performance Results Excluding Discontinued and Baseline Measures**

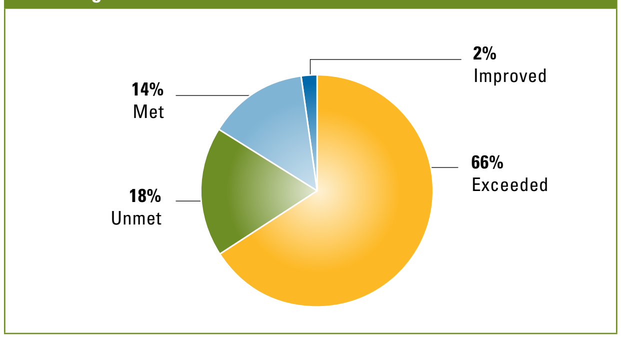



**FIGURE E. Treasury Actual Performance Trends 2006–2009**

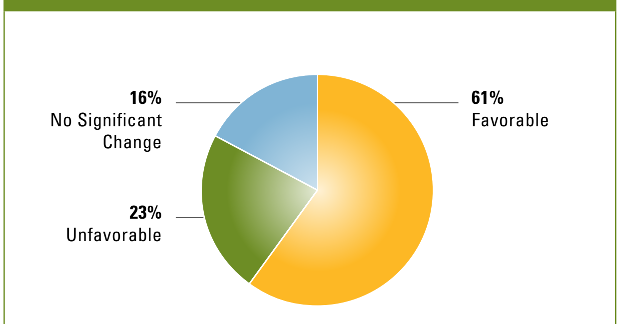



**FIGURE F. Treasury Target Performance Trends 2006–2009**

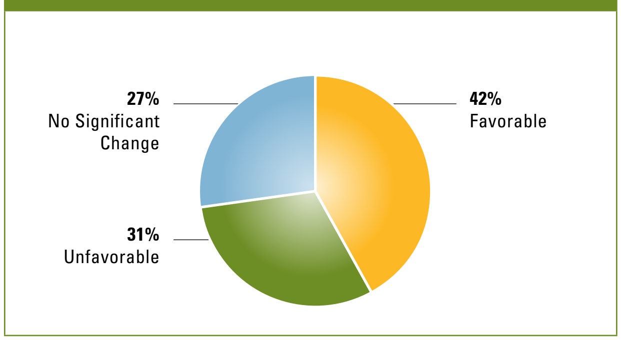



**FIGURE G. Treasury Department Cost per Person in the United States**

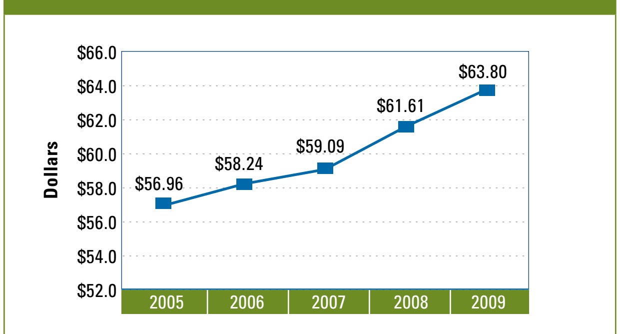
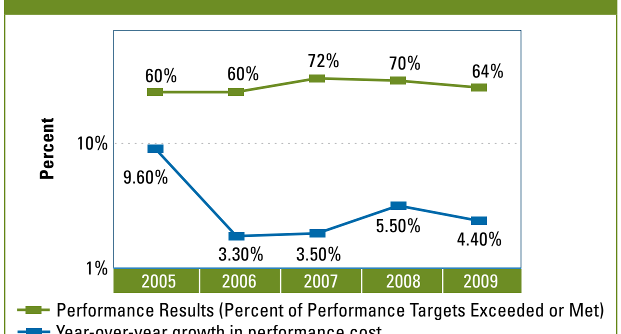



**FIGURE H. Treasury Performance vs. Performance Cost Trends**




Please see next page for explanation of charts.

## HOW WELL IS TREASURY PERFORMING DISCUSSION

### PERFORMANCE COST AND BUDGET TRENDS

Performance cost represents the best indication of the total actual cost to operate the Treasury Department. It includes normal operating expenses from the Department's Statement of Net Cost, but also includes adjustments for costs which do not require budgetary resources such as imputed costs, depreciation, amortization, losses, and other non-budgetary expenses. Performance cost in fiscal year 2009 was $19.6 billion (*see figure A*), a 4.4 percent increase from fiscal year 2008, and has risen 4 percent per year since fiscal year 2005. The Department's total enacted budget, however, which includes direct appropriations, non-appropriated, and reimbursable amounts, rose by an average of 7.4 percent per year since fiscal year 2005 (*see figure B*).

### PERFORMANCE TO TARGET

In fiscal year 2009, the Treasury Department continued reporting using the revised performance rating system implemented in 2008. Performance to target is rated as: Exceeded, Met, Improved from the prior year (but not met), Unmet, Baseline, or Discontinued. Prior to 2008, performance measures were rated only as met or unmet. Results are shown in two pie charts, one including all performance measures, and one not including baseline and discontinued measures. While 64 percent of targets were exceeded, met, or improved based on all measures (*see figure C*), 80 percent of targets were exceeded, met, or improved based on measures that were not baselined or discontinued (*see figure D*).

### ACTUAL AND TARGET PERFORMANCE TRENDS

Trends in actual performance and targets have been analyzed since 2005 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 61 percent of actual performance trends were favorable (*see figure E*), 23 percent were unfavorable, and 16 percent were unchanged. Target trends were 42 percent favorable, 31 percent unfavorable, and 27 percent unchanged (*see figure F*).

### TREASURY COST PER PERSON

The chart reflecting the approximate cost of the Treasury Department per person in the United States is based on calculations determined by dividing Treasury Performance Cost by an estimate of the U.S. population at the end of fiscal year 2009. This ratio attempts to describe the estimated cost of operating the Treasury Department borne by everyone in the United States on a per person basis. The estimated cost per person for fiscal year 2009 is $63.80, up from $61.61 in fiscal year 2008 (*see figure G*).

### TREASURY PERFORMANCE AND REAL COST

This chart provides information on Treasury's performance to target trends compared with the year-to-year increase in the Department's performance cost. The percent of targets met or exceeded dropped by six percentage points compared to the prior fiscal year, while performance cost increased by 4.4 percent (*see figure H*).

# High Risk Areas—As Identified by GAO

## ENFORCEMENT OF THE TAX LAWS

**Problem:** The IRS needs to improve its enforcement of tax laws, not only to catch tax cheats, but also to promote broader compliance by giving taxpayers confidence that others are paying their fair share.

**Goal:** Improve research on noncompliance, increase the use of third party information reporting, focus on improving standards among tax return preparers, and increase emphasis on international noncompliance.

### Challenges and Actions Taken/Planned:

***Reduce the opportunity for evasion***

- The IRS placed extraordinary focus on detecting and bringing to justice those who hide assets overseas to avoid paying tax. As part of an overall strategy to improve offshore compliance, initiatives were implemented to identify U.S. taxpayers that engaged in offshore tax evasion schemes. In August 2009, the IRS reached agreement with the Swiss authorities that will result in the IRS receiving an unprecedented amount of information on taxpayers who evaded their tax obligations by hiding money offshore at Union Bank of Switzerland (UBS). This represents a major step forward for the IRS in its efforts to combat offshore tax evasion and sends a clear message to people hiding income and assets offshore that the IRS will vigorously pursue tax cheats, no matter how remote or secret the location.

  At the same time, the IRS established an offshore voluntary disclosure/penalty framework for taxpayers to voluntarily disclose their offshore activities. As a result of this program which ran through October 15, 2009, more than 14,700 taxpayers with offshore accounts came forward to disclose information bringing them back into the U.S. tax system. A key aspect of future international offshore work will be mining the information from people who came forward to identify financial institutions, advisors, and others who promote or otherwise helped U. S. taxpayers hide assets and income.

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

- The IRS maintained its focus on high-net worth individuals, flow through entities, and large corporations (assets > $10 million). The IRS conducted over 145,000 high-net worth audits, an increase of 11.2 percent. Audits of large corporations including flow through returns increased by 3.6 percent.
- In fiscal year 2010, IRS will continue to expand its efforts to address international tax evasion, to expand the focus on corporate and high net-worth returns, to integrate significant new information reporting authorities into compliance programs, and to implement higher standards within the practitioner community to ensure that the proper amount of tax is paid.

## 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 and Actions Taken/Planned:**

***Fully implement all projects and programs for the BSM program***

- • In fiscal year 2009, the IRS revised its Customer Account Data Engine (CADE) strategy. BSM will continue the revised CADE strategy to implement the new taxpayer account database by the end of 2011 for the 2012 filing season. The new database will result in the migration of all 140 million individual taxpayers to a modernized, relational database that will support daily processing and result in faster refunds for all individual refund filers. Daily updating of all individual taxpayer accounts by 2012 also will improve taxpayer service and accuracy, reduce interest paid on late refunds, improve data security, and create new tools to combat fraud and improve enforcement activities. Completion of the taxpayer account database is the prerequisite for other major initiatives, including significant expansion of online services and transactions and the next generation of enforcement technologies.

## MODERNIZING THE OUTDATED U.S. REGULATORY SYSTEM (NEWLY IDENTIFIED IN 2009)

**Problem:** The current financial system is a fragmented, complex arrangement of federal and state regulators that arose over the past 150 years, often in response to past crises.

**Goal:** Establish regulatory reform goals and a measurement plan.

**Challenges and Actions Taken/Planned:**

***Promote robust supervision and regulation of financial firms***

- A new Financial Services Oversight Council of financial regulators to identify emerging systemic risks and improve interagency cooperation.
- New authority for the Federal Reserve to supervise all firms that could pose a threat to financial stability, even those that do not own banks.
- Stronger capital and other prudential standards for all financial firms, and even higher standards for large, interconnected firms.
- A new National Bank Supervisor to supervise all federally chartered banks.
- Elimination of the federal thrift charter and other loopholes that allowed some depository institutions to avoid bank holding company regulation by the Federal Reserve.
- The registration of advisers of hedge funds and other private pools of capital with the Securities and Exchange Commission.

***Establish comprehensive supervision of financial markets***

- Enhanced regulation of securitization markets, including new requirements for market transparency, stronger regulation of credit rating agencies, and a requirement that issuers and originators retain a financial interest in securitized loans.

- Comprehensive regulation of all over-the-counter derivatives.
- A new regime to resolve nonbank financial institutions whose failure could have serious systemic effects.
- Revisions to the Federal Reserve's emergency lending authority to improve accountability.
- New authority for the Federal Reserve to oversee payment, clearing, and settlement systems.

***Protect comprehensive supervision of financial markets***

- A new Consumer Financial Protection Agency to protect consumers across the financial sector from unfair, deceptive, and abusive practices.
- Stronger regulations to improve the transparency, fairness, and appropriateness of consumer and investor products and services.
- A level playing field and higher standards for providers of consumer financial products and services, whether or not they are part of a bank.

***Provide the government with the tools it needs to manage financial crises***

- A new regime to resolve nonbank financial institutions whose failure could have serious systemic effects.
- Revisions to the Federal Reserve's emergency lending authority to improve accountability.

***Raise international regulatory standards and improve international cooperation***

- International reforms to support our efforts at home, including strengthening the capital framework; improving oversight of global financial markets; coordinating supervision of internationally active firms; and enhancing crisis management tools.

# Completeness and Reliability of Performance Data

## ACCURACY OF PERFORMANCE MEASURES

Measures are classified for accuracy as follows:

- Reasonable Accuracy: Judged to be sufficiently accurate for program management and performance reporting purposes (specified in Office of Management & Budget Circular A-11, Section 230-4(f))
- Questionable or Unknown Accuracy: Judged to be materially inadequate (specified in Office of Management & Budget Circular A-11, Section 230-4(f) as "materially inadequate")

## PROCEDURES FOR CONDUCTING REVIEW OF THE DEPARTMENT'S PERFORMANCE MEASURE DATA

The Department of the Treasury's Office of Strategic Planning and Performance Management prepares the annual report on performance measures and monitors component-submitted performance information. Based on an audit finding in fiscal year 2006, it was determined that improvements to the internal control process for performance measures were needed. Improvements to the process included:

- All measures are now categorized by audit priority as high, medium, or low, based on the relationship to achieving the Department's goals
- A representative sample of measures are selected for review every fiscal quarter
- Supporting documentation from that sample is reviewed for accuracy, reliability, and completeness
- All measure calculations are verified, data sources are validated, and comparisons are made to prior year results
- Information related to the measure audit is maintained in hard-copy form and can be reviewed at any time

As a result, performing this process will uncover any potential data or calculation error and will provide additional assurances on the integrity of the information and data presented in the annual Performance and Accountability Report.

## COMPLETENESS OF DATA

**Not Available:** Data was available for all measures in fiscal year 2009.

**Discontinued:** The following performance measures were discontinued in fiscal year 2009 and will not have data available for this report. Explanations for why these measures were discontinued can be found in the Appendix.

| BUREAU | PERFORMANCE MEASURE |
|---|---|
| BPD | Percentage of retail customer service transactions completed within 11 business days |
| DO | Increase the number of outreach engagements with the charitable and international financial communities |
| DO | Number of open civil penalty cases that are resolved within the Statute of Limitations period |
| DO | Number of countries that are assessed for compliance with the Financial Action Task Force (FATF) 40+9 recommendations |
| DO | Injury and illness rate Treasury-wide including DO |
| Mint | Conversion costs per 1000 coin equivalents |
| Mint | Conversion costs per 1000 CE (% deviation from target) |
| Franchise Fund | Operating expenses as a percentage of revenue—Financial Systems, Consulting and Training |
| Franchise Fund | Operating expenses as a percentage of revenue—Consolidated/Integrated Administrative Management |
| OIG | Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action |
| TTB | Percentage of instances where the utilization of International Trade Database System (ITDS) results in identifying importers without permits as a percentage of total permits on file at TTB's National Revenue Center |

**Baseline:** The following measures established baseline values and targets in fiscal year 2009:

| BUREAU | PERFORMANCE MEASURE |
|---|---|
| BPD | Percentage of retail customer service transactions completed with 5 business days |
| DO | Percentage of Congressional correspondence responses drafted within 48 hours |
| DO | Impact of TFI programs and activities |
| DO | Percentage of customers satisfied with FinancialStability.gov |
| DO | Clean audit opinion of TARP financial statements |
| DO | Percentage of SIGTARP and GAO oversight recommendations responded to on time |
| DO | Average days to close a FOIA case |
| DO | Percentage of statutorily-mandated reports submitted on time |
| Mint | Absolute value of production percent deviation from net pay |
| Mint | Customer satisfaction index |
| OIG | Percentage of all cases closed during fiscal year that were referred for criminal/civil prosecution or Treasury Administrative action |
| OIG | Percentage of all cases that were accepted by prosecutors, referred for agency action, or closed during the fiscal year and were completed within 18 months of case initiation |
| SIGTARP | Number of completed audit products |
| SIGTARP | Percent of recommendations implemented |
| SIGTARP | Congressional requests for testimony completed |
| SIGTARP | Percentage of investigations accepted by prosecutors |
| SIGTARP | Percentage of preliminary investigations that are converted into full investigations |
| SIGTARP | Percentage of all cases that are joint agency/task force investigations |
| SIGTARP | Percentage of hotline complaints referred for investigation or to OFS within 14 days of receipt |

**Data Reliability:** Performance data presented in this report meets the standards for reliability set forth in Office of Management & Budget Circular A-11, Section 230-5(f). There is neither a refusal nor a marked reluctance by agency managers or government decision makers to use the data in carrying out their responsibilities.

# Strategic Goal: Effectively Managed U.S. Government Finances

## STRATEGIC OBJECTIVE: Cash Resources are Available to Operate the Government

The Treasury Department manages the nation's finances by collecting money due to the United States, 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 continual basis. The ability of the Treasury to manage the nation's finances is essential to maintaining the stability and integrity of the financial system.

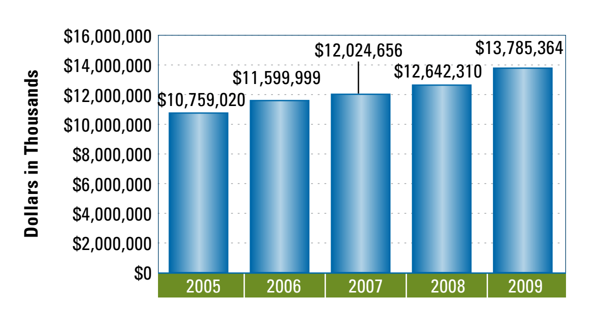
The bureaus and policy offices responsible for the achievement of this objective are the following:

- Alcohol and Tobacco Tax and Trade Bureau (TTB)
- Bureau of the Public Debt (BPD)
- Financial Management Service (FMS)
- Internal Revenue Service (IRS)
- Office of Domestic Finance

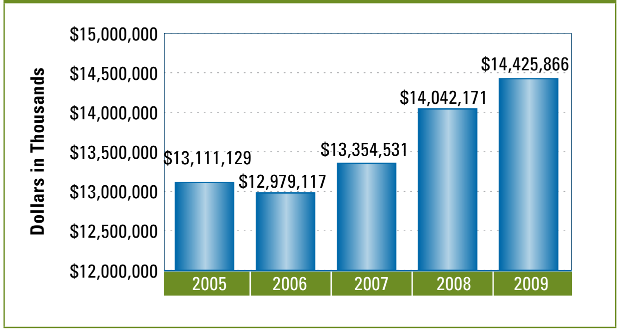
The outcomes associated with this objective are the following:

- Revenue collected when due through a fair and uniform application of the law
- Timely and accurate payments at the lowest possible cost
- Government financing at the lowest possible cost over time
- Effective cash management
- Accurate, timely, useful, transparent and accessible financial information

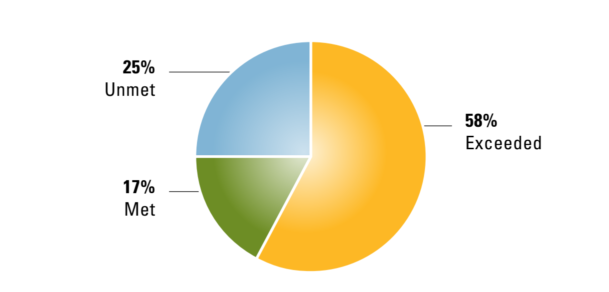
**Budget Trend: Cash Resources are Available to Operate the Government**



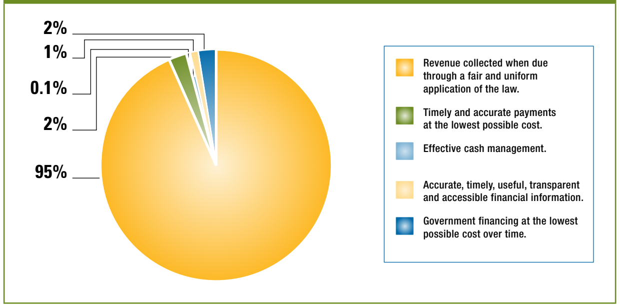

**Performance Cost Trend: Cash Resources are Available to Operate the Government**




**Fiscal Year 2009 Results: Cash Resources are Available to Operate the Government**




**Performance Cost by Outcome**

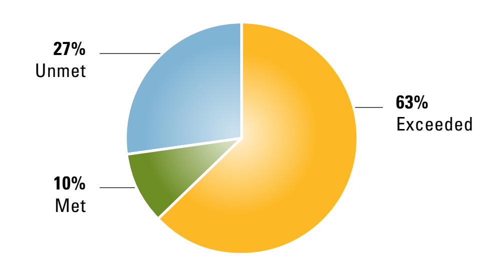


## REVENUE COLLECTED WHEN DUE THROUGH A FAIR AND UNIFORM APPLICATION OF THE LAW

Based on performance results, Treasury was generally successful in achieving this strategic outcome for fiscal year 2009, though performance was dropped somewhat relative to fiscal year 2008.

### *Fiscal Year 2009 Results*

**Revenue Collected When Due Through Fair and Uniform Application of the Law**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 22 | 54% |
| Favorable downward trend | ▼ | 1 | 2% |
| Unfavorable upward trend | ▲ | 1 | 2% |
| Unfavorable downward trend | ▼ | 7 | 17% |
| No change in trend, no effect | ▶ | 10 | 24% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 0 | 0% |
| Total | | 41 | 100% |
| Discontinued | DISC | 0 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Amount of delinquent debt collected per $1 spent ($) (E) | FMS | $54.76 | $43 | $53.76 | 125.0% | 0.9% | Exceeded | 43 | ▲ | ▲ |
| Amount of delinquent debt collected through all available tools ($ billions) (Ot) | FMS | $4.41 | $3.9 | $5.03 | 129.0% | 114.1% | Exceeded | 4.65 | ▲ | ▲ |
| Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe) | FMS | 80% | 80% | 84% | 105.0% | 105.0% | Exceeded | 80 | ▶ | ▲ |
| Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral (%) (Ot) | FMS | 99% | 97% | 100% | 103.1% | 101.0% | Exceeded | 97 | ▲ | ▲ |
| Unit cost to process a Federal revenue collection transaction ($) (E) | FMS | $1.195 | $1.27 | $1.57 | 76.4% | 68.6% | Unmet | 1.25 | ▼ | ▲ |
| Customer Contacts Resolved per Staff year (E) | IRS | 12,634 | 10,386 | 12,918 | 124.4% | 102.2% | Exceeded | 9398 | ▲ | ▲ |
| Customer Service Representative (CSR) Level of Service (%) (Oe) | IRS | 52.8% | 70% | 70% | 100.0% | 132.6% | Met | 71 | ▼ | ▼ |
| Examination Quality (LMSB) - Industry (%) (Oe) | IRS | 88% | 88% | 88% | 100.0% | 100.0% | Met | 89 | ▲ | ▲ |
| Field Collection National Quality Review Score (Oe) | IRS | 79% | 80% | 80.5% | 100.6% | 101.9% | Exceeded | 81 | ▼ | ▼ |
| Field Examination National Quality Review Score (%) (Oe) | IRS | 86% | 87% | 85.1% | 97.8% | 99.0% | Unmet | 86.3 | ▶ | ▶ |
| Percent of Business Returns Processed Electronically (%) (Oe) | IRS | 19.4% | 21.6% | 22.8% | 105.6% | 117.5% | Exceeded | 24.3 | ▲ | ▲ |

*table continued on next page*

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Percent of Individual Returns Processed Electronically (%) (Oe) | IRS | 57.6% | 64% | 65.9% | 103.0% | 114.4% | Exceeded | 70.2 | ▲ | ▲ |
| Refund Timeliness - Individual (paper) (%) (E) | IRS | 99.1% | 98.4% | 99.2% | 100.8% | 100.1% | Exceeded | 98.4 | ▼ | ▶ |
| Taxpayer Self Assistance Rate | IRS | 66.8% | 64.7% | 69.3% | 107.1% | 103.7% | Exceeded | 61.3 | ▲ | ▲ |
| Amount of revenue collected per program dollar ($) (New data compilation methodology, 2008) | TTB | $313 | $300 | $427 | 142.3% | 136.4% | Exceeded | 400 | ▶ | ▲ |
| Percent of Voluntary Compliance from large taxpayers in filing tax payments timely and accurately (in terms of revenue) | TTB | 94% | 92% | 94% | 102.2% | 100.0% | Exceeded | 92 | ▶ | ▶ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

The table above is a sample of the measures associated with the achievement of the revenue collection outcome. Analysis of fiscal year 2009 performance is based on the best data available. Based on the full suite of measures relating to this outcome, during fiscal year 2009, Treasury met or exceeded targets Department-wide for 73 percent of its performance measures relative to this strategic outcome (30 measures out of 41). This was a decrease from fiscal year 2008 when targets for 79 percent of performance measures were either met or exceeded. In 2009, Treasury exceeded 63 percent of its targets, met 10 percent, and missed 27 percent. No measures were discontinued in fiscal year 2009.

IRS is the largest contributor to this outcome. For fiscal year 2009, IRS achieved an overall success rate of 69 percent, meeting or exceeding the target for 22 of its 32 performance measures. This is a drop from the 75 percent success rate achieved in fiscal year 2008. In fiscal year 2009, IRS met or exceeded 100 percent of its Taxpayer Service targets (12 of 12), 50 percent (9 of 18) of its Enforcement targets, and 50 percent (one of two) of its Business System Modernization targets.

Performance at FMS continues to be generally positive, and FMS continues to aggressively increase its performance targets. FMS exceeded 86 percent of its performance targets in fiscal year 2009 relative to this strategic outcome (six of seven measures). Performance targets for each of these six measures were exceeded in fiscal year 2008, but during fiscal year 2009, the performance measure "Unit cost to process a federal revenue collection transaction" was the only FMS performance metric for this outcome that failed to meet its target. This was largely due to a decrease in the number of collection transactions as a result of the economic downturn.

Both TTB measures for this outcome, "Amount of Revenue per Program Dollar" and "Percent of Voluntary Compliance from large taxpayers in filing tax payments timely and accurately (in terms of revenue)" exceeded their fiscal year 2009 performance targets by 42 and two percent, respectively. Voluntary compliance results held constant with the prior year, while Amount of Revenue per Program Dollar delivered even greater program efficiency than targeted, achieving a significant 36 percent improvement over fiscal year 2008 results.

## Taxpayer Service and Revenue Processing

### Internal Revenue Service

The IRS delivered a another successful filing season in 2009, rising to challenges posed by the residual effects of the 2008 Economic Stimulus Payment program and the implementation of the American Reinvestment and Recovery Act. In fiscal year 2009, the total revenue collected by the IRS was $2.345 trillion. Percent of Individual Returns Processed Electronically increased 14 percent over 2008 and Percent of Business Returns Processed Electronically increased 17.5 percent. Individual returns filed electronically reached 65.9 percent of all returns, with the total number of individual returns filed electronically reached 95 million returns, up six percentage points over the prior fiscal year and reaching 103 percent of the year's target, largely due to increased IRS advertising and marketing. Business returns filed electronically reached 22.8 percent, 106 percent of the year's target and an increase of 700 thousand returns over 2008 due to new electronic filing mandates for certain businesses. Taxpayer filing via home computer increased by 19 percent over 2008 to nearly 32 million returns, and tax professionals' use of electronic filing also increased to 63.2 million returns, an increase of 2.27 percent over 2008.

The Customer Service Representative Level of Service increased significantly over 2008 levels by nearly 33 percent due to the completion of the Account Management Services initiative and its automated inventory and workflow capabilities such as electronic transcript capabilities. Customer Contacts Resolved per Staff Year reached 124 percent of target and increased by two percent over 2008 as well, exceeding all expectations due to a large increase in taxpayer use of self-service applications, translating into reduced call volume. IRS achieved a 70 percent level of telephone service answering 39 million assistor calls and 29 million automated calls compared to over 40 million assistor calls and 52 million automated calls in fiscal year 2008, and correctly responded to nearly 93 percent of tax law questions and 95 percent of account questions.

The IRS continues to focus on accuracy of information provided to taxpayers as both Toll-Free Tax Law and Toll-Free Accounts Accuracy performance surpassed last year's record breaking numbers. Taxpayers called to obtain information regarding economic stimulus payments, new American Recovery and Reinvestment Act of 2009 (ARRA) credits, and prior year adjusted gross income (AGI) numbers needed for electronic filing. The decrease in total call volume in fiscal year 2009 was due to fewer taxpayers inquiring about stimulus payments than the prior year.

IRS efficiency in delivering its tax filing products to the public also improved, as the Timeliness of Critical Individual Filing Season Tax Products to the Public and the Timeliness of Critical Tax Exempt (TE/GE) and Business Tax Products to the Public metrics improved over 2008 by four and six percentage points, respectively. The Taxpayer Self-Assistance rate increased over 2008 by nearly 4 percent, due to increased usage 41 percent higher than planned, of the web services "Economic Stimulus Payment" and "Where's My Refund?". During fiscal year 2009, IRS processed 144.4 million individual returns, a 7 percent decrease versus 2008; issued 111.4 million refunds, an increase of over 3 percent, totaling $339.6 billion, a decrease of 8 percent; and completed 29 million automated calls compared to 52 million in 2008). These decreases in fiscal year 2009 resulted from abnormally high individual return filing in fiscal year 2008 to claim economic stimulus payments.

In fiscal year 2009, taxpayers continued to use the website IRS.gov resulting in more than 1.7 billion views of the web page by taxpayers compared to 2.2 billion in fiscal year 2008, a 23 percent reduction due largely to fewer people accessing the web to obtain information on the Economic Stimulus Program versus 2008.

More than 54 million taxpayers used the IRS.gov tool "Where's My Refund?" an increase of 39 percent over the prior year. Over 453,000 taxpayers used the Spanish version. More than 3.0 million tax returns were prepared and submitted through the IRS Free File program during fiscal year 2009, a 36 percent decrease versus fiscal year 2008. Reasons for the decreased participation in Free File can be attributed to fewer people qualifying for Economic Stimulus payments and filing electronic returns solely to establish eligibility and income limitations introduced by many partners in the Free File alliance.

The IRS also improved assistance to international taxpayers to improve voluntary compliance. Actions taken in fiscal year 2009 included:

- Updating a "one-stop" tax page on IRS.gov for the more than seven million non-military Americans living outside the U.S.
- Creating an "International Tax Gap Series" on IRS.gov to educate the public on a variety of international issues
- Releasing a new form for non-resident entertainers and athletes who plan to work in the U.S, providing the ability to calculate the correct amount of withholding based upon net income at graduated rates
- Expanding the IRS network for providing tax assistance to international taxpayers by opening a new Tax Attaché office in Beijing, China, which will serve as the Asian regional office for all IRS activities and will support tax treaty administration with other significant economic partners including Japan and Korea

With many people facing financial difficulties in the current economic environment, IRS took several steps to provide service to taxpayers who owed delinquent taxes, especially those who have filed previously and were facing unusual hardships. These steps included:

- Suspending collection actions in certain hardship cases where taxpayers were unable to pay
- Allowing lien relief for homeowners trying to refinance or sell: In an effort to raise taxpayer awareness of the availability of the discharge and lien subordination process, IRS conducted various outreach efforts and sought feedback from the National Society of Accountants, the American Bar Association and the National Associations of Enrolled Agents and Tax Professionals, resulting in a 20.8 percent increase in lien discharge applications and a 5.3 percent increase in lien subordination
- Providing greater flexibility for missed payments, where previously compliant taxpayers in current installment agreements in certain cases were allowed to skip payments or pay a reduced monthly payment amount without automatic suspension of the Installment Agreement
- Preventing Offer in Compromise (OIC) defaults, where taxpayers unable to meet the payment terms of an accepted OIC received a letter outlining options to avoid default
- Expediting levy releases, where IRS released levies in an expedited manner for taxpayers suffering financial hardships
- Offering installment agreements to taxpayers experiencing difficulties paying their tax liability upon completion of audits

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low-income working individuals and families. The IRS continued to reach out to taxpayers eligible for the Earned Income Tax Credit (EITC) to increase participation. This included efforts such as:

- Creating EITC products and services designed to target underserved groups such as rural taxpayers, filers with limited proficiency in the English language, and childless workers whose incomes is just over the poverty line and are unaware that they qualify for the credit
- Conducting a third annual EITC Awareness Day to promote the EITC as a critical financial lifeline for many taxpayers. Community coalitions and IRS partners across the nation marked the day with a series of local news conferences and news releases promoting EITC to low-wage taxpayers Free tax preparation sites for low and moderate-income

individuals, seniors and other eligible taxpayers were held in every state

- Increasing electronic filing of EITC returns by 8 percent over 2008

### Alcohol and Tobacco Tax and Trade Bureau

TTB collects excise taxes associated with the sale of alcohol, tobacco, firearms, and ammunition through its Collect the Revenue program. In fiscal year 2009, TTB collected $20.6 billion in federal taxes from nearly 6,800 excise taxpayers. This represents a 41 percent increase in tax revenue compared with fiscal year 2008, collected from a taxpayer base that grew by only four percent. TTB collected $427 in revenue for every dollar spent on its revenue collection program, a 36 percent increase over the prior year. TTB collections dramatically increased following the enactment of *The Children's Health Insurance Program Reauthorization Act (CHIPRA)* legislation which raised the excise tax rate on tobacco products.

CHIPRA was signed into law in February 2009, and imposed the most significant tax rate increase on tobacco products in history and introduced requirements for permits and taxes on products which had not previously been taxed or regulated. The statute includes a new permit requirement for processed tobacco manufacturers and importers. The Act also expands the definition of "roll-your-own" tobacco to include cigar materials. CHIPRA also levies a floor stocks tax (FST), a one-time excise tax placed on a commodity subject to a tax increase, on all tobacco products held for sale as of April 1, 2009. Pursuant to the Act, TTB collected a record $1.2 billion in FST from tobacco wholesalers and retailers, working closely with state agencies and some of the largest tobacco manufacturers and distributors to identify industry members and retailers likely to have substantial quantities of tobacco products in inventory. TTB collected $6 billion in additional tobacco revenue in 2009 due to the increased tax rate.

The passage of CHIPRA magnified the need for a world-class research and testing facility at TTB for tobacco products, as history has shown that higher tax rates spur the illicit trade due to the incentive of greater profit. To earn international recognition of its quality results, TTB applied for and achieved international accreditation of its Tobacco Laboratory within one year of the lab's establishment. In September 2009, the American Association for Laboratory Accreditation (A2LA), an accreditation body that uses internationally accepted criteria for competence in its evaluations, notified the Tobacco Laboratory that it met all standards for ISO 17025 accreditation. TTB also completed A2LA assessment of its Beverage Alcohol Laboratory and its Compliance Laboratory, maintaining ISO 17025 accreditation for both labs.

A contributing factor to TTB's 427:1 return on program investment was a 45 percent increase in firearms and ammunition excise tax (FAET) collections compared to fiscal year 2008, the largest single year increase in FAET collections in TTB's history. As sales of firearms and ammunition have grown in recent years, TTB has targeted enforcement efforts to ensure revenue collection from these taxpayers.

TTB continued its efforts to promote voluntary compliance among industry members in 2009 through educational outreach efforts and promotion of electronic filing options. During the current economic climate, TTB successfully maintained a voluntary compliance rate of 94 percent for timely filing of tax returns by large excise taxpayers, matching the rate achieved in fiscal year 2008. In 2009, TTB expanded its electronic tax filing program to enable all excise taxpayers to file and pay taxes electronically through the Web-based Pay.gov system. TTB increased the number of registered Pay.gov users by 36 percent over fiscal year 2008, and more than 4,900 TTB taxpayers are now registered to use Pay.gov to file and pay excise taxes and file monthly operational reports.

### Financial Management Service

As the government's financial manager, FMS oversees a daily cash flow in excess of $60 billion, disbursing 85 percent of the federal government's payments, including income tax refunds, social security benefits, veterans' benefits and other federal payments to individuals and businesses. FMS administers the world's largest collection system, with nearly $2.9 trillion collected in fiscal year 2009. It also provides cash management guidance to Federal Program Agencies, maintains the government's accounting books, and compiles and publishes government-wide financial information used to monitor the government's financial status. FMS serves as the government's central debt collection agency for delinquent non-tax debt.

The FMS is responsible for managing the federal government's collection system, which collects revenues needed to operate the federal government. In fiscal year 2009, FMS collected nearly $2.9 trillion through a network of more than 9,000 financial institutions. During fiscal year 2009, 83 percent of these dollars were collected electronically as compared with 80 percent collected electronically in fiscal year 2008. The unit cost to process a Federal revenue collection transaction was up during fiscal year 2009 to $1.57 compared to $1.20 in fiscal year 2008. This can largely be attributed to the decrease in the number of collection transactions associated with the economic downturn. The percentage of Federal agency customers indicating an overall service rating of satisfactory or better rose to 91 percent during fiscal year 2009, up three percentage points from 88 percent in fiscal year 2008.

The Electronic Federal Tax Payment System (EFTPS) is a tax payment system that allows businesses and individuals to more conveniently make their federal tax payments electronically 24 hours a day, seven days a week. In fiscal year 2009, EFTPS collected more than $1.89 trillion through more than 97.9 million transactions, increasing the percentage of total taxes collected electronically to 81% from 79% in 2008, despite an overall net reduction of 16 percent in tax revenue related to economic conditions.

Several important programs to enhance electronic non-tax collections include Pay.gov, Payment Check Conversion over the Counter, and Electronic Check Processing. Pay.gov is a system that allows individuals and businesses to make non-tax payments to federal agencies over the internet. Pay.gov responds to the increasing demands of consumers and businesses for electronic alternatives by providing the opportunity to complete forms and applications, make payments, and submit queries online 24 hours a day, seven days a week. Pay.gov has been implemented with 134 federal agencies representing 565 cash flows, and collected $68.91 billion and processed 18.69 million transactions for fiscal year 2009, versus $48.7 billion collected in fiscal year 2008, a change of 41.5 percent. Since inception in 2005, it has processed approximately 57.2 million transactions valued at $204.2 billion. As one example, TTB has incorporated Pay.gov into its e-filing program to allow excise taxpayers to file and pay taxes, as well as file monthly operational reports. TTB increased the number of registered Pay.gov users by 36 percent over fiscal year 2008, and more than 4,900 TTB taxpayers are now registered to use Pay.gov to pay excise taxes and to file excise tax returns and monthly operational reports.

FMS is also responsible for the collection of delinquent government and child support debt. FMS' Debt Collection program provides centralized debt collection management and operational services to federal agencies and to state governments as required by the *Debt Collection Improvement Act of 1996* and related legislation. In fiscal year 2009, FMS collected $5.07 billion in delinquent debt including Economic Stimulus Payments and Economic Recovery Payments. Of this amount, $2.07 billion in past-due child support, $2.13 billion in federal non-tax debt, and $368 million in state tax offsets and $497 million in tax levies was collected. The amount of delinquent debt collected per one dollar spent for fiscal year 2009 was $53.76, a slight decrease from the prior year's result of $54.76.

Agencies referred 100 percent of their eligible delinquent debt at the end of fiscal year 2009. In calendar year 2009, IRS referred an additional $51.6 billion of tax debts for continuous levy, a 17 percent increase from calendar year 2008.

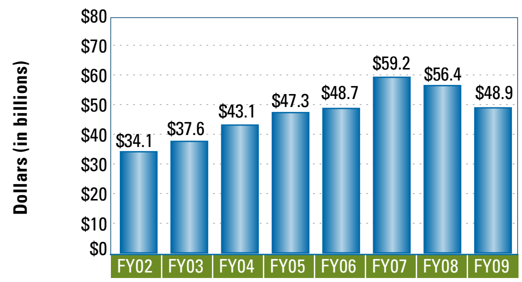
## Improving Voluntary Compliance and Narrowing the Tax Gap

During 2009, IRS continued research studies on public compliance with tax return filing, tax payment and tax reporting requirements. These include the National Research Program (NRP), and provide a comprehensive picture of overall taxpayer compliance levels. Research results allow IRS to target specific areas to improve voluntary compliance and to allocate resources more effectively to reduce the tax gap. In 2009, the NRP included analysis of individual income tax returns for tax years 2006 through 2008 as part of an ongoing study on reporting compliance, employment taxes, and their contribution to the tax gap. The IRS also implemented an NRP study to address cases with the highest compliance risk by providing an identification process for returns filed by U.S. persons living abroad. In late 2009, a random sample of businesses was audited and results will be used to develop additional approaches to address the tax gap. IRS is also studying the effects of its taxpayer services (internet, walk-in sites, and toll-free hotline) on voluntary compliance including identifying why taxpayers make errors, and exploring the relationships between errors made and unclear correspondence. Results will be used to develop new approaches to service. As part of its continuing effort to measure the burden associated with meeting federal tax obligations, IRS surveyed 7,000 individual and self-employed taxpayers to measure time and expense in meeting filing requirements. Efforts are underway to develop models to measure time and expenses for small business taxpayers who file income and employment tax returns. Estimates are scheduled to be released early in fiscal year 2010. While understanding taxpayer needs and minimizing taxpayer administrative burden are important, another important element in improving compliance is enforcement.

## Enforcement

Enforcement of the tax laws is an integral component of the IRS effort to enhance voluntary compliance with tax laws. In fiscal year 2009, IRS collected $48.9 billion through examination and collection enforcement activities, a decrease of 13 percent versus 2008. A decrease was anticipated due to recent economic conditions.

**IRS Enforcement Revenue**




During fiscal year 2009, IRS met or exceeded 50 percent (nine of 18) examination and enforcement performance measure targets. Nine measures failed to meet their targets. Among the examination performance measures, 64 percent (nine of 14 measures) met or exceeded their targets; none of the investigations measures met their performance targets in 2009.

Total enforcement metrics: 18
Average percent of targets achieved for all 18 measures for enforcement: 99.8%
Measures met or exceeded: 9
Average percent of targets achieved for 9 measures met or exceeded: 102.1%
Measures not met: 9
Average percent of targets achieved for 9 measures not met: 97.8%

Of the nine measures failing to meet targets, only two were related to quality – the Field Examination National Quality Review Score metric and the Examination Quality for Large and Mid-Sized Businesses in Coordinated Industry metric. Results for these metrics fell within 2.2 and 1.1 percent of their targets, and had year-end results drop by one and two percent versus 2008, respectively. This is actually an improvement in quality metric results compared with 2008, when IRS had four quality measures that failed to meet targets. For the Field Exam Quality Review

Score metric, IRS has case quality improvement teams working to address area specific quality deficiencies. Quality targets will be reestablished in fiscal year 2010 with specific emphasis on improving the weakest attributes. For Exam Quality, Coordinated Industry, improvement efforts will focus on audit quality and stronger adherence to audit quality standards.

The only examination or enforcement metric that achieved less than 96 percent of target was the Conviction Rate metric at 94.8 percent of its target, which saw year-end results drop by more than five percent relative to 2008. Although the number of convictions per year changed little since 2006, in 2009 the number of dismissals increased due to increases in fugitive subjects, uncooperative subjects, and unavailability of witnesses, which resulted in the five percent year over year drop. IRS plans to tighten coordination with the U.S. Department of Justice and the U.S. Attorney's Offices on this matter.

Other IRS enforcement and examination metrics that did not meet their targets include Criminal Investigations completed, where actual results dropped by nearly five percent versus 2008. This drop was due to an increased focus on more complex tax and legal cases which usually require a longer cycle time to completion. The Conviction Efficiency Rate percent of target achieved dropped nearly four percent from last year. Even though additional reimbursable funding was received by the IRS Criminal Investigations division, costs increased beyond any offsetting reimbursable amounts. Collection Coverage was down almost two percent due to a delay in the full implementation of the Business Master File Case Creation Non-Filer Identification process. The Collection Efficiency Rate was down more than four percent as a result of a the hiring of a large number of new employees in fiscal year 2009 who had yet to reach the levels of productivity of more experienced caseworkers. Although Examination Coverage for Business Corporations greater than $10 Million fell short of the planned 13,582 examinations, results exceeded fiscal year 2008 closures of 13,366 examinations. Actual return filings reached 242,037, surpassing estimates of 237,315 used to compute the coverage percentage, causing the drop in examination coverage. The disappointing investigations metric results largely stem from a double digit increase in IRS tax and legal cases compared with the prior year. Collection coverage and collection efficiency failed to meet their targets because a delay in return delinquency notice processing earlier in the 2009 fiscal year resulted in a corresponding delay in notice closures. For examination coverage for business corporations, actual filings came in higher than previously projected, resulting in a missed coverage rate target where only 96.6 percent of the year's target was achieved.

During fiscal year 2009, IRS put significant effort into continued operational improvement in the enforcement arena by enhancing analytics in critical programs, improving workload identification and selection methods, and implementing systems that target high-risk cases. IRS expanded its enforcement presence in the international field, continued to pursue high wealth and high income noncompliant taxpayers, and initiated action to better leverage the tax return preparer community. As a result, in fiscal year 2009, IRS made improvements over fiscal year 2008 by:

- Increasing audits of taxpayers with high incomes and high wealth. Audits of taxpayers with incomes greater than $200,000 increased by more than 11.2 percent, and audits of taxpayers with incomes greater than $1,000,000 increased nearly 30 percent
- Increasing self-employed audits by 22 percent,
- Auditing over 13,000 large corporations for the fifth consecutive year, a significant achievement given the size (assets greater than $10 million) and complexity of these corporate entities
- Increasing collection case closures by 1.7 percent
- Increasing tax exempt and government entities examinations by 17 percent
- Increasing Automated Underreporter (AUR) contact closures by 2.6 percent

In fiscal year 2009, the IRS placed extraordinary focus on detecting and bringing to justice those who hide assets overseas to avoid paying tax. As part of an overall strategy to improve offshore compliance, initiatives were implemented to identify U.S. taxpayers that engaged in offshore tax evasion schemes. In August 2009, the IRS reached agreement with Swiss authorities that will result in the IRS receiving an unprecedented amount of information on taxpayers who evaded their tax obligations by hiding money offshore at UBS. This represents a major step forward for the IRS in its efforts to combat offshore tax evasion and sends a clear message to people hiding income and assets offshore that the IRS will vigorously pursue tax cheats, no matter how remote or secret the location. As part of a second initiative, the Offshore Merchant Account Initiative, a summons was issued to a large processor of merchant accounts to identify U.S. businesses that deposit unreported business receipts from debit and credit card sales in accounts in banks domiciled in secrecy jurisdictions.

At the same time, the IRS established an offshore voluntary disclosure/penalty framework for taxpayers to voluntarily disclose their offshore activities. As a result of this program which ran through October 15, 2009, more than 14,700 taxpayers with offshore accounts came forward to disclose information bringing them back into the U.S. tax system. A key aspect of future international offshore work will be mining the information from people who came forward to identify financial institutions, advisors, and others who promote or otherwise helped U. S. taxpayers hide assets and income.

As part of the effort to detect and deter aggressive tax shelters, IRS launched a settlement initiative for Lease In/Lease Out (LILO) and Sale-in/Lease Out (SILO) transactions in fiscal year 2009. These transactions involve complex leasing agreements in which some of the nation's largest corporations leased or purchased large assets such as rail systems, sewer systems and other large infrastructure, mostly overseas, and immediately leased them back to the original owners. These arrangements allowed taxpayers to defer billions of dollars in tax liabilities for many years. In fiscal year 2009, corporate entities who accepted the settlement offer had more than 80 percent of the total leases and dollars in dispute. The settlements required the corporations to concede billions of dollars in tax deferrals.

In fiscal year 2009, thousands of taxpayers were victimized by dozens of fraudulent investment schemes. These too-good-to-be-true investment opportunities often take the form of so called "Ponzi schemes" where the perpetrator of the fraud promises returns which turn out to be fictitious. In fiscal year 2009, one such scheme affected a large and diverse pool of investors, some of whom are reported to have lost most of their life savings. These cases raise numerous tax and pension implications for the victims.

To assist taxpayers IRS issued guidance designed to provide "safe-harbor" procedures for taxpayers who sustained losses in investment arrangements that were determined to be criminally fraudulent. The guidance provides a uniform approach to calculate the timeframe and amount of the theft loss, avoids the difficult problem of proof in determining how much of the income the taxpayer reported was fictitious, and alleviates the compliance burden on taxpayers and the administrative burden on IRS.

The Compliance Assurance Process (CAP), in place since 2005, identifies and resolves tax issues through open and transparent interaction between IRS and large corporations. CAP participation has grown from 17 corporations in 2005 to 102 in 2009. The CAP program benefits both IRS and the taxpayer by fostering compliance, reducing the time to process a return, and improving customer and employee satisfaction while maintaining a high level of quality. CAP involves some of the largest U.S. corporations.

In fiscal year 2009, IRS developed a comprehensive set of potential recommendations to ensure consistent standards for tax preparer qualifications, ethics and service. The recommendations were developed using information obtained from a large and diverse constituent community that included those licensed by state and federal authorities, unlicensed tax preparers, software vendors, consumer groups and taxpayers. Over 450 taxpayers and tax professionals along with 600 employees responded to the IRS request for comments that help IRS better leverage the tax return preparer community and achieve the increased taxpayer compliance as well as uniform and high ethical standards of conduct for tax preparers.

The IRS continued to vigorously investigate egregious tax, money laundering, and other financial crimes which adversely affect tax administration. Improved case development and selection methods, coupled with heightened fraud awareness resulted in the successful prosecution of taxpayers involved in significant abusive tax schemes, high-income non-filers, employment tax evasion cases, and other flagrant forms of tax evasion. During fiscal year 2009, IRS completed 3,848 criminal investigations, achieved a conviction rate of 87.2 percent, maintained a Department of Justice acceptance rate of 91.7 percent with a U.S. Attorney acceptance rate of 88.7 percent, and obtained 2,105 convictions, a 1.8 percent decrease over the prior year.

TTB targets non-compliant industry members through a risk model using data received from audits and investigations, statistical analysis, and intelligence received from internal and external sources. In 2009, TTB completed 171 audits, down slightly from 179 audits in 2008, and completed audit fieldwork for 94 percent of its revised audit plan. TTB audits resulted in collections of an additional $8 million in tax liabilities, penalties, and interest, 56 percent less than the prior year but consistent with additional collections from previous years. Repeat audits of industry members with significant past violations and additional liabilities show they are now operating in compliance with federal regulations. Although traditional on-premises audit work was down in 2009, TTB redeployed resources to conduct more than 200 field visits associated with the collection of the tobacco FST. TTB also initiated 397 revenue-related investigations, 39 percent more than 2008, many of which involved small producers, tobacco importers, and claims verification. These investigations resulted in additional collections of $613,000.

In fiscal year 2009, TTB was charged under CHIPRA with conducting a study of federal revenue loss from tobacco smuggling and diversion, and providing recommendations to Congress to address the illegal tobacco market. This federal tax loss study is the first of its kind, no previously established studies or methodologies had existed to evaluate the extent of tobacco diversion in the United States. TTB is modeling its study after a gap analysis conducted in United Kingdom, which involves evaluation of total consumption versus taxes paid to arrive at a net revenue loss. TTB coordinated this effort with 32 federal and state agencies to solicit ideas on improved tobacco smuggling deterrence, and will present its findings to Congress in fiscal year 2010.

Prior to the tobacco tax rate increase, some estimates of annual tax revenue lost due to alcohol and tobacco diversion were as high as $1 billion. Product diversion includes tax evasion, theft, distribution of counterfeit products, and distribution inside the United States of products marked for export or for use outside the U.S. TTB has criminal enforcement authority over the commodities it taxes and regulates, but in order to combat excise tax fraud, TTB is heavily dependent on the availability of other agencies to supply law enforcement resources to pursue criminal tax cases. Tax fraud in these industries, whether through unlawful product diversion or other means, simultaneously poses a high risk to federal revenue collection as well as a lucrative funding source for terrorists and organized crime. TTB's need to rely on other agencies' cooperation in this area challenges its ability to collect all revenue lawfully due the federal government. Since 2003 TTB has requested funding and resources to establish a comprehensive law enforcement program to combat alcohol and tobacco diversion, but thus far, none of TTB's proposals have received funding in light of federal government fiscal constraints. Without these resources, TTB is limited in its ability to address this significant tax collection issue, although specific cases conducted in partnership with other law enforcement agencies have proven successful. During fiscal year 2009, TTB carried out 46 joint investigations, including 17 with state agencies, resulting in the seizure of more than 33,500 cases of alcohol and more than 201,000 cartons of cigarettes having an estimated value of $1.6 million. TTB closed 42 investigations involving diversion of products having an estimated tax liability of more than $9.7 million. As a result of these activities, TTB assessed or collected roughly $7.6 million in taxes owed.

TTB also was active in conferences and negotiations with its regulatory and law enforcement partners to combat illicit tobacco trade. At the request of the U.S. Department of State, TTB served as the primary representative for the United States at the October 2008 and June 2009 World Health Organization-sponsored negotiations in Geneva, Switzerland, to help develop an international protocol for combating illicit tobacco trade under the Framework Convention on Tobacco Control International Negotiating Body. TTB has begun work in support of probable provisions of the protocol, such as a study on track and trace technology, gathering additional information on high-technology tax stamps, and researching possibilities for a national tobacco data system. In September 2009, TTB also participated in the seventh U.S. - Canada Tobacco Diversion Workshop in September 2009, which included participants from the World Customs Organization, the European Anti-Fraud Office, the European Police Office, Italy, Mexico, Paraguay, France, and Australia.

## Business Systems Modernization

In fiscal year 2009, the IRS Business Systems Modernization (BSM) program met schedule estimates for most releases, and delivered significant business value. Fiscal year 2009 successes include:

- *The Customer Account Data Engine (CADE):* IRS successfully deployed CADE Release 4.2 in January 2009. With this release, CADE added capabilities to process prior year and decedent returns, remittances, estimated tax payments, requests for extensions and surname changes. In fiscal year 2009, CADE processed 40 million returns, issued more than 34.9 million refunds using a modernized account database, processing more than seven million payments totaling $58.6 billion.
- *Modernized e-File (MeF):* IRS deployed MeF Release 5.5 that included the redesigned Form 990 (Return of Organization Exempt from Income Tax) in time for the filing season. MeF processed Form 1120 and 990 returns at much higher volumes than expected. Compared with 2008, the volume of Form 1120 returns increased by 38 percent, and Form 990 returns increased 307 percent. Returns submitted through MeF have on average a seven percent processing error rate, compared to 19 percent for transcription-based paper processing. MeF return receipts increased to about 4.5 million, a 22 percent increase over 2008,
- *Account Management Services (AMS):* IRS completed the 2009 releases of AMS providing additional real-time address changes to CADE by the conversion of account transcripts from paper to electronic format. More than 2.2 million electronic transcript cases were distributed. In addition, AMS delivered the capability to update account address data on a daily cycle. AMS added a new component to its organization in fiscal year 2009, the Integrated Automation Technologies (IAT) branch. The IAT developed tools to support implementation of the Recovery Act, including the First Time Home Buyer Credit tool, which systematically researches amended returns for specific criteria to identify unallowable or fraudulent claims.

## Protection of Sensitive Information

The IRS collects a tremendous amount of sensitive information and protecting this information is vital to maintaining the public trust. Public trust encourages voluntary compliance with the tax law and enables IRS to conduct business effectively. The IRS takes the issue of identity theft very seriously. In fiscal year 2009, to preserve and enhance public confidence, the IRS advocated the protection and proper use of identity information by:

- Opening Identity Protection Specialized Units (IPSUs) and establishing a dedicated toll-free number to provide guidance and assistance to taxpayers affected by identity theft. These units assist taxpayers who have experienced tax administration issues or problems as a result of identity theft. In the first year, IRS responded to more than 120,000 calls and opened nearly 34,000 cases for further action.
- Placing markers on more than 231,300 taxpayer accounts to alert employees that the account belongs to a substantiated identity theft victim. IRS also provided a portfolio of identity protection services for taxpayers, including letters to individuals triggered by the account marker informing taxpayers that their personal information was used by another individual to file a return or may have been compromised through phishing scams. In fiscal year 2009, IRS sent nearly 79,600 such letters
- Eliminating the use of social security numbers (SSNs) on over 8 million Notices of Intent to Levy issued by the Automated Collection System. This is the first large-scale effort to eliminate and reduce the use of SSNs on taxpayer correspondence. Over the next 2 to 5 years, IRS will eliminate the use of SSNs on more than 90 million notices and forms.

The Office of Online Fraud Detection and Prevention (OFDP) protects the IRS and taxpayers from increasing and evolving online threats. Through the OFDP, IRS shut down 3,444 phishing Web sites (1,578 domestic sites and 1,866 international sites), compared to 2,926 sites in 2008. The median shut down time for phishing sites was 2.35 hours for domestic sites and 6.85 hours for international sites. By monitoring, identifying, and mitigating fraudulent sites and phishing scams, OFDP helps to reduce the number of taxpayers who fall victim to online fraud schemes.

## Alcohol and Tobacco Tax and Trade Bureau (TTB)

TTB developed software updates to its tax database, which are collectively called the Integrated Revenue Information System (IRIS). IRIS is TTB's central repository for permit, tax, and operational report data. IRIS provides a single repository for all TTB employees to access this data, saving them substantial time in carrying out assigned tasks. Keeping IRIS up to date is essential to supporting TTB's revenue collection mission. The updates included significant functionality enhancements, most of which were required due to CHIPRA's passage. The updates were completed on schedule and required no additional funding through TTB reprioritizing other development efforts and redeploying personnel.

TTB began development of the "Permits Online" Web-based permit application system to improve efficiency in permit issuance to qualified applicants. TTB's shrinking workforce and increasing workload make this IT initiative critical to improving turnaround times for timely permit application processing. After intensive requirements gathering and market research, TTB determined that a commercial product would provide the required capability 25 percent faster at a cost 25 percent lower than custom application development. The commercial off-the-shelf solution, which is scheduled to be deployed in fiscal year 2010 and fully operational by fiscal year 2011, should substantially improve TTB's ability to both collect the revenue and protect the public, since TTB's issuance of permits and registrations are a critical starting point in helping authorize industry members to commence new business operations sooner, and also serve as the foundation for TTB's excise tax collection efforts.

TTB implemented a new online tool for management monitoring of key workload and performance metrics. TTB's performance dashboard provides a consistent and efficient means of calculating, collecting, and maintaining key agency performance metrics. The results are readily available to TTB managers through an online portal. This system automates the reporting and presentation of metrics related to collections, permit and label application processing times, and customer service. The system will ensure increased accuracy in TTB reporting and help management monitor bureau performance and industry compliance trends to facilitate strategic decision making.

TTB Fiscal Year 2009 Cost Saving Efforts include:

- TTB reviewed rental agreements and procurement contracts and realized rental cost savings by closing the Seattle field office and transitioning Seattle staff into full-time telecommuting status. TTB also achieved $600,000 in cost savings by negotiating a fixed price contract for imaging, indexing, mail service, file management, and customer service requirements at the National Revenue Center (NRC).
- TTB implemented a Voice over Internet Protocol (VoIP) phone system in 2009, and set up customer call centers at headquarters and the NRC offices. The new system transforms TTB computers into mobile offices through a digital network that provides access to all TTB resources, including data, fax, phone, and video conferencing capabilities. VoIP also includes standard features such as voicemail, call forwarding, call waiting, caller ID, and call return which ordinarily would result in added costs for non-standard features. The VOIP system is expected to cost TTB about 50 percent less than its previous phone system. VoIP capability at the NRC was critical for TTB to meet CHIPRA requirements. Passage of CHIPRA resulted in an unprecedented flood of phone calls to the NRC. The new system's capacity, advanced voicemail system, and call management features allowed NRC personnel to immediately answer or return every call received, and ultimately helped in the collection of more than $1 billion in FST revenue. TTB accelerated the VoIP rollout to include all personnel working at remote locations, enabling TTB employees to make calls securely from any geographical location that has access to the Internet. Once the rollout is completed, full-time telecommuters, which make up one-third of TTB's workforce, will no longer need costly dedicated phone and fax lines in their home offices. TTB expects to discontinue dedicated telephone service for all telecommuting employees, and which should result in substantial fiscal year 2010 savings.
- In April 2009, TTB completed testing and began the implementation of a commercial product for server virtualization. This application allows TTB to replace physical servers with virtual servers at both TTB data centers. Without ordering any new hardware, TTB rapidly deployed multiple systems on a single hardware platform. The bureau implemented 41 virtual servers and retired 17 physical servers. This will result in substantial recurring savings as it significantly reduces the need for space, power, cooling, and hardware refresh. With the success of the server virtualization program, TTB has targeted a 50 percent reduction in the physical server footprint. An added benefit to server virtualization is the improved TTB disaster recovery capabilities due to the high availability features found in server virtualization.

## Conclusion

The Treasury Department, through its bureaus IRS, FMS, and TTB, was relatively successful in achieving its strategic outcome of Revenue collected when due through a fair and uniform application of the law. In fiscal year 2009, 72.5 percent of the targets were met or exceeded. Going forward, target setting by all three bureaus in fiscal year 2010 for 19 of 40 metrics (47.5 percent) were more aggressive than in 2009, while for the other 21 metrics (52.5 percent) targets were not more aggressive.

Despite missing some key performance targets for fiscal year 2009 such as its investigations metrics, IRS generally met or exceeded its performance targets. In some cases measure targets were significantly exceeded, such as Customer Contacts Resolved per Staff Year (124 percent of target), HCTC Cost per Taxpayer Served (123 percent), Percent of Business Returns Processed

Electronically and Percent of Individual Returns Processed Electronically (106 percent and 103 percent of target, respectively), and Taxpayer Self-Assistance Rate (107 percent). Performance results for 2009 averaged within approximately one and one-half percent of program targets. Overall, IRS exceeded performance targets for 18 of its 32 metrics (56 percent), met targets for four metrics (13 percent), and missed targets for 10 metrics (31 percent). No IRS metrics were discontinued during fiscal year 2009, and none were in the unmet but improved category. As the IRS pushes ahead with its strategic plan for fiscal year 2010, it will continue to focus its performance measurement on voluntary compliance, customer satisfaction, taxpayer perception, enforcement, modernization of its systems and processes, and on employee engagement.

FMS exceeded 80 percent (four of five) of its performance targets for fiscal year 2009 related to this outcome. The bureau's success in surpassing these targets supports the conclusion that Treasury has succeeded in achieving this strategic outcome. FMS exceeded its targets for the amount of delinquent debt collected per dollar spent, the total amount of delinquent debt collected through all available tools, and the dollar amount of transactions through Pay.gov. Over the past four years the bureau has exceeded targets for those three measures by averages of 29.61, 20.98 and 51.22 percent respectively, with comparatively modest increases in those targets from year to year. This suggests that the bureau should work to set more aggressive targets for each measure going forward.

In fiscal year 2009, TTB's Collect the Revenue program delivered impressive performance results, most notably its collection of $427 in excise tax revenue for every dollar expended on program activities. Attaining a 427:1 return on program investment was largely attributable to an increase in tobacco revenue collections of $6 billion. The increase in FAET collections due to the rise in firearms and ammunition sales and TTB's intensive education and audits of this industry segment also contributed to the exceptional rate of return that exceeded the performance target by 43 percent and improved on fiscal year 2008 performance results by 36 percent. Additionally, TTB's drive to improve educational outreach to the industries it regulates, and its push to increase the use of electronic filing options, resulted in a voluntary compliance rate among large taxpayers of 94 percent, exceeding its targeted performance in this area for the fiscal year by two percent.

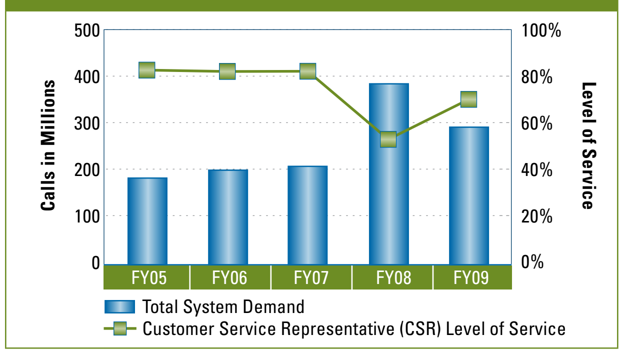
## Moving Forward

In fiscal year 2010, the IRS anticipates facing a variety of challenges such as legislative changes and the prevalence and increasing complexity of abusive tax avoidance transactions. Tax law changes have a significant impact on the IRS, which affects the cost, scope and effectiveness of its service, and on taxpayer perception of the quality and efficiency of the service provided. IRS aims to minimize complexity and taxpayer burden, as well as the cost of administering the tax code. Going forward, the IRS needs to:

- Increase online transactions and taxpayer account access – the IRS plans to implement a new taxpayer account database for the 2012 filing season that will support daily processing resulting in faster refunds for all individual refund filers. Daily updates of individual taxpayer accounts will improve taxpayer service and accuracy, reduce interest paid on late refunds, improve data security, and create new tools to combat fraud. Completion of the taxpayer account database is the pre-requisite for other major initiatives including significant expansion of online services and transactions.
- Increase coverage of the most strategically important international issues, including complex enterprise structures and transactions to reduce offshore tax evasion - The IRS plans to develop products and services to assist international taxpayers in complying with tax laws. In addition, the IRS will use audit results and intelligence from its ongoing offshore initiatives to identify promoters, facilitators and participants in abusive offshore arrangements allowing for improved identification of compliance risks in large, complex global businesses and high wealth individuals.

- Promote of compliance in high net worth individuals and large enterprises, including those with international components - The IRS will increase enforcement efforts in the international arena, while continuing to provide timely guidance and service to both large multinational entities and U.S. citizens abroad, expand the focus on corporate and high net-worth returns to integrate significant new information reporting authorities.
- Promote higher standards among the practitioner community - In January 2010, the IRS announced multiple recommendations to increase oversight of federal tax returns preparers including new registration, testing, and continuing education requirements. These recommendations are intended to better leverage the tax return preparer community with the twin goals of increasing taxpayer compliance and ensuring uniform and high ethical standards of conduct for tax return preparers.
- Propose legislation to attack areas of high compliance risk - The IRS is considering a number of legislative proposals intended to improve tax compliance with minimum taxpayer burden. These proposals will specifically target the tax gap and generate significant revenue over the next ten years. The IRS will also propose legislation to expand information reporting, improve compliance by businesses, strengthen tax administration, and expand penalties.
- Maintain and increase coverage in key areas (high net worth, large corporate, flow-through entities - The IRS will continue to develop and test business rules and alternative methods of workload selection for individual, business and corporate taxpayers to identify returns that are likely to have significant reporting noncompliance.
- In fiscal year 2010, IRS plans to increase the Customer Service Representative Level of Service (CSR LOS) to 71% by adding resources to meet the ever increasing demand and continuing to make efficiency improvements like automated self-service applications that allow taxpayers to obtain information on less complex issues such as refund inquiries. These improvements free-up staff to deal with the more complex tax law issues stemming from the passage of the American Recovery and Reinvestment Act and the Worker, Homeownership, and Business Assistance Act of 2009. Both Acts had a number of new tax credits with complex qualification requirements and are expected to result in another year of unprecedented demand from taxpayers calling for assistance in claiming the credits during the 2010 filing season. Beginning in 2008, the number of taxpayers calling the IRS for assistance has grown to above average levels due to the number of new legislations affecting taxpayers as shown in the table below.

**Total System Demand vs. Level of Service**




In fiscal year 2010, TTB expects to achieve its target of a voluntary compliance rate of 92 percent or higher for large taxpayers due to its targeted, risk-based audit plan and outreach efforts. Going forward, efforts to promote voluntary compliance will focus on education of industry, both on premises through guidance provided by audit and investigative staff and through industry seminars. In the next year, educational programs will aim to build on progress achieved as a result of TTB Expo 2009, which enabled TTB staff to provide advanced instruction to broad groups of users on the reporting and payment of excise taxes and regulatory requirements. The Expo, TTB's second national industry seminar, was held in Kentucky during June 2009. The Expo offered 78 educational sessions and 30 booths covering relevant topics for each industry group that TTB taxes and regulates, and was attended by approximately 700 people. To boost the industry's rates of electronic filing, TTB offered an e-Gov Hall where participants could receive hands-on training in each of TTB's Web-based initiatives.

Revenue collections are expected to increase in 2010, the first full year of collections under the new tobacco excise tax law. In its efforts to collect the revenue, TTB implemented an aggressive annual audit plan that incorporates a risk model that took effect in fiscal year 2009. The fiscal year 2010 audit plan incorporates a refined risk model that accounts for prior year findings and statistical trends. Audits will continue to emphasize industrial distilled spirits plants (DSP) and DSP storage terminals, as these entities move significant amounts of un-denatured alcohol throughout the supply chain. By continuing to focus on these and other high risk areas, TTB can potentially detect and collect millions in additional revenue.

Since 2003, TTB has requested funding and resources to establish a comprehensive law enforcement program to combat alcohol and tobacco diversion. The fiscal year 2010 enacted budget for TTB includes $3 million for TTB to hire, train and equip special agents and related personnel.

FMS will continue to focus on security oversight efforts at financial agent processing facilities and banking institutions. This allowed the bureau to proactively identify security control weaknesses and to detect and deter fraud, waste, theft and unauthorized access associated with the collection of government remittances and protection of sensitive information.

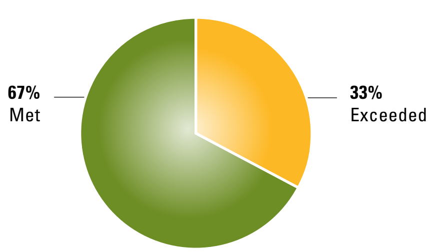
In addition, FMS is implementing a comprehensive effort to streamline, modernize and improve the processes and systems supporting Treasury's collections and cash management program. Through the expanded use of web-based technologies, this effort supports the integration of financial and performance information government-wide by providing data on a daily basis.

## TIMELY AND ACCURATE PAYMENTS AT THE LOWEST POSSIBLE COST

Based on performance results, Treasury was successful in achieving timely and accurate payments at the lowest possible cost during fiscal year 2009.

### *Fiscal Year 2009 Results*

**Timely and Accurate Payments at the Lowest Possible Cost**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 1 | 33% |
| Favorable downward trend | ▼ | 0 | 0% |
| Unfavorable upward trend | ▲ | 0 | 0% |
| Unfavorable downward trend | ▼ | 0 | 0% |
| No change in trend, no effect | ▶ | 1 | 33% |
| No change in trend, favorable effect | ▶ | 1 | 33% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 0 | 0% |
| Total | | 3 | 100% |
| Discontinued | DISC | 0 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Percentage of paper check and electronic funds transfer (EFT) payments made accurately and on-time (%) (Oe) | FMS | 100% | 100% | 100% | 100.0% | 100.0% | Met | 100 | ▶ | ▶ |
| Percentage of Treasury payments and associated information made electronically (%) (Oe) | FMS | 79% | 80% | 81% | 101.3% | 102.5% | Exceeded | 81 | ▲ | ▲ |
| Unit cost for federal government payments ($) (E) | FMS | $0.394 | $0.4 | $0.37 | 107.5% | 106.1% | Met | 0.4 | ▲ | ▶ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

In fiscal year 2009, Treasury exceeded targets for 33 percent (one of three) and met targets for 67 percent (two of three) of its measures related to this outcome.

## Financial Management Service

In fiscal year 2009, through the FMS, Treasury met or exceeded targets for 100 percent (three of three) of its performance measures relative to this strategic outcome. This was in line with fiscal year 2008 when the bureau met or exceeded 100 percent of its targets.

The first of the three performance measures for this strategic outcome concerns accuracy and timeliness of payments. During fiscal year 2009, 100 percent of paper check and electronic funds transfer (EFT) payments were made accurately and on time, matching the performance target and actual performance results from fiscal year 2008.

The second among these measures is the percentage of Treasury payments and associated information made electronically. Over the last several years, FMS has steadily processed increasingly greater percentages of payments electronically as the percent of paper check payments steadily decreased. In fiscal year 2009, FMS continued to expand and market the use of electronic funds transfer to deliver federal payments, improve service to payment recipients, and reduce government program costs. Overall, 81 percent of Treasury payments and associated information were made electronically in fiscal year 2009 versus 79 percent in fiscal year 2008, a two percentage point increase. This helped decrease the number of paper checks issued and minimized costs associated with postage, the re-issuance of lost, stolen and misplaced checks, and inefficiencies associated with the non-electronic delivery of payments.

FMS's Go Direct® campaign, which encourages current federal benefit check recipients to switch to direct deposit, concluded an extremely successful fourth year in 2009, as more than one million conversions to direct deposit were attributed to the Go Direct® campaign. The current number of total conversions obtained since the inception of the campaign is over three million.

The third performance measure, Unit Cost of Federal Government Payments, came to $0.37 per payment in fiscal year 2009, an improvement over $0.39 in fiscal year 2008 and its performance target of $0.40.

FMS has also undertaken considerable efforts to modernize its payment systems, incorporating new technologies and the internet.

## Conclusion

During fiscal year 2009, Treasury, through the FMS, successfully achieved timely and accurate payments at the lowest possible cost by having met or exceeded each of its performance measure targets. The unit cost for federal government payments had been increasing since fiscal year 2005; 2009 was the first year since in which the actual trended downward year over year. As the acceptance of electronic payments continues to expand, increased efficiency should result in further cost reductions.

## Moving Forward

FMS will continue its efforts to increase the percentage of Treasury payments and associated information made electronically. The fiscal year 2010 target is 81 percent which is an increase from the 2009 target of 80 percent. FMS also plans to continue the success of its Go Direct® campaign. For fiscal year 2010, FMS plans to continue issuing 100 percent of payments accurately and on-time. The Secure Payment System used by program agencies to certify check and electronic funds transfer to recipients in a secure environment is critical to achieving performance goals going forward.

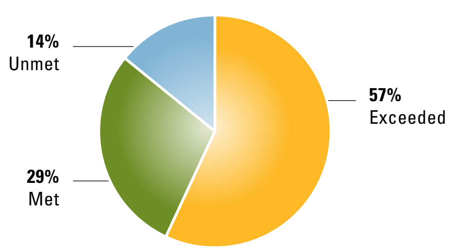
## GOVERNMENT FINANCING AT THE LOWEST POSSIBLE COST OVER TIME

The Bureau of the Public Debt (BPD) conducts the Department's debt financing operations by issuing and servicing Treasury securities. In fiscal year 2009, Public Debt conducted more than 290 auctions resulting in the issuance of more than $8 trillion in marketable Treasury bills, notes, bonds and Treasury Inflation Protected Securities. BPD's Government Agency Investment Services (GAIS) program supports federal, state and local government agency investments in non-marketable Treasury securities and also manages over $4 trillion in customer assets.

Based on performance results, through the Bureau of the Public Debt, Treasury was successful in achieving or exceeding government financing at the lowest possible cost over time during fiscal year 2009.

### *Fiscal Year 2009 Results*

**Government Financing at the Lowest Possible Cost Over Time**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 0 | 0% |
| Favorable downward trend | ▼ | 1 | 14% |
| Unfavorable upward trend | ▲ | 3 | 43% |
| Unfavorable downward trend | ▼ | 1 | 14% |
| No change in trend, no effect | ▶ | 0 | 0% |
| No change in trend, favorable effect | ▶ | 1 | 14% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 1 | 14% |
| **Total** | | **7** | **100%** |
| Discontinued | DISC | 1 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost per debt financing operation ($) (E) | BPD | $220,732 | $256,336 | $170,214 | 133.6% | 122.9% | Exceeded | 193962 | ▲ | ▲ |
| Cost per federal funds investment transaction ($) (E) | BPD | $64.98 | $69.11 | $41.71 | 139.6% | 135.8% | Exceeded | 45.7 | ▼ | ▼ |
| Cost per TreasuryDirect assisted transaction ($) (E) | BPD | $8.19 | $9.34 | $8.72 | 106.6% | 93.5% | Exceeded | 8.57 | ▲ | ▲ |
| Cost per TreasuryDirect online transaction ($) (E) | BPD | $4.34 | $4.34 | $5.21 | 80.0% | 80.0% | Unmet | 5.69 | ▲ | ▲ |
| Percent of auction results released in two minutes +/- 30 seconds (%) (Oe) | BPD | 100% | 95% | 100% | 105.3% | 100.0% | Exceeded | 95 | ▶ | ▶ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

The Bureau of the Public Debt (BPD) exceeded 57 percent (four of seven) of its performance measures associated with this outcome, met 29 percent (two of seven) and failed to meet 14 percent (one of seven) metrics related to this outcome. These results were less favorable compared to the results of fiscal year 2008, when BPD met or exceeded all seven of its targets (86 percent were exceeded and 14 percent were met).

In order to cost effectively finance the U.S. Government, Treasury must efficiently execute its securities auctions. By minimizing the time that bidders are exposed to the risk of adverse market movements, participants are likely to bid at more favorable rates and yields to the federal government. BPD consistently releases securities auction results within two minutes, plus or minus 30 seconds, of the auction close.

In fiscal year 2009, the Department conducted over 290 government securities auctions. This large number of auctions contributed to the significantly lower cost per debt financing operation compared to previous years ($170,214 in fiscal year 2009 relative to $220,732 in fiscal year 2008). Additionally, during the fiscal year, the results of each auction were released within the target time of two minutes plus or minus 30 seconds after the auction close 100 percent of the time, exceeding the performance target of 95 percent. Treasury also successfully began monthly issuance of three and seven year notes in order to meet the demand for borrowing, and to allow for greater flexibility in borrowing options.

Treasury's Retail Securities Services program serves more than 50 million retail customers who have invested in marketable and savings securities directly with Treasury. A key component of Treasury's Retail Securities programs is TreasuryDirect. This online system, with nearly 300,000 accounts, is integral in positioning Treasury to issue savings bonds in electronic form only. In fiscal year 2009, BPD completed more than 99 percent of retail customer service transactions within 11 business days, exceeding its target of 90 percent. The cost per TreasuryDirect online transaction increased 20 percent in fiscal year 2009 to $5.21 from $4.34 in 2008, costing 20 percent more than the year's $4.34 target. The increase is partly due to the number of online transactions falling significantly below projections. Also, some design and development costs have shifted from assisted to online activities as more online features are available to customers.

Public Debt is currently in the process of consolidating all GAIS functions into a single integrated control environment by fiscal year 2012. This will result in lower operational risks, more timely and accurate data and standardized system, business and data elements.

## Conclusion

In fiscal year 2009, Treasury met or exceeded 86 percent of the targets that were established to demonstrate the achievement of financing the government at the lowest possible cost over time. There was a nearly 23 percent year over year decrease in cost per debt financing operation associated with the increased number of auctions. While cost metrics provide some view of operations, adding measures for cycle time and quality management would provide additional information regarding Treasury's ability to achieve this outcome.

## Moving Forward

Treasury will continue to look for ways to improve its operations related to this outcome. It is essential that BPD maintains comprehensive contingency plans and strong security controls to manage government borrowing activities. In its Wholesale Securities Services area, BPD is working with primary dealers to ensure that at least 90 percent of dealers submit auction bids from their disaster recovery site on two separate auction dates by fiscal year 2012. Operational testing of these contingency plans will ensure the overall readiness of the system as well as the continuity of the Treasury auction process.

For the Retail Securities Services program, a multi-year vision is to create a new service environment known as Treasury Retail EServices. This initiative between Treasury and Federal Reserve Banks will rely on common systems, databases and a multichannel customer relationship desktop tool to manage telephone, email and paper requests. Once complete, a fully integrated view of customer interactions will be available at Treasury and Federal Reserve sites.

Although a date has not yet been set for the withdrawal of paper savings bonds from sale, BPD is working towards a time when all Treasury securities will be issued electronically. For retail investors, BPD is encouraging investors to purchase their securities through the TreasuryDirect system. The main challenge in this effort is communicating the benefits to customers of purchasing securities and managing their holdings online in TreasuryDirect.

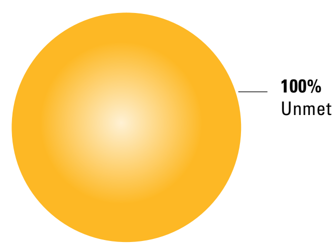
Treasury still needs to develop an improved measure for evaluating the Department's progress in minimizing the cost of financing the government over time.

## EFFECTIVE CASH MANAGEMENT

Based on performance results, Treasury did not meet its only target relative to the performance measure for this strategic outcome. The economic and financial market climate during fiscal year 2009 made success in achieving this outcome more challenging than in years past.

### *Fiscal Year 2009 Results*

**Effective Cash Management**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 0 | 0% |
| Favorable downward trend | ▼ | 0 | 0% |
| Unfavorable upward trend | ▲ | 1 | 100% |
| Unfavorable downward trend | ▼ | 0 | 0% |
| No change in trend, no effect | ▶ | 0 | 0% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 0 | 0% |
| Total | | 0 | 100% |
| Discontinued | DISC | 0 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Variance between estimated and actual receipts (annual forecast) (%) (Oe) | DO | 4.6% | 5% | 5.5% | 90.0% | 80.4% | Unmet | 5 | ▶ | ▲ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance

The Department of the Treasury, through its Office of Fiscal Projections (OFP), manages the federal government's central operating account and cash position, supporting gross annual transactions totaling $24 trillion in fiscal year 2009. OFP also provides forecasts of federal receipts, outlays, and debt transactions to ensure that funds are available on a daily basis to cover federal payments. By increasing the accuracy of fiscal projections, the Department is able to maximize earnings on investments of operating cash and minimize borrowing costs, having a direct and material impact on the government's net operating cost.

To analyze the effectiveness of the cash management techniques employed, the Department measures the variance between actual and projected receipts. In fiscal year 2009, Treasury did not meet the target of the performance measure associated with this strategic outcome. Treasury missed its performance target of a 5 percent maximum variance between estimated and actual fiscal receipts in fiscal year 2009, with an actual variance of 5.5 percent. This is largely due to the fact that the financial and economic crisis made fiscal year 2009 an extremely challenging year to forecast government tax receipts. In response to the faltering economy, Congress enacted the Recovery Act, which included many initiatives directly impacting government tax receipts. One such provision was the "Making Work Pay" tax credit which revised federal income tax withholding tables and lowered the amount of tax withheld. The timing and value of the impact of this tax credit on daily withheld tax flows was difficult to forecast. Simultaneously, declining employment levels reduced withheld taxes further and increased volatility. The Recovery Act also included provisions that increased Earned Income Tax, as well as Child Care, Health Care, and Alternative Minimum Tax credits, and added a First-Time Homebuyer Credit, all of which affected tax refunds.

### Conclusion

Effective management of daily cash positions and minimizing borrowing costs over time is essential to ensure that government activities and services continue uninterrupted. Although Treasury did not meet the fiscal year 2009 target for measuring the accuracy of cash receipt projections, the 0.5 percent overage should be considered a creditable result given the extraordinary factors impacting this measure in fiscal year 2009. Going forward, Treasury will consider the development of additional measures that can provide a more comprehensive assessment of Treasury's success in its cash management operations.

### Moving Forward

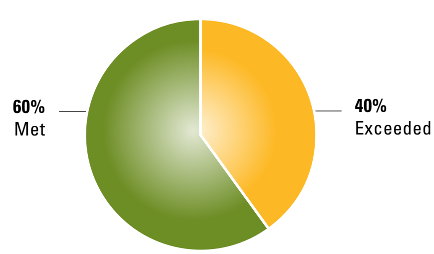
Forecasting government receipts and outlays during the depth and severity of the current recession in fiscal year 2009 has been difficult. It is likely that forecasting these cash inflows and outflows, as the United States looks forward to economic recovery, will be just as challenging. If Congress adds additional programs and initiatives that impact the economy, Federal receipts will be even harder to forecast. For fiscal year 2010, the Department will maintain its target at 5 percent variance for forecasting estimated versus actual receipts.

## ACCURATE, TIMELY, USEFUL, TRANSPARENT AND ACCESSIBLE FINANCIAL INFORMATION

Based on performance results, Treasury was generally successful in achieving accurate, timely, useful, transparent and accessible financial information during fiscal year 2009.

*Fiscal Year 2009 Results*

**Accurate, Timely, Useful, Transparent, and Accessible Financial Information**




*Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 0 | 0% |
| Favorable downward trend | ▼ | 2 | 40% |
| Unfavorable upward trend | ▲ | 0 | 0% |
| Unfavorable downward trend | ▼ | 0 | 0% |
| No change in trend, no effect | ▶ | 1 | 20% |
| No change in trend, favorable effect | ▶ | 2 | 40% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 0 | 0% |
| **Total** | | **5** | **100%** |
| Discontinued | DISC | 0 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost per summary debt accounting transaction ($) (E) | BPD | $9.11 | $10.01 | $8.66 | 113.5% | 104.9% | Exceeded | 11.81 | ▼ | ▼ |
| Release federal government-wide statements on time (Oe) | DO | Met | Met | Met | 100.0% | 100.0% | Met | 0 | ▶ | ▶ |
| Unit cost to manage $1 million dollars of cash flow (E) | FMS | $8.96 | $12.38 | $7.08 | 142.8% | 121.0% | Exceeded | 11.77 | ▲ | ▼ |
| Percentage of government-wide accounting reports issued accurately (%) (Oe) | FMS | 100% | 100% | 100% | 100.0% | 100.0% | Met | 100 | ▶ | ▶ |
| Percentage of government-wide accounting reports issued timely (%) (E) | FMS | 100% | 100% | 100% | 100.0% | 100.0% | Met | 100 | ▶ | ▶ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

Treasury, through the FMS, met or exceeded all five of its performance targets for this strategic outcome during fiscal year 2009. The unit cost to manage one million dollars of cash flow was $7.08 in fiscal year 2009, nearly 43 percent lower than the cost target of $12.38 and also 21 percent lower than the actual cost of $8.96 in fiscal year 2008. This decrease in unit cost can largely be attributed to the increase in Treasury's daily cash flow for 2009, which has increased 29 percent over fiscal year 2008.

The percentage of government-wide accounting reports issued accurately was 100 percent for fiscal year 2009, as was the percentage of government-wide accounting reports issued on-time, continuing the historically highest level of performance over the past several years for both of these metrics.

The FMS Government-wide Accounting and Reporting program maintains the federal government's books and accounts for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. In fiscal year 2010, the Office of Management and Budget (OMB) extended the deadline for the fiscal year 2009 Consolidated Financial Report (FR) of the United States Government. The FR presents a picture of government-wide finances that complements the traditional federal government budget information. It is invaluable when assessing the long-term impact of the government's policy decisions and the timely availability of this additional information is critical to a fully informed budget process. FMS, in coordination with OMB, continues to make improvements to its policies, procedures, information systems, and internal controls associated with compiling and issuing the FR. These improvements resulted in the elimination of 16 of 56 open Government Accountability Office (GAO) findings and recommendations in a report associated with GAO's fiscal year 2008 audit report. FMS, in coordination with OMB and requisite federal agencies, will continue to resolve the preparation issues that are within Treasury's sphere of control. However, other preparation data integrity issues also exist, that depend on accurate and consistent data being submitted by the federal agencies.

To complement and support the accelerated release of the FR, Treasury continues to release the Monthly Treasury Statement, the monthly public source of budgetary results on the eighth business day of each month. This release schedule allows Treasury to provide agency financial managers complete and accurate financial data on a timely basis for use in the preparation of their financial statements.

FMS also performs the accounting for the federal government's operating cash, and provides critical support related to government-wide cash forecasting and cash management functions.

## Bureau of the Public Debt

BPD exceeded the target for its measure associated with this outcome. The cost per summary debt accounting transaction for fiscal year 2009 was $8.66, nearly 13.5 percent lower than the targeted unit cost, and representing a 4.9 percent decrease from fiscal year 2008.

## Conclusion

For fiscal year 2009, Treasury was successful in providing accurate, timely, useful, transparent and accessible financial information. The unit cost to manage one million dollars of cash flow improved significantly from fiscal year 2008, and this can largely be attributed to the significant increase in Treasury daily cash flows in fiscal year 2009. Additionally, Treasury has continued to reduce the cost per summary debt accounting transaction on an annual basis, reducing the cost by 31.4 percent since the measure was adopted in 2005.

## Moving Forward

Public Debt will continue to accurately account for and report on federal debt. BPD will modernize its current summary debt accounting system and has established a goal to migrate to a shared service solution by fiscal year 2013. The goal is to standardize business, system and data elements and reduce operational risk and costs.

One of FMS' major initiatives, which aims to modernize long standing federal accounting processes and provide agencies with methodologies and tools to improve the accuracy and consistency of their financial data, is the Government-wide Accounting (GWA) Modernization Program. This multi-year effort is designed to improve the reliability, usefulness, and timeliness of the government's financial information, provide agencies and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies, potentially resulting in significant government-wide savings. It will also improve the budgetary information being collected from the agencies at the transaction level. In 2009, a provisional account statement was implemented to provide agencies the ability to view their transactions on a daily basis. The ability to reclassify these transactions daily will be available in late 2009. The program has scheduled the implementation of a common government-wide accounting code during fiscal year 2010.

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

## STRATEGIC OBJECTIVE: Improved economic opportunity, mobility, and security with robust, real, sustainable economic growth at home and abroad

Economic growth stimulates economic opportunity, mobility, and security for Americans and others around the world. Promoting the development of new markets in the U.S. ensures that all Americans benefit from economic growth. The expansion of underdeveloped economies abroad opens markets, enhances regional stability, reduces the spread of disease, creates opportunities for profitable trade, and demonstrates democracy in action. Treasury promotes economic growth through direct and indirect regulation of financial markets; regulation of national banks and thrifts; implementation of policies promoting international trade, investment and economic security; programs encouraging investment in economically distressed communities; and policy initiatives directed at expanding the capacity of financial institutions to provide affordable credit, capital and financial services to the American people.

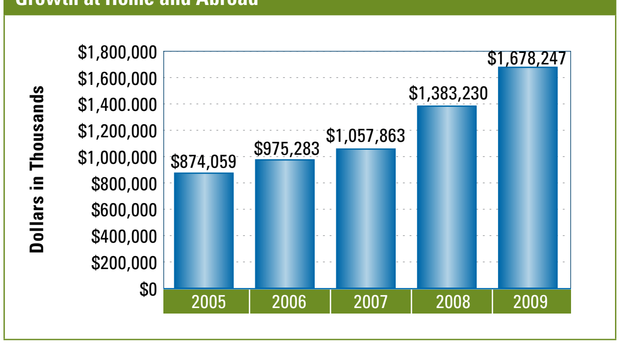
The bureaus and offices responsible for achievement of this objective are:

- Alcohol and Tobacco Tax and Trade Bureau
- Community Development Financial Institutions Fund
- The Office of the Comptroller of the Currency
- The Office of Domestic Finance
- The Office of Economic Policy
- The Office of International Affairs
- The Office of Thrift Supervision

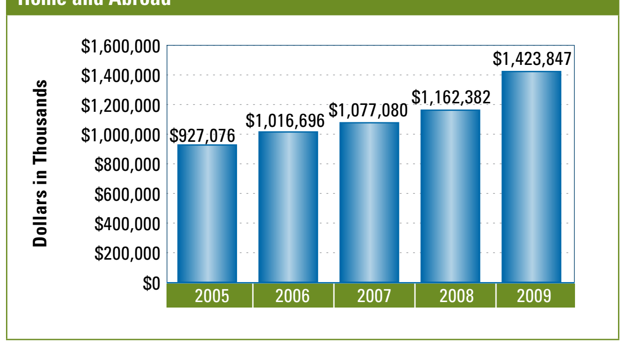
The outcomes associated with this objective are:

- Strong U.S. economic competitiveness
- Competitive capital markets
- Free trade and investment
- Prevented or mitigated financial and economic crises
- Decreased gap in global standard of living

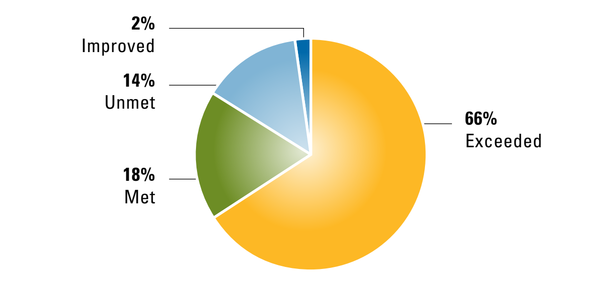
**Budget Trend by Objective: Improved Economic Opportunity, Mobility, and Security with Robust, Real, Sustainable Economic Growth at Home and Abroad**



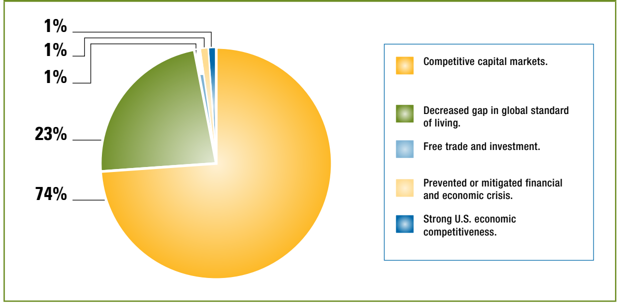

**Performance Cost Trend: Improved Economic Opportunity, Mobility, and Security with Robust, Real, Sustainable Economic Growth at Home and Abroad**



**Fiscal Year 2009 Results: Improved Economic Opportunity, Mobility, and Security with Robust, Real, Sustainable Economic Growth at Home and Abroad**




**Performance Cost by Outcome**




## Assessing the Effectiveness of Economic Policy

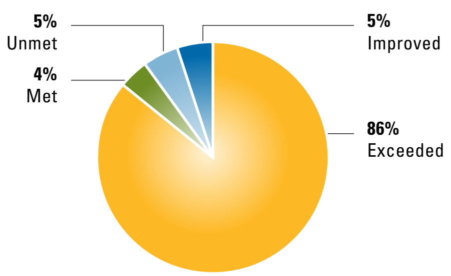
The Department's economic policy efforts can be separated into two categories: policy initiatives and established programs. Differences between them largely correspond to timing in the policy process. Policy initiatives are efforts to influence economic growth and financial market activity through new legislative proposals or government-wide policy. Substantial analytical effort is directed towards understanding a problem, developing strategies to address the problem, and ultimately proposing a legislative or administrative solution. Established programs are typically already defined by law or administrative function and have specific objectives and management scope. For performance management, it is generally easier to assess the performance of established programs, given their clearer objectives and scope. Most of the Department's performance measures consequently assess established programs and not policy initiatives. The Department is currently working to develop performance measures to better assess policy performance, gauging effectiveness based on traction (how efficiently and effectively policy offices work with other government offices and/or the extent to which the office influences progress towards an outcome) and impact (whether or not the policy initiative had a positive outcome).

## STRONG U.S. ECONOMIC COMPETITIVENESS

Strong U.S. economic competitiveness is crucial for robust economic growth worldwide, continued investment in the United States, and job creation. The Treasury Department develops policies and programs intended to promote a prosperous financial infrastructure, a balanced macro economy, market efficiency, technological readiness, and innovation. For fiscal year 2009, Treasury generally met or exceeded its performance targets for established programs promoting U.S. economic competitiveness.

### *Fiscal Year 2009 Results*

**Strong U.S. Economic Competitiveness**




### *Summary of Actual Trends for the Prior Four Years*

| | Y BOL | COUN | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 10 | 45% |
| Favorable downward trend | ▼ | 4 | 18% |
| Unfavorable upward trend | ▲ | 1 | 5% |
| Unfavorable downward trend | ▼ | 2 | 9% |
| No change in trend, no effect | ▶ | 5 | 23% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 0 | 0% |
| **Total** | | **22** | **100%** |
| Discontinued | DISC | 1 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Administrative cost per number of Bank Enterprise Award (BEA) applications processed ($) (E) | CDFI | $3,070 | $1,455 | $2,366 | 37.4% | 122.9% | Improved | DISC | ▶ | ▲ |
| Administrative costs per financial assistance (FA) application processed (E) | CDFI | $7,200 | $6,920 | $3,283 | 152.6% | 154.4% | Exceeded | DISC | ▶ | ▼ |
| Administrative costs per number of Native American CDFI Assistance (NACA) applications processed ($) (E) | CDFI | $10,990 | $9,090 | $3,162 | 165.2% | 171.2% | Exceeded | DISC | ▶ | ▼ |
| Administrative costs per number of New Markets Tax Credit (NMTC) applications processed ($) (E) | CDFI | $7,400 | $4,875 | $3,254 | 133.3% | 156.0% | Exceeded | DISC | ▶ | ▼ |
| Annual percentage increase in the total assets of Native CDFIs (%) (Oe) | CDFI | 19% | 15% | 23% | 153.3% | 121.1% | Exceeded | 15 | ▼ | ▶ |
| Community Development Entities' annual investments in low-income communities ($ billion) | CDFI | $3.3 | $2.5 | $3.6 | 144.0% | 109.1% | Exceeded | 2.5 | ▲ | ▲ |
| Increase in community development activities over prior year for all BEA program applicants ($ millions) (Oe) | CDFI | $232 | $202 | $292 | 144.6% | 125.9% | Exceeded | 210 | ▲ | ▶ |
| Increase in the percentage of eligible areas served by a CDFI | CDFI | 17.8% | 15% | 25.1% | 167.3% | 141.0% | Exceeded | 21 | ▲ | ▲ |
| Number of small businesses located in underserved communities financed by BEA Program applicants | CDFI | 906 | 288 | 640 | 222.2% | 70.6% | Exceeded | 252 | ▼ | ▲ |

*table continued on next page*

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Percent of CDFIs that increased their total assets (cumulative) | CDFI | 87% | 70% | 88% | 125.7% | 101.1% | Exceeded | 72 | ▶ | ▲ |
| Percentage of loans and investments that went into severely distressed communities | CDFI | 73% | 66% | 81% | 122.7% | 111.0% | Exceeded | 66 | ▶ | ▲ |
| Average number of days to process an original permit application at the National Revenue Center (E) | TTB | 64 | 72 | 64 | 111.1% | 100.0% | Exceeded | 72 | ▶ | ▶ |
| Percent of electronically filed Certificate of Label Approval applications (%) (E) | TTB | 62% | 53% | 74% | 139.6% | 119.4% | Exceeded | 78 | ▲ | ▲ |
| Percentage of importers identified by TTB as illegally operating without a Federal permit | TTB | 22% | 20% | 15% | 125.0% | 131.8% | Exceeded | 19 | ▶ | ▼ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

Performance for established programs promoting strong U.S. economic competitiveness exceeded target levels for 86 percent of measures, met target levels for four percent of measures, did not meet target levels but showed improvement over 2008 for five percent of measures, and did not meet target levels for five percent of measures. (One performance measure was discontinued.) Thirty-two percent of performance targets showed trend improvement, 23 percent showed trend decline, and 46 percent showed neither decline nor improvement. For actual result trends, 63 percent of measures showed improvement, 14 percent showed trend declines, and 23 percent showed neither decline nor improvement. (One new measure was baselined in 2009.) These results indicate that these programs generally succeeded in achieving their performance goals, although targets may need to be set more aggressively in some cases.

## Community Development Financial Institutions Fund

The CDFI Fund provides grants and loans to financial institutions (Community Development Financial Institutions or CDFIs) which provide capital, credit and financial services to underserved populations and economically distressed communities. During fiscal year 2009, performance results were good. Fifteen measures exceeded targets, one measure did not meet its target but was improved over 2008 and one measure fell short of target.

The CDFI Fund's activities can be broken up into four areas: Financial and Technical Assistance (CDFI Program), Native American Financial and Technical Assistance (NACA), New Markets Tax Credits (NMTC), and the Bank Enterprise Award (BEA) programs. To provide capital to distressed communities during the recession, the Fund received an additional $100 million for disbursement in fiscal year 2009 through the Recovery Act.

- In fiscal year 2009, the CDFI Program competitively awarded $52.7 million in funding under regular appropriations and $90 million under the Recovery Act to CDFIs for providing loans, investments, financial services and technical assistance to underserved populations and low-income communities. Administrative cost per financial assistance application processed was $3,283, less than half of the target of $6,920, largely due to improved cost accounting for the actual direct and imputed costs for processing applications and the higher volume of applications due to Recovery Act awards. CDFIs were able to attract $1.3 billion from private investors leveraging their participation in the CDFI Program, more than double the target of $635 million, due largely to commitments made before the onset of the financial crisis. In support of economic recovery, CDFIs helped provide funds for projects that created or maintained 70,260 jobs, far exceeding the target of 30,000 jobs. With the recession, the percentage of loans and investments that went into severely distressed communities rose to 81 percent, far exceeding the target of 66 percent and the previous year's actual result (73 percent). The CDFI program also exceeded targets for the following measures largely due to increased funding: percentage of eligible areas served by one or more CDFI (increased to 14.8 percent versus a target of 3 percent) and an increase in the percentage of eligible areas served by a CDFI (25.1 percent versus a target of 15 percent). The one unmet measure corresponded to the percent of CDFIs that increased their total assets over the previous year. For the measure, the actual result of 69 percent was slightly below the target of 70 percent. The reason for this shortfall is mainly associated with the economic climate and financial crisis.

- Native Initiatives components of the CDFI Fund provide financial assistance, technical assistance, and training to CDFIs and other entities seeking to become CDFIs in Native American communities. The NACA program registered a 23 percent increase in the total assets at Native CDFIs, beating the target increase of 15 percent. The figure surpassed the 19 percent increase in fiscal year 2008. Administrative cost per financial assistance application processed was $3,162, substantially below the target of $9,090, due largely to improved cost accounting for application processing and a higher volume of applications associated with Recovery Act awards.

- The NMTC Program facilitates investment in low-income communities by permitting taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investments are in turn used by CDEs to provide qualified low-income community investments, principally consisting of investments in businesses and real estate developments in low-income communities. The NMTC Program competitively awarded $6.5 billion in NMTC allocation authority to CDEs in fiscal year 2009, including Recovery Act allocations. Administrative costs per application were $3,254, substantially below the target of $4,875. The improvement was largely due to improved cost accounting for application processing and a higher volume of applications as a result of Recovery Act awards. Cumulative investments in low-income communities by CDEs rose to $12.5 billion, exceeding the performance target of $11.4 billion by $1.1 billion. The annual increase over fiscal year 2008 was $3.6 billion, exceeding the target of $2.5 billion.

- The Bank Enterprise Award Program provides cash awards to banks which increase their investment in low-income communities and CDFIs. The BEA Program registered an increase in community development activities for all BEA program applicants from $232 million to $292 million between fiscal years 2008 and 2009, with a $214.2 million increase in loans and investments, $74.6 million increase in loans, deposits, and technical assistance to CDFIs, and $3.5 million increase in the provision of financial services in distressed communities. The administrative cost per application processed was $2,366, 61 percent higher than the target of $1,455, but significantly below the 2008 cost of $3,070. Higher costs were largely due to the procurement of additional services to assist in processing high volumes of applications. The number of small businesses located in underserved communities financed by BEA program applicants was 640, relative to a target of 288. The number of commercial real estate properties financed by BEA Program applicants that provide access to essential community products and services in underserved communities increased to 500 from 287 in fiscal year 2008.

## Alcohol and tobacco industry regulation

TTB protects consumers of alcohol and tobacco products from fraud and deception through industry regulation. TTB grants authorization to operate in alcohol and tobacco-related businesses under the authority of the Federal Alcohol Administration Act and the Internal Revenue Code. During fiscal year 2009, TTB processed 5,500 original and 17,800 amended permits to persons engaged in the alcohol and tobacco industries, or approximately four percent and nine percent more than in fiscal year 2008, respectively. TTB averaged 64 days to process original permit applications, consistent with 2008, despite a four percent increase in the number of original permits processed. Effectiveness and efficiency in processing permit applications is important for consumer protection and reducing obstacles to market entry.

TTB investigators initiated more than 1,300 field investigations, including investigations of 380 high-risk permit applications, to meet TTB's public protection objectives. Cease and desist letters were issued to more than 200 entities that illicitly imported tobacco products, and TTB followed up to ensure they either complied with TTB permit requirements or ended operations. TTB exceeded its target in fiscal year 2009 for reducing the number of imports made by entities operating without a Federal permit.

TTB conducts product integrity investigations to ensure that the country's alcohol beverages are safe for consumption. TTB carried out 492 product integrity investigations in fiscal year 2009. These investigations require the laboratory analysis of alcohol beverages for harmful adulterants or contaminants, such as heavy metals, pesticides, and other toxins, as well as the screening of imported products prior to their entry into U.S. commerce. The analytical work performed by the TTB laboratories in support of alcohol and tobacco regulatory enforcement involve collaboration with the U.S. Food and Drug Administration, the Centers for Disease Control and Prevention, the National Institutes of Health, the Food Emergency Response Network (FERN), and other organizations. Of the alcohol beverage samples secured by investigators from industry members suspected of violations, laboratory analysis found almost 30 percent (192) to be out of compliance in either alcohol content, bottle fill, or other issues. TTB is taking appropriate actions to address instances of non-compliance.

Importers and bottlers of alcohol beverages are required by law to obtain a Certificate of Label Approval (COLA) or certificate of exemption from label approval from TTB for most alcohol beverages prior to their introduction into the market. In fiscal year 2009, TTB approved 99,400 COLAs, or 80 percent of the approximately 125,000 COLA applications received. COLAs received decreased by 6 percent from 2008 to 2009, due largely to the economic downturn. At year end, 74 percent of COLA applications received were filed electronically through TTB's COLAs Online system, a significant improvement from 62 percent in 2008, helping TTB gain processing efficiencies. These increases in online applications are due in large part to outreach efforts by TTB through educational workshops, one-on-one demonstrations to large filers, and the 2009 TTB Expo.

TTB's international trade program helps to ensure products entering the U.S. are properly produced and labeled, and strengthens the U.S. economy by facilitating import and export trade in alcohol and tobacco products. TTB made progress on several international agreements designed to facilitate trade by increasing mutual understanding of each country's alcohol and tobacco production, labeling and licensing standards. These agreements also advance the government's aim of protecting federal revenue by establishing partnerships with appropriate counterparts to combat alcohol and tobacco diversion as well as other forms of smuggling activity. During fiscal year 2009, TTB worked with counterparts in China, France, Italy, the Republic of Georgia, Brazil, Argentina, Australia, Canada, Chile, New Zealand and South Africa on various international projects to improve industry oversight.

## Office of Financial Education

Treasury, through the Office of Financial Education (OFE), coordinates government efforts to promote financial education via national outreach activities. Particular emphasis in 2009 was placed on "banking the unbanked," or helping those without bank accounts establish their first accounts. The First Account Program management by OFE provides information and outreach and has helped 37,000 people set up savings and checking accounts since its inception. To better institutionalize financial literacy programs, Treasury's proposal for a Consumer Financial Protection Agency under financial regulatory reform initiatives includes provisions to expand and promote financial literacy. On an inter-agency basis, OFE supports initiatives by the President's Advisory Council on Financial Literacy, including management of the National Financial Literacy Challenge, a web-based contest to promote knowledge of personal finance concepts open to high school students across the country. Over 75,000 students participated in the voluntary exam for the Challenge in November-December 2008, where students scoring in the top 25$^{th}$ percentile received certificates of recognition and 362 students earned the National Financial Literacy Award medal for exceptional test scores.

## Conclusion

The CDFI Fund provided essential financial support in fiscal year 2009 for distressed communities coping with the effects of the recession. Additional funding from the Recovery Act contributed to a greater role for the CDFI Fund in mitigating impact from the recession and contributed to lower administrative costs per application than in typical years. By filling gaps left by credit contraction and providing incentives for private investment and greater job creation, the Fund has provided an essential economic backstop. This work will continue in fiscal year 2010.

TTB's Protect the Public program exceeded all of its performance targets in fiscal year 2009. TTB's efforts to boost electronic filing of label applications resulted in performance results that exceeded the fiscal year target by 40 percent and improved upon 2008 performance results by 19 percent. The bureau's rate of customer satisfaction with the permit and claims processing services at the National Revenue Center (NRC) dropped by one percent compared to the prior year, but efforts to improve turnaround times still helped TTB achieve a level of customer satisfaction four percent greater than its target. TTB's push for greater processing efficiency resulted in an average cycle time of 64 days to process an original permit application, exceeding its target of 72 days. TTB's ongoing mission to protect the public through improved enforcement is further evidenced by TTB's identification of only 15 percent of importers operating without a permit, five percent lower than its target of 20 percent and an improvement over 2008 of 32 percent. With several new measures now in place, TTB will have greater means to review operations and improve results going forward.

## Moving Forward

CDFI faces several key challenges in fiscal year 2010. First, given the current turmoil in the debt and equities markets, CDFIs and CDEs are encountering significant contraction of capital support. This is coming at a time when many of these entities are seeing increased demand for their products, as traditional mainstream lenders reduce lending activities. Second, increased demand for financial products and services for low-income communities supported by CDFI initiatives has increased need for refinement of CDFI's assistance strategies. CDFI is currently assessing program impact and realigning resources to help meet demands. To address this and other needs, the CDFI Fund is taking steps to enhance its IT capabilities to ensure sufficient capacity and capability to handle increased application workloads and new programs.

TTB will continue working to improve processing times through the automation of its manual processes and encourage use of online systems already in place. Through individual outreach and educational seminars, TTB aims to achieve an electronic COLA filing rate of 78 percent in fiscal year 2010. To improve efficiency and improve customer satisfaction, TTB explored options to develop an automated permit application system, aimed at reducing permit application processing and turnaround time. TTB currently processes original application packets for 23 types of permits or registrations for the alcohol, tobacco and firearms industries. Over the past five years, the volume of paper applications has increased 25 percent while TTB authorized staffing levels have decreased by four percent, making it difficult to maintain current service levels. After extensive research, TTB acquired a web-based technology that will provide the required capability 25 percent faster, at a cost 25 percent lower, than could be achieved through customary application procedures. The commercial product, which will be deployed in fiscal year 2010 and fully operational in fiscal year 2011, will substantially improve TTB's ability to process applications in a timely fashion, helping permit and registration holders bring products to market faster.

## COMPETITIVE CAPITAL MARKETS

Prosperous capital markets play an important role in facilitating economic growth by inspiring investor confidence and ensuring fair asset pricing. Treasury strives to preserve the integrity of the U.S. market, which is essential to maintaining effectiveness.

Treasury does not currently have performance measures to assess promotion of competitive capital markets. The most direct initiatives at the Department in 2009 were associated with maintenance of capital market stability, as discussed under the financial regulatory repair and reform sections in the "Prevented and Mitigated Financial and Economic Crises" outcome. Robust supervision and regulation of financial firms, more comprehensive supervision of financial markets, provisions to protect consumers and investors from financial abuse, and establishment of viable government tools to manage financial crises are fundamental to a thriving and competitive financial system. Treasury's efforts to obtain regulatory reform legislation and improve market function will continue into 2010.

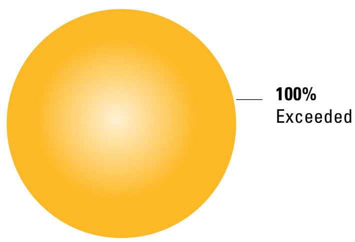
The Department will seek to implement suitable performance measures in the near future to assess progress in maintaining competitive capital markets.

## FREE TRADE AND INVESTMENT

Open foreign and domestic markets for goods and services are vital for a robust, growing and sustainable U.S. economy. While protectionism has strengthened over the last year, Treasury continues to work to maintain open markets for American products and services. For fiscal year 2009, Treasury exceeded its performance targets for programs seeking to promote free trade and investment.

### *Fiscal Year 2009 Results*

**Free Trade and Investment**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 2 | 100% |
| Favorable downward trend | ▼ | 0 | 0% |
| Unfavorable upward trend | ▲ | 0 | 0% |
| Unfavorable downward trend | ▼ | 0 | 0% |
| No change in trend, no effect | ▶ | 0 | 0% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 0 | 0% |
| Total | | 2 | 100% |
| Discontinued | DISC | 0 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of New Trade and Investment Negotiations Underway or Completed (Oe) | DO | 14 | 6 | 15 | 250.0% | 107.1% | Exceeded | 2 | ▼ | ▲ |
| Number of specific new trade actions involving Treasury interagency participation in order to enact, implement and enforce US trade law and international agreements | DO | 68 | 30 | 98 | 326.7% | 144.1% | Exceeded | 40 | ▶ | ▲ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

Performance for programs aimed at promoting free trade and investment greatly exceeded target levels for both measures. Target trends for both measures were lower, if actual performance results are used as baseline targets for the prior fiscal year. Actual results were higher than 2008 levels, though, so that percent of target achieved for both measures was excessively high. While implying that Treasury succeeded in meeting its performance objectives, the results suggest that performance targets for fiscal year 2010 need to be evaluated to ensure they better match performance results.

Managing financial crises, trade flows, financial security, climate change, and aid for developing economies in a global economy requires coordination with international partners. In all of these areas, Treasury worked with international partners to improve joint stewardship of the global economy. Throughout the financial crisis, Treasury officials have been in constant communication with international colleagues, showing clear and compelling results. Treasury helped facilitate international cooperation in responding to the global financial crisis, averting a more serious economic downturn, and anchored the largest, most coordinated global fiscal and monetary stimulus ever undertaken.

## Demonstrated U.S. leadership at G-20 meetings

The G-20 is a multilateral forum bringing together the leaders from the 20 largest economies in the world, accounting for 85 percent of world output. At the G-20 Summits in Washington (November 2008), London (April 2009), and Pittsburgh (September 2009), Treasury took the leading role in developing a dynamic global recovery formula and securing G-20 leaders' commitments on measures to combat the economic and financial crisis. Through these summits, G-20 members agreed to pursue a globally-coordinated policy response to stabilize the financial system and provide monetary policy support, fiscal stimulus, and emergency capital for emerging and developing economies. In addition to coordinating national fiscal and monetary policies, major accomplishments included decisions to:

- Treble resources for the International Monetary Fund (IMF) from $250 billion to $750 billion, enabling it to provide emergency loans to countries adversely affected by the financial crisis
- Restructure the Financial Stability Forum into the Financial Stability Board, adding G-20 members not previously part of the Financial Stability Forum, broadening its capacity to manage global banking regulation and supervision
- Establish a *Framework for Strong, Sustainable, and Balanced Growth*, formulated around peer reviews of national economic policies and regulatory standards to collaboratively identify and prevent imbalances in the global economy
- Establish processes to ensure that all systemically important financial institutions, markets and instruments are subject to appropriate regulation
- Improve coordination in international crisis management
- Determine common rules for compensation practices at large financial institutions
- Improve international accounting standards
- Jointly manage concerns related to tax havens and non-cooperative jurisdictions
- Jointly manage oversight of credit rating agencies

At the G-20 summit in Pittsburgh, the leaders announced that the G-20 would replace the G-7 as the main economic council of wealthy nations. Through the G-20 process, Treasury has participated in developing a strong multilateral system to coordinate a global policy response to reverse the economic slide and to do what is necessary to restore public confidence, economic growth, and job creation.

## Promoted free international trade and investment

Treasury promoted open investment policies at home and for U.S. investors abroad through bilateral and multilateral outreach efforts. Announcement of the intention to complete the Doha Round of World Trade Organization negotiations by the end of 2010 increased activity in fiscal year 2009 surrounding trade negotiations. Treasury staff participated in the launching, negotiation or implementation of 15 trade and investment agreements, including free trade agreements with Oman, Costa Rica and Peru; the Trans-Pacific Agreement; the Asia-Pacific Economic Cooperation cross-border services initiative; and the Mauritius Bilateral Investment Treaty. In efforts to achieve completion of the Doha Round by 2010, Treasury has continued to suggest new approaches for round negotiations to overcome difficult impediments. To minimize the impact of the global recession, Treasury has supported efforts by G-20 leaders to refrain from new protectionist measures and keep markets open. As part of these efforts, Treasury supported limitations on export financing subsidies that Organization for Economic Co-operation and Development member states can provide to developing countries, to forestall unnecessary competition. Treasury's role in establishing the U.S.-EU Investment Dialogue and the U.S.-China Investment Forum has helped expand dialogue over a range of high-priority investment issues.

## Deepened U.S. engagement with key emerging market and priority countries

Given that the global economy is increasingly impacted by emerging market countries, more inclusive representation in international bodies is essential for long-term global recovery and growth. Treasury strongly supported the transition from the G-7 to the G-20 process, the trebling of the IMF's resources, and creation of the Financial Stability Board. Treasury also supported quota reforms at the World Bank and IMF to allow greater participation by developing nations and increased financial support for multilateral development banks (MDBs) to enable them to boost lending by $100 billion over the next three years. To manage key partnerships, the Treasury Department has established bilateral strategic dialogues with China, India, Russia, Afghanistan, Pakistan, Israel, Iraq and Haiti. The following are a few events associated with those dialogues. (The U.S.-China Strategic and Economic Dialogue is discussed separately in a following section.)

- In October 2008, Treasury hosted the Iraqi Minister of Finance and Central Bank Governor in a Forum on Iraqi Financial Issues to discuss strategies to promote economic growth and price stability, develop the financial sector, and integrate Iraqi into the global financial system.
- Treasury and the State Department co-hosted an Israeli Government delegation at a meeting of the U.S. – Israel Joint Economic Development Group in July 2009. The group discussed U.S. and Israeli macroeconomic outlooks and long-term fiscal policy challenges and agreed on fiscal year 2010 and 2011 loan guarantees to Israel.

## Established a U.S. – China Strategic and Economic Dialogue

In April 2009, President Barack Obama and Chinese President Hu Jintao announced the establishment of the U.S.-China Strategic and Economic Dialogue (S&ED). The Dialogue provides an overarching framework bringing together the two countries' highest-level officials to address a range of critical bilateral and global economic, environmental and diplomatic issues. In fiscal year 2009, the Dialogue contributed to coordinated monetary and fiscal policy actions to restore growth and the successful restructuring of multilateral economic institutions. The S&ED builds on its predecessor, the Strategic Economic Dialogue (SED), which was created in 2006.

The first meeting of the S&ED took place over two days at the end of July and included one of the largest delegations in the history of U.S.-China relations. The Economic Track of the Dialogue, chaired by Secretary Geithner and China's Vice Premier Wang Qishan, involved twelve Cabinet officials and agency heads and 15 Chinese Ministers, Vice Ministers and agency heads. Both sides laid out a framework for U.S.-China cooperation on economic issues based on four pillars: 1. promoting a strong recovery and achieving more sustainable, balanced growth, 2. promoting more resilient, open, and market-oriented financial systems, 3. strengthening trade and investment, and 4. strengthening the international financial architecture. The Strategic Track of the Dialogue, the new addition that distinguishes the S&ED from the prior five SEDs, was led by Secretary of State Hillary Clinton and State Councilor Dai Bingguo and focused on political and foreign policy issues in the U.S.-China relationship.

## Improved transparency at sovereign wealth funds

Treasury has undertaken outreach efforts to build support for multilateral initiatives improving understanding and communication regarding sovereign wealth fund (SWF) investment practices. In late 2007, Treasury proposed creation of a large multilateral effort to develop voluntary best practices for SWFs. Creation of the International Working Group of Sovereign Wealth Funds (IWG) in coordination with the IMF in March 2008 and issuance by the IWG of the "Santiago Principles" in October 2008, outlining 24 voluntary principles governing sovereign wealth fund investment practices, have been key in improving transparency in SWF investment practices. Establishment of the International Forum of Sovereign Wealth Funds in April 2009, the successor to the IWG, has additionally provided an important institutional base for addressing issues related to SWF practices. Treasury will continue to provide support for International Forum initiatives to define and codify sovereign investment practices and improve operational transparency.

## Supported a Global Agreement on Climate Change

Preceding the United Nations Framework Convention on Climate Change meeting in Copenhagen in December 2009, Treasury worked closely with other federal agencies and international partners to secure an effective global agreement. Treasury's efforts were critical to establishing and launching the Climate Investment Funds in fiscal year 2009, two new multilateral trust funds hosted by the World Bank that promote clean energy in developing countries, and establishment of an Experts Group on Climate Finance at the G-20. The Clean Technology Fund (CTF), the first of the two new funds, aims to reduce global emissions growth by helping to close the price gap in developing countries between dirtier conventional technologies and commercially available cleaner alternatives. The CTF is currently co-chaired by the Treasury's Deputy Assistant Secretary for Environment and Energy.

## Conclusion

Improving trade and investment linkages with international partners is essential to sustaining the U.S. economy in a global market. The global recession in 2009 increased tensions associated with market access. The number of new trade actions increased significantly over 2008, associated with efforts to enact, implement and enforce U.S. trade law and international agreements. Management of economic relations with key partners, through bilateral and multilateral arrangements, helps to mitigate this tension by facilitating an open and balanced exchange of perspectives. Elevation of the G-20 as a premier global leadership forum, announcement of a decision to conclude the Doha Round of WTO negotiations in 2010, creation of the Financial Stability Board, expansion of the funding capacity of the IMF, and other achievements point to continued success in promoting free trade and investment, despite a weak economic environment. This progress is evident in the 2009 results of the performance measure "Number of new trade and investment negotiations underway or completed", where the number of agreements and trade actions greatly outpaced expectations. Continuing efforts to promote free trade and investment will deepen the global market and expand economic growth.

## Moving Forward

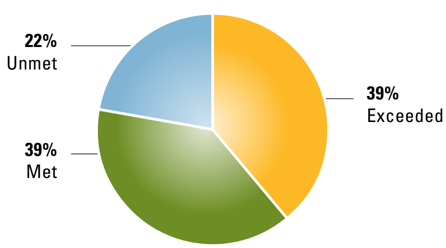
Tensions over impediments to trade and investment associated with the global recession are likely to continue well into 2010. However, the positive achievements of 2009, during the height of the recession, allow for some optimism that tensions will remain contained. The Copenhagen climate change negotiations and continuing Doha negotiations are expanding global dialogue over environmental and trade issues. Greater coordination of monetary and regulatory policy through the Financial Stability Board and other venues has helped promote stability in financial markets and increase confidence in global market management. While lingering effects of the recession will continue to provide challenges for financial management, the current trend towards expanded market negotiations is encouraging.

## PREVENTED OR MITIGATED FINANCIAL AND ECONOMIC CRISES

Treasury has been at the forefront of the U.S. Government's response to the financial crisis and economic recession. Through implementation of the *Housing and Economic Recovery Act of 2008* (HERA), *Emergency Economic Stabilization Act of 2008* (EESA), *American Recovery and Reinvestment Act of 2009* (Recovery Act), coordination with federal, state and international partners, regulation of national banks and thrifts, temporary measures to stabilize money markets, and various other initiatives Treasury made concerted efforts in fiscal year 2009 to stabilize the financial system and restore economic growth. A description of these programs and their performance follows.

### *Fiscal Year 2009 Results*

**Prevented or Mitigated Financial and Economic Crises**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 2 | 11% |
| Favorable downward trend | ▼ | 1 | 6% |
| Unfavorable upward trend | ▲ | 1 | 6% |
| Unfavorable downward trend | ▼ | 5 | 28% |
| No change in trend, no effect | ▶ | 3 | 17% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 6 | 33% |
| Total | | 18 | 100% |
| Discontinued | DISC | 0 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Average days to close a FOIA case | DO | N/A | B | 67 | 100.0% | B | Met | 64 | B | B |
| Changes that result from project engagement (Impact) | DO | 3.1 | 3.1 | 3.1 | 100.0% | 100.0% | Met | 3.1 | ▶ | ▶ |
| Clean audit opinion on TARP financial statements | DO | N/A | B | Met | 100.0% | B | Met | 1 | B | B |
| Percentage of Congressional correspondence responses drafted within 48 hours | DO | N/A | B | 87% | 100.0% | B | Met | 90 | B | B |
| Percentage of Customers satisfied with FinancialStability.gov | DO | N/A | B | 65% | 100.0% | B | Met | 70 | B | B |
| Scope and intensity of engagement (Traction) | DO | 3.6 | 3.6 | 3.7 | 102.8% | 102.8% | Exceeded | 3.6 | ▶ | ▲ |
| Percent of national banks with composite CAMELS rating of 1 or 2 (%) (Oe) | OCC | 92% | 90% | 82% | 91.1% | 89.1% | Unmet | 90 | ▶ | ▼ |
| Percentage of national banks that are categorized as well capitalized (%) (Oe) | OCC | 99% | 95% | 86% | 90.5% | 86.9% | Unmet | 95 | ▶ | ▼ |
| Rehabilitated national banks as a percentage of problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe) | OCC | 47% | 40% | 29% | 72.5% | 61.7% | Unmet | 40 | ▶ | ▼ |

*table continued on next page*

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Total OCC costs relative to every $100,000 in bank assets regulated ($) (E) | OCC | $8.39 | $9.22 | $8.81 | 104.4% | 95.0% | Exceeded | 9.22 | ▼ | ▼ |
| Percent of thrifts that are well capitalized (%) (Oe) | OTS | 98.4% | 95% | 97% | 102.1% | 98.6% | Exceeded | 95 | ▶ | ▼ |
| Percent of thrifts with composite CAMELS ratings of 1 or 2 (%) (Oe) | OTS | 90% | 90% | 84% | 93.3% | 93.3% | Unmet | 80 | ▶ | ▼ |
| Total OTS costs relative to every $100,000 in savings association assets regulated ($) (E) | OTS | $15.1 | $23.04 | $19.88 | 113.7% | 68.3% | Exceeded | 22 | ▲ | ▲ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

Performance for established programs aimed at preventing or mitigating financial and economic crises exceeded target levels for 39 percent of measures, met target levels for 39 percent of measures, and did not meet target levels for 22 percent of measures. Target trends were generally flat, except for cost measures which were favorable for OCC and OTS. Actual trends were generally lower, with 17 percent of measures showing favorable trends, 34 percent unfavorable trends, and 17 percent no change in trend. Six new measures were baselined in fiscal year 2009 for OFS. The measures assess management of program operations and are intended to complement performance indicators used by the Department to track financial market conditions. Performance results for this outcome generally reflect the challenges associated with a tenuous financial system. However, the fact that all but one measure had either unfavorable or unchanged target trends suggests that target levels and measures may need to be reevaluated. (OFS measures excepted, as they are baseline for 2009.)

## Troubled Asset Relief Program/ Financial Stability Plan

On October 3, 2008, Congress passed EESA to prevent a potentially catastrophic failure of the financial system. Under the legislation, the Office of Financial Stability (OFS) was created within Treasury to purchase and insure up to $700 billion in certain types of assets under the Troubled Asset Relief Program (TARP). Operating in conjunction with Federal Reserve and Federal Depository Insurance Corporation (FDIC) programs, TARP has provided resources facilitating stabilization of the financial system and restoration of credit to businesses and consumers. For the period ended September 30, 2009, the face value of the amounts obligated under TARP was $454 billion and funds disbursed totaled $364 billion.

The incoming Obama Administration faced an extremely fragile financial system and deep ongoing economic recession. On February 10, 2009, Secretary Geithner announced a series of new financial programs under a Financial Stability Plan (FSP), most of which relied on TARP, that were designed to help rebuild confidence in the financial system, draw in private capital, and restart critical channels of credit supply. These programs helped bolster confidence in financial markets on the state of the country's financial institutions and ensure the availability of essential capital support for small businesses, consumers and home owners.

To provide transparency and accountability for TARP and other programs designed to repair and reform the financial system, Treasury created ***FinancialStability.gov***. The website includes reports and information

**TABLE 1: TARP SUMMARY AS OF SEPTEMBER 30, 2009**
**$ IN BILLIONS**

| | Total $ Obligated | Total $ Disbursed | Investment Repayments | Outstanding Balance | Income on Investments |
|---|---|---|---|---|---|
| Capital Purchase Program | $204.6 | $204.6 | $70.7 | $133.9 | $9.7 |
| Target Investment Program | $40.0 | $40.0 | $0.0 | $40.0 | $1.9 |
| Asset Guarantee Program | $5.0 | $0.0 | $0.0 | $0.0 | $0.5 |
| AIG Investments | $69.8 | $43.2 | $0.0 | $43.2 | $0.0 |
| Term Asset-Backed Securities Loan Facility | $20.0 | $0.1 | $0.0 | $0.1 | $0.0 |
| Public Private Investment Program | $6.7 | $0.0 | $0.0 | $0.0 | $0.0 |
| Automotive Industry Financing Program | $81.1 | $75.9 | $2.1 | $73.8 | $0.7 |
| Home Affordable Modification Program | $27.1 | $0.0 | NA | NA | $0.0 |
| **Totals** | **$454.3** | **$363.8** | **$72.8** | **$291.0** | **$12.7** |

on Treasury programs, including transaction reports, program guidelines, speeches, press releases and other information. Additional information on the Making Home Affordable program can be found at ***MakingHomeAffordable.gov***.

TARP operations are managed with four primary goals:

**Goal 1 –** Ensure the overall stability and liquidity of the financial system

a. Make capital available to viable institutions

b. Provide targeted assistance as needed

c. Increase liquidity and volume in securitization markets

Contributing programs:

- Capital Purchase Program
- Public-Private Investment Program
- Consumer and Business Lending Initiative
  - Term Asset-Backed Securities Loan Facility
  - Unlocking Credit for Small Business Initiative
- Targeted Investment Program
- American International Group (AIG) Investment Program
- Asset Guarantee Program
- Automotive Industry Financing Program

**Goal 2 –** Prevent avoidable foreclosures by providing an affordable, sustainable, mortgage modification option for up to 4 million at-risk homeowners

Contributing program:

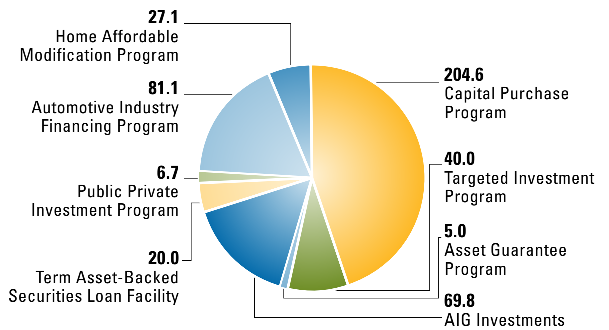
- Home Affordable Modification Program

**Goal 3 –** Protect taxpayer interests

**Goal 4 –** Promote transparency

The purpose of TARP was to restore the liquidity and stability of the financial system. While EESA provided the Secretary of the Treasury with the authority to purchase up to $700 billion in troubled assets to meet the objectives of the Act, it is clear today that TARP will not cost taxpayers $700 billion, based on what has already been disbursed and current program estimates. The current estimated deficit impact of TARP is $117 billion, with net costs in the AIG Program, Automotive Industry Financing Program, and Home Affordable Modification Program partially offset by net gains in other programs. On December 9, 2009, Secretary Geithner certified to Congress extension of TARP authority to October 3, 2010 under Section 120(b) of EESA.

FIGURE 1. Total TARP Funds Obligated in Fiscal Year 2009 (in billions)




## Capital Purchase Program (CPP)

Treasury created the Capital Purchase Program (CPP) in October 2008 to stabilize the financial system by providing capital to viable financial institutions of all sizes across the country. The program was intended to strengthen banks' capital base to enable them to absorb losses from bad assets while continuing to lend to consumers and businesses. As of September 30, 2009, Treasury had provided capital to 685 financial institutions across 48 states, the District of Columbia, and Puerto Rico, including more than 300 small and community banks.

Treasury provided capital to qualified financial institutions through the purchase of senior preferred equity or subordinated debentures. Obligations were structured to encourage repayment, with dividends set at five percent for the first five years and nine percent thereafter. In addition, to participate in financial gains, Treasury received warrants from participating institutions to purchase common equity, additional preferred shares, or additional subordinated debentures. All funding recipients were subject to limitations on executive pay to protect taxpayers and encourage early repayment. Treasury initially committed over a third of total TARP funding, $250 billion, to the CPP; which was lowered to $218 billion in March 2009. A total of $204.6 billion was disbursed in fiscal year 2009. Treasury is continuing to monitor CPP investments, collect dividends, and ensure compliance with contractual obligations.

As of September 30, 2009, more than 40 banks had repaid TARP investments made by Treasury, including over $70 billion in repayments. The repayments had reduced program commitments to below $135 billion. In addition, dividends and interest from CPP participants was over $6.8 billion and proceeds from the repurchase of warrants and stock was $2.9 billion. Many investments aimed at stabilizing banks are expected to deliver returns for taxpayers.

*Capital Purchase Program* information on *FinancialStability.gov*.

## Capital Assistance Program (CAP) and the Supervisory Capital Assessment Program (SCAP)

In early 2009, the Federal Reserve, OCC and FDIC conducted a one-time, forward-looking assessment or "stress test" (the SCAP) on the 19 largest U.S. bank holding companies. The goal was to determine whether these banks, which hold two-thirds of U.S. banking system assets, had sufficient capital to withstand losses and sustain lending through a severe economic downturn. Participant banks were encouraged to raise needed capital from private investors, with a backstop financial arrangement available through Treasury's Capital Assistance Program. The CAP was also available to all non-SCAP banks that wished to apply.

For the assessment, supervisors used historically high loss estimates on securities and loans and historically low estimates on potential earnings to determine baseline capital levels. The stress test results published on May 9, 2009 revealed that nine of the 19 banks had sufficient capital buffers while the remaining 10 banks needed to raise their capital buffers by a combined $75 billion. As of September 30, 2009, U.S. banks had raised $54 billion in common equity and $55 billion in non-government guaranteed debt. Treasury did not fund any investments through CAP.

*Capital Assistance Program* information on *FinancialStability.gov*.

## Public-Private Investment Program (PPIP)

To help clean up the balance sheets of major financial institutions and restore liquidity to financial markets, Treasury proposed creation of a Public-Private Investment Program to purchase legacy loans and securities under the Financial Stability Plan. Under the legacy securities PPIP program, Treasury is investing equity on a dollar-for-dollar basis with private investors in qualified Public-Private Investment Funds and providing access to debt financing for up to 100 percent of the fund's total equity. Funds are required to obtain commitments of at least $500 million in private capital to qualify and are expected to employ a predominately long-term buy-and-hold strategy. Treasury will receive pro rata any profits or losses in the funds alongside private investors. A total of nine asset managers were designated to establish funds for the program in July 2009 (selected out of 100 applicants) and the first fund closing occurred on September 30, 2009. The maximum capital commitment for the first round is $30 billion. As of September 30, 2009, no private fund managers had made any investments and Treasury had not disbursed any funds.

After announcement of the program, non-agency mortgage-backed securities (MBS) rose substantially in price. Prime fixed rate securities issued in 2006 that traded as low as $60 in March had increased in value by over 40 percent by the end of September. That improvement in financial market condition created the positive backdrop to enable introduction of the program at a smaller scale than originally envisioned. The Department will assess the need for additional rounds following the results of the first round.

***Public-Private Investment Program*** information on ***FinancialStability.gov***.

## Term Asset-Backed Securities Loan Facility (TALF)

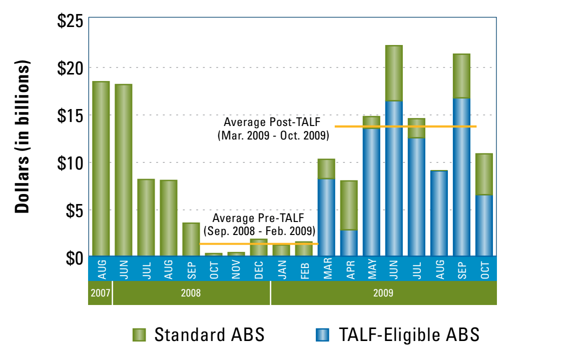
Treasury and the Federal Reserve announced creation of TALF in November 2008 to help unlock credit markets for households and small businesses. Under TALF, the Federal Reserve announced intention to lend up to $200 billion to eligible investors purchasing AAA-rated asset-backed securities (ABS) collateralized by newly and recently originated consumer and small business loans. (Including securities backed by auto loans, student loans, credit card loans, equipment loans, floorplan loans, loans guaranteed by the Small Business Administration, insurance premium finance loans, residential mortgage servicing advances, and commercial mortgage loans.) Borrowers are eligible to borrow up to the market value of the ABS, less a fixed percentage, ensuring they take the first loss if the securities lose value. Under TALF, Treasury provided up to $20 billion to the Federal Reserve in credit protection to be employed in the event of borrower default.

Prior to introduction of the program, the market for newly-issued ABS had largely shut down. Interest rate spreads on the most highly-rated AAA tranches of ABS and CMBS rose to levels outside their historical range, in certain cases well over seven to 15 times their average, respectively. The disruption of these markets contributed to the lack of credit to households and businesses of all sizes, impacting U.S. economic activity. Through September 30, 2009, the TALF program had supported nearly $80 billion of new consumer and small business credit, including over 3.6 million consumer and small business loans and leases, and over 132 million active credit card accounts. TALF has also provided liquidity for $4.1 billion of legacy CMBS securities. This aid to the securitization market has had a clear impact on liquidity, spreads and the availability of consumer and small business credit. Since the peak of the crisis, spreads for the asset classes backed by the program have come down by 60 percent or more, including a reduction in credit card and auto loan ABS rates from six percentage points above the benchmark to only one percentage point above the benchmark.

In August 2009, Treasury and the Federal Reserve announced extension of TALF through March 31, 2010 for newly-issued ABS and legacy commercial mortgage-backed securities (CMBS) and through June 30, 2010 for newly-issued CMBS.

***Term Asset-Backed Securities Loan Facility*** information on the ***Federal Reserve*** website.

**FIGURE 2. Issuance of ABS Backed by Consumer and Small Business Loans (US$, billions)**




## Unlocking Credit for Small Business Initiative

To help restore the confidence needed for financial institutions to increase lending to small businesses, Treasury announced an initiative to expand securitization of small business loans on March 16, 2009. Securitization of small business loans provides community banks and other lenders with an important source of capital for additional loans. However, as a result of the severe dislocations in the credit markets, both lenders that originate loans under SBA programs and the "pool assemblers" that package such loans for securitization experienced significant difficulty selling SBA loans or securities in the secondary market. This, in turn, significantly reduced the ability of such lenders and pool assemblers to obtain funds to make new small business loans. Under the program, Treasury planned to make up to $15 billion in TARP resources available to purchase securities backed by the SBA guaranteed portions of loans made under the SBA's 7(a) loan program, as well as first-lien mortgage securities made by private sector lenders in connection with SBA's 504 community development loan program. (The SBA's 7(a) program is the SBA's most basic and widely used loan program.) As of September 30, 2009, $3.1 billion had been apportioned for the program but no funds disbursed.

Since Treasury's announcement of this program, the credit markets for small businesses have improved somewhat. The secondary market for guaranteed SBA loans, for example, had essentially ceased working last fall and had only $86 million in January re-sales. That market improved notably this spring in the wake of Treasury's announcement, with $399 million settled from lenders to broker-dealers in September 2009. As a result of this improvement, as well as reluctance on the part of market participants to accept TARP funds, Treasury found that demand for its proposed program declined. As of September 30, 2009, no funds had been disbursed under the program, although funding remains available.

***Unlocking Credit for Small Business Initiative*** on ***FinancialStability.gov.***

## Targeted Investment Program (TIP)

Treasury provided assistance on a case-by-case basis to stabilize key financial institutions during the height of the financial crisis. Through TIP, Treasury sought to prevent a loss of confidence in critical financial institutions which could have resulted in significant financial market disruption. Assistance was provided through the purchase of preferred shares paying an annual dividend of eight percent. These investments impose greater reporting requirements and harsher restrictions on the companies than under CPP terms, including restrictions on dividend payments to $0.01 per share per quarter, limits on executive compensation and corporate expenses, and other measures. In addition, Treasury received warrants from participant companies to purchase common shares.

Under the TIP, Treasury purchased $20 billion in preferred shares from Citigroup in December 2008 and $20 billion in preferred shares from Bank of America in January 2009. Treasury has exchanged the preferred shares for Citigroup received under the TIP and CPP programs into common shares and trust preferred securities to strengthen Citigroup's capital base. As of September 30, 2009, Treasury had received $1.9 billion in dividends, interest and fees from holdings under the TIP program.

***Targeted Investment Program*** information on ***FinancialStability.gov***.

## AIG Investment Program

In November 2008, Treasury purchased $40 billion in cumulative preferred shares from AIG. In April 2009, the $40 billion in cumulative shares were exchanged for $41.6 billion in non-cumulative preferred shares paying a 10 percent dividend. At the same time, an equity capital facility was created providing an additional $29.8 billion as needed, of which $3.2 billion had been drawn as of September 30, 2009. The Federal Reserve provided loans to AIG and a public trust was created to hold convertible preferred shares representing 77.9 percent of the current voting power of AIG common shares. These shares are held in trust for the sole benefit of taxpayers. (The Department of the Treasury does not control the trust and cannot direct the trustees.) As of September 30, 2009, AIG had not made any dividend payments on any of the perpetual preferred stock. Subsequently, AIG failed to make a dividend payment on November 2, 2009. Per the terms of the preferred stock, if AIG misses four dividend payments, Treasury may appoint to the AIG board of directors the greater of two members or 20 percent of the total number of directors of the Company.

***AIG Program*** information on the ***Federal Reserve*** website.

## Asset Guarantee Program (AGP)

The Asset Guarantee Program was created in November 2008 to stabilize the financial system by providing guarantees against severe credit losses by large financial institutions. The AGP has been applied with extreme discretion and Treasury does not anticipate wider use of this program. Announced in January 2009, Treasury guaranteed up to $5 billion of potential losses on a $301 billion pool of loans for Citigroup. Under the program, Citigroup will absorb the first $39.5 billion of losses on the pool, with Treasury taking second loss on the next $5 billion. Additionally, FDIC will absorb $10 billion in third losses and the Federal Reserve will provide secured loans for 90 percent of the remaining value of the pool, following FDIC and Treasury payments. The guarantee will expire in 2014 for non-residential assets and 2019 for residential assets. In return, Treasury received $4 billion in preferred shares and warrants, which have since been converted into trust preferred securities.

In January 2009, Treasury, the Federal Reserve and FDIC announced agreement to share potential losses on a $118 billion pool of loans at Bank of America. Bank of America terminated the request prior to funding, paying $425 million in fees to Treasury, FDIC and the Federal Reserve.

***Asset Guarantee Program*** information on ***FinancialStability.gov***.

## Automotive Industry Financing Program (AIFP)

Treasury established the Automotive Industry Financing Program on December 19, 2008, to help prevent a significant disruption to the American automotive industry, which would have posed a systemic risk to financial market stability and had a negative effect on the economy. AIFP loans and equity investments (purchases of preferred and common shares) totaling $76 billion were provided to General Motors (GM), Chrysler and their respective financing entities. GM and Chrysler were provided funds with the requirement that they develop plans to achieve long term viability. Following finalization of the plans, GM and Chrysler conducted orderly bankruptcies (40 days for GM and 42 days for Chrysler). The U.S. Government currently holds 61 percent of common stock in GM and 10 percent of common stock in Chrysler under the program.

As an extension of AIFP, in March 2009 Treasury created an Auto Supplier Support Program providing qualified automotive supply companies financial protection on their receivables from domestic auto manufacturers. Treasury also established a Warranty Commitment Program designed to give consumers considering new car purchases confidence that their warranties from GM and Chrysler would be honored. As of July 10, 2009, the Warranty Commitment program was terminated after New GM and New Chrysler completed the purchase of substantially all of the assets of GM and Chrysler from their respective bankruptcies.

*Automotive Industry Financing Program* information on *FinancialStability.gov*.

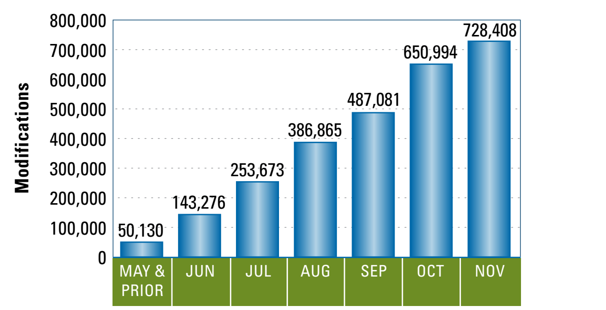
## Home Affordable Modification Program (HAMP)

To mitigate foreclosures and help ensure homeownership preservation, Treasury announced the Home Affordable Modification Program in February 2009 to provide incentives for mortgage servicers, borrowers and investors to modify loans that are delinquent or at imminent risk of default. Funded with $50 billion from TARP and $25 billion from Fannie Mae and Freddie Mac, HAMP provides financial support for loan modifications which reduce a borrower's monthly mortgage payment to no more than 31 percent of their monthly gross income. Modifications are intended to provide sustainably affordable mortgage payments for responsible mortgage holders, and mitigate the spillover effects of preventable foreclosures on neighborhoods, communities, the financial system and the economy. With over 85 percent of mortgage loans in the country covered by the program, HAMP is expected to help up to four million eligible homeowners modify their mortgages on more affordable terms before the end of 2012.

At a meeting between Treasury and participating servicers on July 28, 2009, the servicers committed to reaching a cumulative target of 500,000 trial loan modifications by November 1, 2009. As of October 31, 2009, 650,994 HAMP trial and permanent modifications were active, and 728,408 HAMP trial and permanent modifications were active by November 30, 2009. Servicers have also agreed to work with Treasury to implement actions designed to improve program effectiveness, including streamlining application procedures. To provide transparency and servicer accountability, servicer-specific results are reported on a monthly basis on *FinancialStability.gov* and *MakingHomeAffordable.gov*. Treasury is also establishing specific performance metrics to measure the performance of each servicer, such as average borrower wait time in response to inquiries and the response time for completed applications, and has implemented a "second look" review of samples of rejected applications to ensure borrower applications are not inadvertently or incorrectly denied.

*Home Affordable Modification Program* information on *MakingHomeAffordable.gov*.

**FIGURE 3. HAMP Active Trial and Permanent Modification (Cumulative by Month)**




## TARP accomplishments in fiscal year 2009

Viewed in conjunction with other Federal Government programs, TARP should be evaluated primarily on its impact on stabilizing the financial system. Today, the financial system and the economy are showing signs of stability. The economy grew in the third quarter and private economists generally expect moderate growth in the remainder of this year and next. The cost of borrowing has declined to pre-crisis levels for many banks, non-financial corporations, states and local governments, and the government-sponsored enterprises (GSEs). U.S. equity markets have surged, and prices for bank securities have improved significantly. Credit creation in securities markets has increased, facilitating new credit for consumers and businesses. Housing markets are also stabilizing. Home prices, as measured by the national LoanPerformance index, increased by five percent over the last six months, reversing three straight years of decline. While clear challenges remain, particularly with continuing bank failures, high foreclosure rates, high unemployment and concerns in commercial real estate markets, the worst of the crisis has passed.

The ultimate return on the TARP investments that remain outstanding will depend on how the economy and financial markets evolve. The improvement in economic and financial prospects that has already occurred has had a significant impact on the expected cost. As of September 30, 2009, the estimated deficit impact of TARP programs is $110 billion lower than the initial estimates made at the time the programs were initiated. (See table 2.) About $10 billion of that decline in costs stems from early repayments of TARP funds. The rest of the decline is primarily a function of improvements in the economic and financial environment since TARP programs were initiated.

**TABLE 2: ESTIMATED CHANGE IN COST FOR 2009 TARP PROGRAMS**
**$ IN BILLIONS**

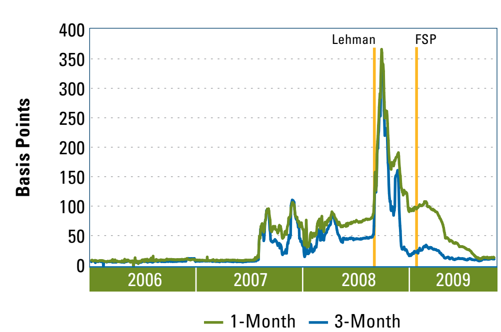
| | Original Estimate[1] | Current Estimate | Net Change |
|---|---|---|---|
| Capital Purchase Program | - 57.4 | + 15.0 | + 72.4 |
| Targeted Investment Program | - 19.6 | + 1.9 | + 21.5 |
| Asset Guarantee Program | + 1.0 | + 2.2 | + 1.2 |
| AIG Investments | - 31.5 | - 30.4 | + 1.1 |
| Automotive Industry Financing Program | - 43.7 | - 30.4 | + 13.3 |
| Term Asset-Backed Securities Loan Facility | + 0.1 | + 0.3 | + 0.2 |
| Subtotal | - 151.1 | - 41.4 | + 109.7 |
| Home Affordable Modification Program | - 27.1 | - 27.1 | 0.0 |
| Total | - 178.2 | - 68.5 | + 109.7 |

1 Original estimates completed on or near the initiation of each program. Amounts shown based on total program disbursements through fiscal year 2009.

Measuring the impact of TARP in isolation is challenging. Most TARP programs were part of a coordinated government response to restore confidence in the financial system. The health of the overall system and its impact on the U.S. economy are therefore the most important metrics by which the effectiveness of these policies can be assessed. However, a few TARP programs were uniquely targeted to specific markets and institutions, allowing for more direct assessment of performance.

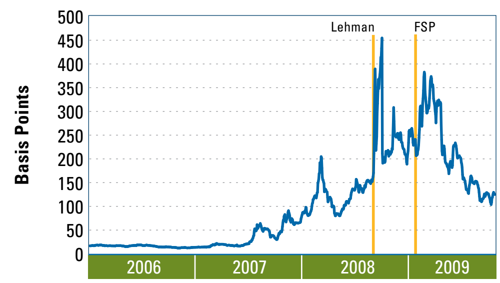
Below are several accepted indicators of financial market stress. The London Inter-Bank Offered Rate – Overnight Index Swap (LIBOR-OIS) spread measures the difference between short-term borrowing rates between banks and expected short-term borrowing rates for banks from the Federal Reserve. The spread reflects the additional risk banks perceive when lending to other banks, versus borrowing costs from the Federal Reserve. Historically, LIBOR-OIS spreads have been 0.1 percent or less. With greater stress in financial markets in October 2008, the three-month LIBOR-OIS spread spiked to 3.64 percent. At the end of the fiscal year, LIBOR-OIS spreads were 0.25 percent, within reach of historical levels.

**FIGURE 4. Libor-OIS Spread (basis points)**




Credit-default swap spreads for financial institutions, which measure investor confidence in their health, have also fallen significantly. A measure of credit-default swaps for the largest U.S. banks reached 450 basis points last fall, as shown in Figure 5, and is just over 100 basis points today. The TARP was a necessary step, but not the only step, to achieving this recovery.

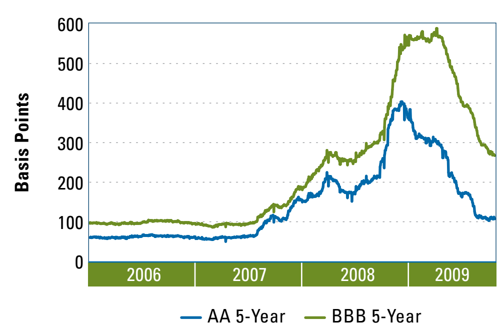
**FIGURE 5. Credit Default Spreads for Financial Institutions (basis points)**




Notes: Includes Bank of America, Citigroup, Goldman Sachs, JPMorgan, Morgan Stanley, and Wells Fargo.

In conjunction with lower credit default swap rates, borrowing costs have declined for many businesses. Investment-grade corporate bond rates have fallen by over 70 percent since last fall, and high-yield bond rates have fallen by more than half. Businesses have issued about $900 billion in investment-grade debt and over $100 billion in high-yield debt this year. While much of the new issuance earlier in the year was supported by the government, private investors have funded most new corporate debt in recent months.

**FIGURE 6. Corporate Bond Spreads (basis points)**




An indicator of borrowing costs for homeowners is the spread between the 30-year fixed mortgage rate and 10-year Treasuries. Higher spreads indicate that banks perceive greater risks in issuing mortgages and homeowners face higher borrowing costs. In mid-December 2008, the 30-year mortgage to 10-year Treasury spread reached almost 3.3 percent, its highest level since January 2002. On September 30, 2009, the spread was 1.85 percent, well below its height during the crisis.

**FIGURE 7. Spread between 30 year Mortgage and 10 year Treasury Rates**


Finally, the Chicago Board Options Exchange Volatility Index (VIX) is a gauge of the expected volatility of the S&P 500 equity index. The VIX is often referred to as the "Fear Index", since high levels imply investors "fear" sharp moves in the market in either direction (up or down). Historically, the VIX has ranged between 10 and 30. In November 2008 the VIX reached nearly 81, its highest level on record. On September 30, 2009, the VIX was nearly 26, still relatively high by historic levels, but well below its height during the crisis.

**FIGURE 8. Market Volatility Index of S&P 500 (VIX)**

## Taxpayer protection and promoting transparency

In implementing EESA, Treasury has sought to carefully and assertively manage taxpayer resources. No investments have been made unless they are compliant with statutory requirements, necessary for restoring or maintaining financial stability, and structured to protect the taxpayer. Programs have been designed to achieve these objectives by:

- setting commercial terms and conditions on financial assistance;
- taking warrants to capture gains from assistance;
- requiring private capital or risk sharing;
- restricting executive compensation and other related activities;
- minimizing self-dealing and other conflicts of interest;
- managing the role of the U.S. Government as a shareholder, but only a "reluctant shareholder".

Given its unusual position in managing financial market stress, EESA designated four reviewing bodies to oversee TARP operations: a Financial Stability Oversight Board, a Special Inspector General for TARP (SIGTARP), a Congressional Oversight Panel (COP), and the Government Accountability Office (GAO). The Assistant Secretary for Financial Stability meets weekly with the SIGTARP and makes frequent reports and/or updates to Congress and the COP to ensure transparency and accountability for OFS activities. OFS involves the oversight bodies early in the design process for new programs or investments to benefit from any suggestions.

Treasury has made every effort to communicate program activities in a fully transparent and timely manner, through correspondence with oversight authorities, activity reports, testimony, speeches and publication of program information. To provide transparency and accountability for TARP and other programs designed to repair and reform the financial system, Treasury created *FinancialStability.gov*. The website includes reports and information on Treasury programs, including transaction reports, program guidelines, speeches, press releases and other information. As of September 30, 2009, Treasury had published 86 Transaction Reports, 10 Section 105(a) monthly Congressional Reports, seven Tranche Reports, three dividend and interest reports, and two MHA Program Reports, all of which are posted on *FinancialStability.gov*. This information is intended to answer the basic questions many Americans have about how TARP monies are invested. In keeping with principles of good stewardship, Treasury has never missed a deadline for a report. Additionally, Treasury posts program guidelines on the website within two business days of any program launch, all obligations made under TARP, and all contracts with Treasury service providers involved with TARP programs. Additional information on the Making Home Affordable Program can be found at *MakingHomeAffordable.gov*.

## Managing TARP assets

Treasury manages TARP investments under several core principles:

First, the U.S. government is a shareholder reluctantly and out of necessity. The government intends to dispose of its interests as soon as practicable, with the dual goals of achieving financial stability and protecting taxpayer interests.

Second, there is no intention to be involved in the day-to-day management of any company. Government involvement in daily management of a company could possibly reduce the value of these investments, impede the ability of companies to return to full private ownership, and frustrate attainment of broader economic policy goals.

Third, consistent with these goals, the Department takes a commercial approach to the exercise of shareholder rights. Voting participation only corresponds to four core matters: board membership; amendments to the charter and by-laws; liquidations, mergers and other substantial transactions; and significant issuances of common shares.

While some new investments are still being made to support financial markets and the economy, the Administration intends to exit TARP investments as soon as prudent judgment allows.

## Exiting TARP

TARP was designed as an emergency response to a major financial crisis. Because financial conditions have started to improve, Treasury has begun the process of exiting from some emergency programs. As of September 30, 2009, Treasury had received over $73 billion in principal repayments and warrant repurchases from CPP participants. For banks that have elected not to repurchase their CPP warrants, Treasury began auctioning their warrants in December 2009. In addition, many programs were structured to encourage early repayment of funds, including interest rates on preferred stock and subordinated debentures which increase over time and restrictions on executive compensation. Most TARP programs also have defined lives with clear end dates. For example, new investments under CPP are scheduled to end December 31, 2009 and TALF is scheduled to end in June 30, 2010. For investments in the automobile industry and for other companies that have received exceptional assistance, clear principles have been outlined ensuring support is limited and temporary. Specifically under AIFP, Chrysler Financial has already repaid its assistance, and an initial public offering for GM is expected next year.

The financial and economic recovery is fragile and faces significant headwinds. The unemployment rate reached 10.2 percent in October and may remain elevated for some time. Delinquencies of subprime residential mortgages reached over 26 percent and conforming mortgages nearly seven percent in the third quarter. A contraction in bank lending, particularly for smaller businesses which do not have access to bond markets, has had a significant impact on economic growth. The number of bank failures and "problem institutions" as classified by FDIC has increased significantly, and will likely remain elevated through 2010. Financial stability is a necessary precondition for the resumption of economic growth. Treasury and other institutions of government have accomplished a great deal in a short amount of time. Still, there is more work ahead. While a number of TARP initiatives have begun to wind down, Treasury continues to focus on stabilizing housing markets as well as improving access to credit for small businesses. For these reasons, Treasury determined in December 2009 to extend TARP spending authority beyond the initial expiration date of December 31, 2009. The authority to make new TARP investments will now expire on October 3, 2010, two years from the enactment of EESA, under provisions of the Act's Section 120(b).

## Assessment of OFS operational performance

OFS established six performance measures in 2009. Separate from performance indicators, such as the LIBOR-OIS spread or corporate bond spreads, which are influenced by other U.S. Government programs, the six measures correspond directly to TARP program execution. Results for 2009 show that OFS successfully managed TARP operations. (Measure results can be found in the Key Performance Measure Table and APR Appendix.) OFS obtained clean audit opinions on TARP financial statements and OFS internal control over financial reporting, despite challenges associated with setting up OFS under a short timeframe with complex program operations. Timely responses were made to SIGTARP/GAO inquiries and 90 percent of Congressional correspondence, and all statutorily-mandated reports were submitted on time. The average number of days to close a FOIA case, which had been substantially higher than the average rate for Treasury at the beginning of the fiscal year, was below the Department's average by the end of September. Finally, the percentage of customers self-reporting they were satisfied with their experience using FinancialStability.gov was 65 percent. All measures where target improvement was possible have more aggressive targets for 2010.

## Financial Regulatory Reform

On June 17, 2009, the President announced a comprehensive plan to reform an outdated and ineffective financial regulatory system. Treasury submitted proposed legislative text to implement the plan in July and August 2009, and is currently working with Congress to promulgate legislation by the end of the calendar year. The plan has five key objectives: promote robust supervision and regulation of financial firms; establish comprehensive regulation of financial markets; protect consumers and investors; provide the government with the ability to manage financial crises; and improve international cooperation.

### Promote robust supervision and regulation of financial firms

Financial institutions that are critical to market functioning should be subject to strong oversight. No financial firm that poses a significant risk to the financial system should be unregulated or weakly regulated.

- *Create a Financial Services Oversight Council*. The Administration's regulatory reform plan will create a Financial Services Oversight Council to facilitate the coordination of financial regulatory policy, provide a forum for the resolution of jurisdictional disputes, and identify emerging risks in financial markets. This Council would include the heads of the principal federal financial regulators and be chaired by Treasury. The Council will replace the President's Working Group on Financial Markets and have a permanent, full-time staff at Treasury.
- *Supervise and regulate all of the largest, most interconnected financial firms*. Under the reform plan, the largest, most interconnected financial firms will be subjected to strong, comprehensive and consolidated oversight by the Federal Reserve, regardless of whether the firm owns an insured depository institution. Larger and more interconnected firms will be subjected to higher prudential standards and prompt corrective action will be required should their capital levels decline. Shareholders and creditors should bear the risks and the ultimate costs of failure, ending the implicit guarantee of public support for the largest, most interconnected financial firms.
- *Raise standards for all financial firms*. Tougher standards should be imposed on all financial firms so that the system is not compromised by the failure of one firm. Capital and liquidity requirements must be raised and exposures between financial firms should carry added capital charges. These tougher standards should incentivize firms to shrink, increase their capacity to absorb losses, and reduce their leverage, complexity and interconnectedness.
- *Establish a National Bank Supervisor and eliminate loopholes in banking regulation*. Merging the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) into a National Bank Supervisor (NBS) and eliminating the federal thrift charter would streamline the regulatory system and reduce potential for regulatory arbitrage. The proposed legislation also requires the Federal Reserve, the FDIC, and NBS adopt joint rules on bank regulatory fees to eliminate arbitrage between regulators based on bank examination fees.
- *Establish an Office of National Insurance*. The regulatory reform legislation includes a proposal to establish an Office of National Insurance (ONI) to serve as an advisor to the Secretary and coordinate and develop federal policy in the insurance sector. As part of Treasury, ONI will monitor all aspects of the insurance industry, including identifying issues and gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or within the broader financial system. ONI would also assist the Secretary in negotiating international insurance agreements on prudential measures.
- *Register hedge funds*. Hedge funds and other private pools of capital, including private equity and venture capital funds, will be required to register with the Securities and Exchange Commission

(SEC). Due to insufficient oversight and regulation prior to the financial crisis, the government lacked the data necessary to monitor these funds' activities and assess potential risks in the market. The legislation would help to protect investors from fraud and abuse, provide increased transparency, and supply the information necessary to assess whether risks in the aggregate or risks in any particular fund pose a threat to our overall financial stability.

- *Realign executive compensation*. Treasury delivered draft "say-on-pay" legislation to Congress that would require all publicly traded companies establish non-binding shareholder votes on executive compensation packages, encouraging greater accountability and disclosure of compensation practices. In addition, the draft legislation would help ensure the independence of board compensation committees. Overall, federal standards and guidelines should better align executive compensation practices of financial firms with long-term shareholder value and prevent these practices from providing incentives that could threaten the safety and soundness of supervised institutions.

***Regulatory reform*** information at ***FinancialStability.gov***.

## Establish comprehensive supervision of financial markets

New requirements for transparency and improved risk management capacity should be built into the financial market infrastructure to improve understanding of the risks associated with new financial instruments. In addition, regulation of financial markets should be enhanced to better manage system-wide stress and the failure of one or more large institutions.

- *Strengthen supervision and regulation of securitization markets*. Securitization, by breaking down the traditional relationship between borrowers and lenders, created conflicts of interest that market discipline failed to correct. To better align investor and issuer interests, regulation should require that originators or sponsors retain an economic stake in a material portion of the credit risk of these securitized credit exposures. The SEC should continue its efforts to increase the transparency and standardization of securitization markets and be given clear authority to require robust reporting by issuers of asset-backed securities.
- *Strengthen credit rating agency regulation*. The Administration's financial regulatory reform effort includes legislation to increase transparency, improve oversight, and reduce reliance on credit rating agencies. Credit rating agencies often failed to accurately describe the risks associated with certain products, preventing investors from understanding the underlying risks which contributed to the severity of the crisis. The legislation includes provisions expanding transparency and disclosure requirements for credit rating agencies, establishing mandatory registration with the SEC, instituting tougher examination of internal controls and processes, and ending the practice of firms providing consulting services to companies they rate.
- *Regulate over-the-counter derivatives markets, including credit default swaps*. One of the most significant developments in the financial sector in recent decades has been the growth and rapid innovation in credit default swaps and other over-the-counter (OTC) derivatives. The proposed legislation will regulate OTC derivative markets for the first time. This legislation will provide regulation and transparency for all OTC derivative transactions, stronger prudential and business conduct regulation of all major participants in OTC derivative markets, and improved regulatory and enforcement tools to prevent manipulation, fraud and other abuses.
- *Strengthen oversight of systemically important payment, clearing and settlement systems*. To mitigate systemic risk and promote financial stability, the plan proposes giving the Federal Reserve stronger statutory authority to oversee systemically important payment, clearing and settlement systems. The Federal Reserve is the only agency with sufficiently broad and deep knowledge of financial institutions

and capital markets to effectively assume this responsibility. Under the Administration's plan, the Federal Reserve will be required to consult with the Financial Services Oversight Council to identify systemically important systems and set appropriate standards. In the case of clearing and settlement systems for regulated markets, the Federal Reserve will be required to coordinate its risk management oversight with the CFTC or the SEC, which will remain the primary regulators for these markets.

- *Harmonize futures and securities regulation*. The legislation proposes to harmonize statutory and regulatory regimes for futures and securities markets to better address gaps in regulation between the CFTC and SEC.

### Protect consumers and investors from financial abuse

To rebuild trust in U.S. markets, it is critical to ensure strong, consistent regulation and supervision of consumer financial services and investment markets.

- *Create a Consumer Financial Protection Agency*. Failure of the consumer protection regime significantly contributed to the financial crisis. On June 30, 2009, the President proposed creation of the Consumer Financial Protection Agency (CFPA) to protect consumers against deceptive and unscrupulous financial practices and improve innovation, efficiency and access in the marketplace. This agency will consolidate the current fragmented regulatory regime into a single, independent federal consumer protection agency with the authority to write rules, oversee compliance, and address violations by non-bank and banking institutions.
- *Strengthen investor protection*. The Administration's financial regulatory reform legislation includes a provision to strengthen the SEC's authority to protect investors. The legislation outlines steps to establish consistent standards of conduct and accountability for broker-dealers and investment advisors, and improve the timing and the quality of disclosures. The proposed legislation also establishes a permanent Investor Advisory Committee to ensure investor representation at the SEC.

### Provide the government with the tools it needs to manage financial crises

The government should have the tools necessary to address the potential failure of a bank holding company or other non-bank financial firm when the stability of the financial system is at risk.

- *Enhance resolution authority*. Plans should be in place to resolve the failure of any large interconnected financial firm which could threaten the stability of the financial system. Bankruptcy will remain the primary option, but the recent financial crisis demonstrates the need for enhanced resolution capacity. Major financial firms will be required to develop rapid resolution plans to better prepare for the potential of failure. This authority will also give Treasury the ability to appoint FDIC as conservator for a failing firm that poses a threat to the system. Under the legislation, the Federal Reserve would be required to receive prior written approval from the Secretary of the Treasury before providing emergency lending under its "unusual and exigent circumstances" authority.

### Raise international regulatory standards and improve international cooperation

As witnessed during the financial crisis, problems in any single country can easily and quickly spread across borders. As financial regulatory reform progresses within the United States, stronger standards need to be established across global markets to ensure international financial stability.

- *Enhance international cooperation and reform of global financial markets*. To ensure that U.S. safeguards are not undermined abroad, the U.S. Government has taken the lead in calling for strong, modern regulation and supervision around the world through the G-20, the Financial Stability Board, the Basel Committee on Banking Supervision, and other organizations. Led by the

United States, the leaders of the Group of Twenty (G-20) pledged to take action to build a stronger, more globally consistent supervisory and regulatory framework to oversee today's international markets. The United States is seeking consensus on four core issues: regulatory capital standards, oversight of global financial markets, supervision of internationally active financial firms, and crisis prevention and management.

## Treasury Housing Government-Sponsored Enterprise Programs

To provide stability to the financial markets, increase the availability of mortgage finance and protect taxpayer interests, Treasury implemented three emergency programs in September 2008 with respect to Fannie Mae, Freddie Mac and the Federal Home Loan Banks (FHLBs). Authority for the action was provided by Section 1117 of the Housing and Economic Recovery Act of 2008, which authorized Treasury to purchase obligations and other securities issued by Fannie Mae, Freddie Mac and any FHLB. The programs include:

- Preferred Stock Purchase Agreements (PSPAs) with Fannie Mae and Freddie Mac providing backstop funding for program operations
- A Mortgage-Backed Securities (MBS) Purchase Program limited to securities issued by Fannie Mae and Freddie Mac
- An emergency credit facility for Fannie Mae, Freddie Mac and the FHLBs

### Preferred Stock Purchase Agreements

The PSPAs were created to instill confidence in investors that Fannie Mae and Freddie Mac would remain viable entities critical to the functioning of the housing and mortgage markets. Investors purchased securities issued or guaranteed by Fannie Mae and Freddie Mac in part because ambiguities in their Congressional charters created a perception of government backing. These ambiguities fostered enormous growth in the obligations issued or guaranteed by Fannie Mae and Freddie Mac, which by the scale and breadth of public holdings eventually posed a systemic risk to global financial markets in the event of their failure. The focus of the PSPAs is to enhance market stability by providing additional security to holders of Fannie Mae and Freddie Mac securities to avoid a mandatory triggering of receivership. Because the U.S. government created these ambiguities, it had a responsibility to both avert and ultimately address this systemic risk. In February 2009, the PSPAs were increased from $100 billion per GSE to $200 billion per GSE to provide additional security for financial markets. This agreement was further amended on December 24, 2009, to allow the cap on Treasury's funding commitment to increase as necessary to accommodate any cumulative reduction in net worth over the next three years. At the conclusion of the three year period, the remaining commitment will then be fully available to be drawn down per the terms of the agreements. As of December 31, 2009, Treasury's payments to Freddie Mac and Fannie Mae were $50.7 billion and $59.9 billion, respectively.

### GSE MBS Purchase Program

The GSE MBS Purchase Program was created to help support the availability of mortgage credit by temporarily providing additional capital to the mortgage market. By purchasing these securities, Treasury has sought to broaden access to mortgage funding for current and prospective homeowners as well as to promote market stability.

Program priorities:

- Support mortgage availability for both current and prospective homeowners
- Promote secondary market stability
- Ensure zero principal loss on outlays

As of September 30, 2009, Treasury had purchased $192.2 billion in agency MBS and received back $22.2 billion in principal and $5.0 billion in interest. The program expired on 12/31/2009; as of that time, the Treasury Department had purchased approximately $225.5 billion in Mortgage Backed Securities.

### GSE Credit Facility

The GSE Credit Facility was created to ensure credit availability to Fannie Mae, Freddie Mac, and the FHLBs by providing secured funding on an as-needed basis under terms and conditions established by the Treasury Secretary. Funding is provided directly by Treasury from its general fund held at the Federal Reserve Bank of New York in exchange for eligible collateral limited to guaranteed MBS issued by Fannie Mae and Freddie Mac and advances made by the FHLBs. Loans will be for short-term durations, but would in general be expected to be for between one week and one month. The facility was terminated on December 31, 2009, and was never used.

## Temporary Guarantee Program for Money Market Mutual Funds

At the height of the crisis in September 2008, Treasury established a Temporary Guarantee Program for Money Market Mutual Funds to provide stability in the wake of the failure of Lehman Brothers and well-publicized troubles at several large funds. Program participants were charged a fee of four to six basis points on an annualized basis, with coverage provided to guarantee maintenance of each fund's typical stable share price of $1. Eligibility was open to all money market mutual funds regulated under Rule 2a-7 of the *Investment Company Act of 1940* and registered with the SEC, upon payment of an up-front participation fee and satisfaction of certain criteria related to their net asset value on September 19, 2008. Shortly after its inception, the program provided guarantees to 93 percent of the money market mutual fund market, covering $3.62 trillion in assets. At its expiration, utilization had fallen to 68 percent of the market. Treasury had no losses under the program and in fact earned the U.S. Government $1.2 billion in fees.

The program expired on its scheduled end date of September 18, 2009 under improved general market conditions and restored confidence in the money market industry.

## Regulation of banks and thrifts

OCC and OTS are the primary regulators of national banks and thrifts, respectively. Given continuing concerns about the soft economy and bank solvency following the financial crisis, both made extensive efforts to monitor evolving conditions at financial institutions they regulate and implement measures intended to restore financial health. In fiscal year 2009, the Inspector General again indicated regulation of national banks and thrifts as a Management Challenge.

Despite efforts to identify and correct potential issues at an early stage, a number of national banks and thrifts were closed by federal regulators in fiscal year 2009 due to difficult market conditions. In total, 107 financial institutions regulated by FDIC with $111.3 billion in deposits failed over the year. Of these, 13 were national banks with $14.8 billion in deposits, 14 were federal thrifts with $35.8 billion in deposits, and 80 were state banks with $60.8 billion in deposits. Work-out solutions, whereby some or all deposits and assets were assumed by another existing bank, were arranged by FDIC and regulators for almost all failed institutions.

OCC and OTS supervisory activities in fiscal year 2009 focused on monitoring and responding to adverse conditions in credit and financial markets. OCC's on-site supervisory assessments focused on the quality of national banks' credit risk management practices (including effective credit risk rating systems and problem loan identification), adequacy of loan-loss reserves, and effective loan work-out strategies. Primary emphasis was placed on ensuring the strength of capital buffers to weather earnings pressures and asset quality deterioration. Other critical areas included sound liquidity risk management through diversified funding sources and realistic contingency funding plans, and maintenance of consistent underwriting standards regardless of intent to hold or sell a loan. OTS examinations emphasized assessment of risk management structures, liquidity plans, capital management, concentration risk and maintenance of strong underwriting standards. Given the natural exposure of thrifts to the real estate market, OTS utilized the Net Portfolio Value model (enhanced in 2008) extensively to value financial instruments and evaluate interest risk related to real estate and other investments. (Thrifts are required to hold 65 percent of their holdings in mortgages.) For troubled institutions, OCC and OTS employed a number of remedial measures, including Prompt Corrective Action determinations when institution capital deteriorated below specified thresholds, requirements to increase available capital and liquidity, required changes in bank management, and required approval for changes in business plans. To combat mismanagement, formal enforcement actions such as cease-and-desist orders, removal or prohibition orders, civil money penalties and formal agreements were utilized. In severe cases, financial institutions were required to enter into sales, mergers, liquidation or enter FDIC receivership.

To minimize real estate losses and avoid unnecessary foreclosures, both agencies encouraged financial institutions and at-risk mortgage holders to work constructively to find effective work-out solutions. Both OCC and OTS urged adoption of loan modification programs and other foreclosure mitigation practices and provided information for consumers on ways to identify and avoid foreclosure fraud. In November 2008, the federal banking agencies issued the *Interagency Statement on Meeting the Needs of Creditworthy Borrowers*, providing guidance to financial institutions on managing mortgage delinquency. OCC and OTS worked closely with HUD and other Treasury officials to develop the Making Home Affordable Program, including establishing transparent capital standards for treatment of mortgage loans modified under the program to encourage bank participation. OCC was also actively involved in identifying potential bank responses to the foreclosure crisis, including working with community development organizations to rehabilitate foreclosed properties and working with HUD to stabilize neighborhoods. During the year, the federal financial agencies issued proposed rules requiring mortgage loan originators register with the Nationwide Mortgage Licensing System, as provided under the *Secure and Fair Enforcement for Mortgage Licensing Act of 2008*. OCC and OTS also continued to jointly issue the Mortgage Metrics Report, providing detailed information on 34.7 million mortgages serviced by their regulated institutions, including new sections in 2009 on the performance of modified loans, the sustainability and changes in payments that resulted from loan modifications, and the types of actions taken to modify loans.

In fiscal year 2009, OCC's Annual Survey of Credit Underwriting Practices indicated a continuation of tighter underwriting standards begun in mid-2007. In contrast with the period of "originate and sell", where banks originated loans and then sold them to other investors, survey results showed that the majority of banks applied the same tight underwriting standards regardless of intent to hold or sell. With increased weakness in commercial real estate markets, both agencies warned of accumulating risks in small and medium-sized institutions' portfolios. At an interagency level, both OCC and OTS have worked directly with the Federal Reserve and FDIC to review large syndicated loans held by multiple banks through the Shared National Credit Program. This year's review covered 8,955 credit facilities with commitments totaling $2.9 trillion. OCC and OTS will continue to coordinate their licensing and supervisory procedures with other federal agencies to keep regulations current, transparent and supportive of financial industry stability and growth.

OCC and OTS have issued direct warnings to financial institutions of the risks posed by excessive asset or liability concentrations in their portfolios. During the last four years, OCC has conducted asset quality reviews of all the OCC community and mid-sized banks with significant commercial real estate concentrations, to ensure they have adequate credit underwriting, problem loan identification, and loan-loss reserves. More recently, the federal banking agencies issued guidance on managing concentration risks that may emerge from correspondent banking relationships, to reduce any carryover effect to other bank from one bank's failure.

Given the global nature of the financial crisis, OCC and OTS have worked closely with both domestic and international banking supervisors to identify problems and coordinate actions to restore functioning markets and strengthen risk management. The Federal Reserve, OCC and SEC worked with key global regulators and market participants to strengthen operational infrastructure and processes used to oversee OTC derivatives. OCC was actively involved in developing and implementing a package of measures announced by the Basel Committee of Banking Supervisors in July 2009 to capture the credit risk of complex trading activities and institute higher capital requirements for certain activities. OCC and OTS also joined other global supervisors in endorsing the Basel Committee's *Principles for Sound Liquidity Risk Management and Supervision*, underscoring the importance of liquidity management. Through the Financial Stability Board's Working Group of Provisioning, chaired by the Comptroller of the Currency, OCC has actively promoted use of credit valuation processes to reduce the pro-cyclicality of loan-loss requirements. During the year, OCC and OTS provided significant support for TARP, including reviewing financial institutions' Capital Purchase Program (CPP) applications; participating on the TARP CPP Council (which provides advisory support to OFS); conducting "stress tests" for regulated entities; providing legal analysis on financial institution participation in TARP; and establishing credit rules promoting use of the Making Home Affordable Program.

To strengthen its unfair or deceptive acts and practices rules, OTS, Federal Reserve and National Credit Union Association issued final rules in December 2008 governing practices for credit cards and overdraft protection programs. For credit cards, these addressed unfair practices in the areas of providing reasonable time periods for making payments, payment allocations, interest rate increases on outstanding balances, security deposits and fees charged to an account prior to the issuance of credit. OCC and OTS also worked with the Financial Accounting Standards Board to develop accounting and disclosure guidance related to mortgage loan modifications, fair value measurement in illiquid markets, and accounting for asset-backed commercial paper and structured financial instruments.

OCC and OTS evaluate banks' compliance with Bank Secrecy Act / Anti-Money Laundering (BSA/AML) requirements as a part of their on-site examinations. In fiscal year 2009, OCC developed a Money Laundering Risk System for BSA/AML risk assessment. Using this data, OCC revised national bank examination procedures in 2009 to improve their effectiveness in identifying BSA/AML infractions. OCC is planning to discuss their findings and results with other federal banking agencies for possible broader use of the system.

Challenges in the economy and financial markets had a significant impact on OCC and OTS performance results. The OCC exceeded three of its performance targets and did not meet three of its performance targets. Most directly impacted were measures of national bank condition, including capitalization, CAMELS ratings and rehabilitated national banks as a percentage of problem banks. None of these measures met their target for 2009 and were substantially below 2008 results. OTS exceeded four of their performance targets and did not meet one of their targets. The unmet measure corresponded to lower CAMELS ratings at thrifts, similar to OCC. (For details, see Key Performance Measure Table and the APR Appendix.) For administrative measures, both OCC and OTS exceeded their targets. In particular, OCC and OTS exceeded their targets for total costs for every $100,000 regulated, although both had 2009 targets which were significantly higher than 2008 actual results. (In the case of OTS, the target was 53 percent higher than 2008, due largely to the failure or merger of large thrifts with banks in 2008 and 2009.) OCC and OTS are making concerted efforts to manage conditions at the financial institutions they regulate, such as reviewing liquidity risk management, risks posed by complex financial investments, and concentration risks related to commercial real estate, to ensure problems are identified and addressed early. Historical precedent suggests that 2010 will continue to be challenging for national banks and thrifts, as the financial industry copes with the after-effects of the recession.

## Technical assistance for developing countries

The Office of Technical Assistance provides economic and financial advice to developing countries. OTA has two performance measures to assess the effectiveness of assistance programs for client countries: the first evaluates the traction advisors establish with country leadership, the second evaluates the impact of client country programs implemented with U.S. assistance. The measures determine traction and impact along four dimensions: country integration into the international community, country progress towards strategic goals, human and systems capacity building, and program effectiveness across government and the private sector. For 2009, OTA exceeded their performance target for traction and met their performance target for impact. Targets for 2010 are set to match 2009 levels.

## Consumer protection against mortgage fraud

In April 2009, the Obama Administration announced a multi-agency effort to crackdown on foreclosure rescue scams and loan modification fraud designed to protect homeowners from predatory financial practices. In September, Secretary Geithner met with leaders of HUD, FTC, FinCEN and 12 states' attorneys general to discuss emerging trends and proactive strategies to combat fraud against consumers in the housing markets as well as best practices to bolster coordination across state and federal agencies. Treasury (including FinCEN), DOJ, HUD, and FTC have committed to taking proactive measures to curb abuse by coordinating information and resources across agencies to maximize targeting and efficiency in fraud investigations. This includes alerting financial institutions to emerging schemes, stepping up enforcement actions, and educating consumers to help those in financial trouble avoid becoming the victims of a loan modification or foreclosure rescue scam.

## Contributions of the Office of Economic Policy

As a part of Departmental Offices at Treasury, the Office of Economic Policy contributed to several Administration initiatives aimed at stabilizing the housing market and shoring up the broader economy.

- Economic Policy provided sound and timely analysis to support the formulation of the Recovery Act. Working with staff at the Council of Economic Advisers, Economic Policy developed estimates of the economic impact and potential effectiveness of the various policy measures under consideration.
- In the early part of the fiscal year, Economic Policy devoted significant time to designing and making operational the reverse auction component of EESA, as well as understanding and communicating the myriad accounting, valuation and procurement issues associated with the project. These efforts were marked by their intellectual contribution and mix of practicality and timeliness.
- Economic Policy staff monitored and analyzed a number of trends and economic developments throughout the year, including the ongoing housing correction and bank lending.
- Economic Policy provided support to a number of TARP initiatives, including providing design and implementation assistance. These activities included developing and implementing credit subsidy and budget scoring models that allowed the timely completion of early TARP initiatives and development and analysis of other initiatives considered for inclusion in TARP.
- Economic Policy led the development of key initiatives aimed at providing relief to struggling homeowners and stabilizing the housing market. One such initiative was the HAMP component of the Making Home Affordable initiative.

## Conclusion

Treasury dedicated considerable resources to management of the recession and financial crisis in fiscal year 2009. At the end of the fiscal year, restored credit availability in most bond and securities markets, stable interbank lending rates, expanded availability of mortgage financing, stabilizing housing prices, reduced market volatility, and other indicators suggested that the worst of the crisis and recession had passed. Legislation to reform the financial system to avoid a similar financial crisis is likely to achieve passage in early 2010. Treasury programs to ensure financial market stability are being wound down as conditions permit, including TARP, the temporary guarantee program for money market mutual funds and MBS purchase program, but threats to the country's financial system and restored economic growth necessitate preservation of limited TARP capacity through October 2010.

OCC and OTS have made concerted efforts to forestall additional bank failures through early identification of difficulties at national banks and thrifts and implementation of mitigation plans for problem institutions. To help support stabilization of the economy and financial markets, OCC and OTS worked closely with financial institutions to implement TARP programs and facilitate mortgage refinancing for at-risk homeowners. Reports such as the Mortgage Metrics Report and other new data sources have improved visibility into market conditions and helped identify key focus areas. While performance metrics for OCC and OTS reflect difficult conditions in financial markets, they remain deficient for use in improving supervisory practices. This challenge will be addressed by Treasury in 2010.

## Moving Forward

Ahead is a process of repairing and reforming the financial system to close the gaps and weaknesses in supervision and regulation of financial firms, continuing economic stabilization and stimulus, and defining an appropriate path for unwinding the government programs which have been put in place to support the economy. The Secretary extended TARP authority through October 3, 2010 to preserve capacity to address potential dislocations in financial markets and continue to provide essential support to homeowners, small businesses and constrained securitization markets. History suggests that exiting prematurely from policies designed to contain a financial crisis can significantly prolong an economic downturn.Treasury policies will continue to be directed at ensuring the stability of the financial system and supporting the nascent recovery.

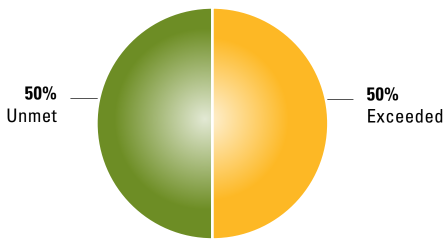
OCC, OTS and the banking industry continue to operate in a highly challenging and volatile environment. The financial condition and performance of national banks and thrifts continue to be adversely affected by deterioration in the housing and commercial real estate markets and the decline in general economic conditions. Responding to deteriorating credit quality and ensuring adequate liquidity, loan loss reserves, and capital buffers are maintained will continue to be major focal points in the coming year. To address these challenges, OCC and OTS are identifying those banks which are the most vulnerable to the impact of current economic conditions, and coordinating and allocating bank supervision resources to the areas and institutions with highest risk. Still, despite these efforts, given current market conditions it is likely that there will be an increase in the number of problem institutions in 2010 requiring in-depth supervisory attention. OCC and OTS will continue to work with these institutions to develop appropriate solutions to mitigate problems and ensure the safety and soundness of the financial system.

## DECREASED GAP IN GLOBAL STANDARD OF LIVING

A decreased gap in the global standard of living, associated with improved economic conditions in emerging markets, improves economic opportunity for Americans. For the two performance measures associated with decreasing the gap in the global standard of living, Treasury exceeded the 2009 performance target for one and did not meet the target for the other.

### *Fiscal Year 2009 Results*

**Decreased Gap in Global Standard of Living**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 1 | 50% |
| Favorable downward trend | ▼ | 0 | 0% |
| Unfavorable upward trend | ▲ | 0 | 0% |
| Unfavorable downward trend | ▼ | 1 | 50% |
| No change in trend, no effect | ▶ | 0 | 0% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 0 | 0% |
| Total | | 2 | 100% |
| Discontinued | DISC | 0 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Improve International Monetary Fund (IMF) Effectiveness and Quality Through Periodic Review of IMF Programs (%) (Oe) | DO | 93% | 90% | 23% | 25.6% | 24.7% | Unmet | 90 | ▶ (unfavorable) | ▼ (unfavorable) |
| Percentage of Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement (%) (Oe) | DO | 94% | 90% | 94% | 104.4% | 100.0% | Exceeded | 90 | ▶ (unfavorable) | ▲ (favorable) |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

Performance for programs seeking to decrease the gap in the global standard of living was mixed, with one measure exceeding its target and the other significantly under-performing its target. The measure related to IMF program effectiveness and quality was significantly affected by the IMF's increased activity in 2009 related to special lending provisions. Loans provided to developing and developed market economies to manage the financial crisis increased program activities substantially over 2008, limiting time available for outside review of lending programs prior to introduction. Consequently, only 23 percent of IMF programs were reviewed in

2009, versus a target of 90 percent and a 2008 result of 93 percent. (This also resulted in an unfavorable four-year actual trend for the measure.) For *Percentage of grant and loan proposals containing satisfactory frameworks for results measurement*, the actual result has exceeded the target result over the last four years, and the margin between target and actual result has continued to grow. As the target for this measure has remained unchanged over the last four years, a review of target levels may be necessary.

## Foreign Assistance and reform of International Financial Institutions (IFIs)

Treasury has worked diligently to help fulfill President Obama's goal to double foreign assistance during the coming years and help ensure IFI funding is used effectively. Specific areas of performance improvement have included reforms to the International Monetary Fund (IMF) and improved management frameworks at multilateral development banks (MDBs).

In response to the financial crisis, the G20 committed in April 2009 to increase available resources for the IMF from $250 billion to $750 billion and established a goal for the MDBs to boost lending by $100 billion over the next three years. The IMF has also undertaken a major realignment of voting authority to increase representation of major emerging market countries to improve program effectiveness, with strong U.S. Government support. Legislation to increase the U.S. IMF nominal quota and approve governance reforms was proposed by the Administration and passed by Congress in 2009, in accords with the agreement. Treasury is committed to supporting the IMF's reform initiatives and emergency lending programs to ensure broad financial market stability.

Lending by the MDBs has increased significantly since the announcement in April 2009 to increase lending and Treasury will continue to monitor efforts to achieve the three year goal. To improve operations management, Treasury has advocated strong accountability at the MDBs by working closely with the U.S. Executive Directors at these institutions to lead reform and improve performance. Examples of this work, in addition to monitoring programs associated with the $100 billion lending increase, include:

- *Advancing the performance management agenda at all MDBs.* Treasury has sought to improve performance management frameworks at the MDBs in the course of negotiations over replenishments of concessional windows. All of these institutions now have results measurement frameworks that measure country outcomes, selected project outputs, and institutional effectiveness and efficiency. These frameworks provide management at the MDBs mechanisms to identify performance deficiencies and design corrective actions, as well as provide shareholders and other stakeholders an accountability tool to gauge management effectiveness. Using the frameworks, particular progress has been made in improving project design and quality at entry. Treasury has employed a strategy of prioritizing allocation of IFI resources to countries that can put it best to use, to ensure resources are used as effectively as possible. Treasury will continue to press for increased general use of performance management practices at the MDBs.
- *Reforms at the Asian Development Bank.* The U.S. successfully negotiated a general capital increase for the Asian Development Bank, including provisions for reforms at the bank including updates to its safeguard policy, professionalization of the bank's human resources management, and enhancements to internal controls and risk management practices.
- *Obtaining endorsement of the Extractive Industries Transparency Initiative.* Following strong Treasury advocacy, the MDBs have endorsed the Extractive Industries Transparency Initiative. The Initiative requires that countries served by the banks provide transparency on resource flows derived from extractive industry exports.

As part of reducing debt burdens in developing countries, the U.S. has supported debt relief for the Central African Republic, Cote D'Ivoire, Haiti and Liberia. In addition to debt relief, Liberia benefited from an agreement which leveraged $38 million in donor funds, including a $5 million contribution from the U.S., to eliminate approximately $1.2 billion in outstanding private sector debt. At the Summit of the Americas in April 2009, President Obama announced a new fund backed by the Inter-American Development Bank and Overseas Private Investment Corporation and promoted by Treasury to provide stable, long-term sources of finance to microfinance lenders to mitigate negative effects of the financial crisis. Treasury has also worked to monitor the impact of the financial crisis on the most vulnerable countries to ensure their concerns are heard. In August 2009, Treasury joined the National Security Council in hosting a meeting of African finance ministers and central bankers in Nairobi to discuss G-20 arrangements and ways to address African priorities.

## Support for Central and Eastern European emerging markets

The emerging markets of Central and Eastern Europe were among the hardest hit by the financial crisis. Treasury pushed for prompt, flexible action by the IMF, the World Bank and the European Bank for Reconstruction and Development (EBRD) to provide assistance adapted to country needs which could be deployed in rapid and effective fashion. During fiscal year 2009, the IMF launched over $85 billion in new support programs in the region, the World Bank provided crucial budget support to protect social expenditures (helping mitigate political instability in many countries), and the EBRD provided support for systemically important financial institutions and coordinated groundbreaking, voluntary agreements with private, foreign banks to maintain financing for economies facing the most difficult conditions. Treasury engaged with European Union and EU member states to coordinate support for the region and established a technical assistance response team to provide support in Latvia, Ukraine, Serbia and Kazakhstan. For Georgia, Treasury played a leading role in developing a $1 billion U.S. bilateral assistance package and in catalyzing IFI support for payments, fiscal and banking systems to bolster market confidence. For Kosovo, Treasury worked closely with Kosovar counterparts, and within the U.S. government interagency process, to develop and implement a strategy for Kosovo's membership in the IMF and World Bank. Kosovo joined both organizations in May 2009.

## Conclusion

The financial crisis severely restricted the flow of capital to emerging market countries. Programs providing emergency support through the IMF, MDBs, World Bank and other institutions were critical to minimizing the impact of the crisis and ensuring access to necessary capital. While reviews of IMF programs were temporarily curtailed, performance management in general at the MDBs has improved substantially over the last several years. Through replenishment negotiations, selective allocation of funding, coordination with the MDBs and other mechanisms, Treasury has been a strong advocate for more effective performance management at the IFIs. These efforts will continue as lending at these institutions responds to support the global recovery.

While one of the two performance measures for the outcome was unmet, this shortfall was largely due to extenuating circumstances. Nevertheless, it may be beneficial to reevaluate measure target levels for both outcome measures to ensure correspondence to Treasury objectives.

## Moving Forward

Restoring normal growth in emerging markets will require increased commitments from global governments to provide funding which is currently unavailable from private markets. IMF and MDB programs to expand lending are likely to continue through 2011, as credit markets for higher-risk investments remain constrained. Reforms at the IMF and World Bank to better integrate emerging market perspectives in policymaking are essential to ensure program effectiveness and broader global representation. Treasury will continue to support inter-governmental funding strategies which extend finance in productive areas shunned by capital markets and which contribute to the expansion of economic growth opportunities globally.

## STRATEGIC OBJECTIVE: Trust and Confidence in U.S. Currency Worldwide

Continued trust and confidence in the integrity of United States currency, and the ready acceptance of U.S. currency as a secure medium of exchange for conducting business transactions, enable the free flow of domestic and global commerce, and contribute to the security and stability of the world's monetary system. To instill high levels of trust and confidence in the integrity of U.S. currency, the Department's currency products are designed to achieve the maximum possible levels of counterfeiting deterrence, product quality, user acceptance, and cost-effectiveness. To achieve these levels, BEP and the United States Mint manufacture and deliver high-quality U.S. currency notes, coins, and security documents to the United States Federal Reserve and to federal agencies. In addition to producing notes, coins, and security documents, the Department also secures the nation's precious metals reserves.

The bureaus and policy offices responsible for the achievement of this objective are:

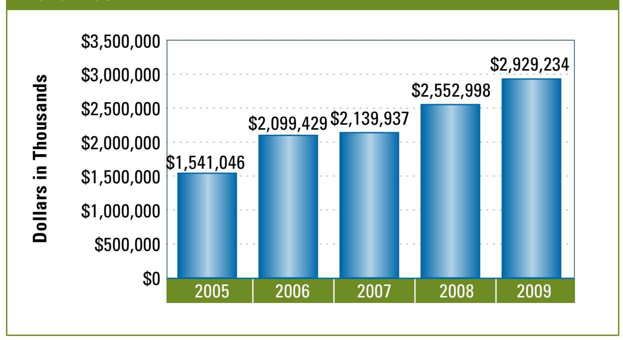
- The Bureau of Engraving and Printing
- The United States Mint
- The Office of the Treasurer of the United States

The outcome associated with this strategic objective is:

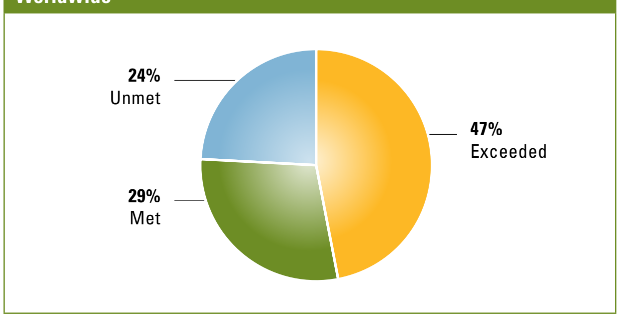
- Commerce enabled through safe, secure U.S. notes and coins

**Budget Trend by Objective: Trust and Confidence in U.S. Currency Worldwide**

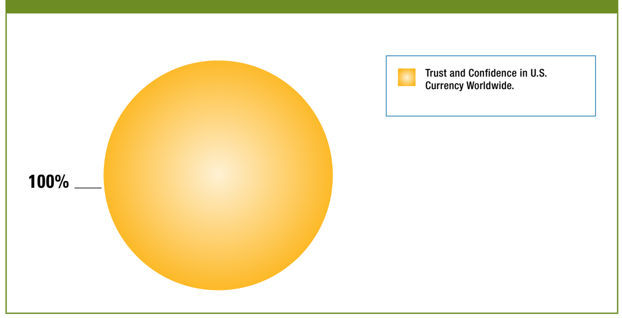

**Performance Cost Trend: Trust and Confidence in U.S. Currency Worldwide**




**Fiscal Year 2009 Results: Trust and Confidence in U.S. Currency Worldwide**




**Performance Cost by Outcome**

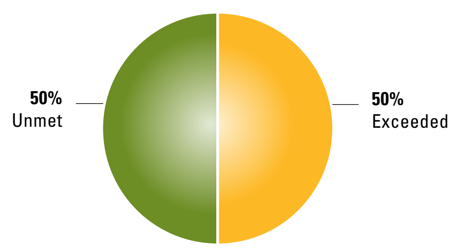


## COMMERCE ENABLED THROUGH SAFE, SECURE U.S. NOTES AND COINS

Based on performance results, Treasury was generally successful at achieving this strategic objective and its associated strategic outcome during fiscal year 2008.

### *Fiscal Year 2009 Results*

**Commerce Enabled Through Safe, Secure U.S. Notes and Coins**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 0 | 0% |
| Favorable downward trend | ▼ | 7 | 41% |
| Unfavorable upward trend | ▲ | 1 | 6% |
| Unfavorable downward trend | ▼ | 1 | 6% |
| No change in trend, no effect | ▶ | 1 | 6% |
| No change in trend, favorable effect | ▶ | 1 | 6% |
| No change in trend, unfavorable effect | ▶ | 1 | 6% |
| Baseline | B | 5 | 29% |
| Total | | 17 | 100% |
| Discontinued | DISC | 2 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Currency shipment discrepancies per million notes (%) (Oe) | BEP | 0.01% | 0.01% | 0% | 200.0% | 200.0% | Exceeded | 0.01 | ▶ | ▼ |
| Maintain ISO certification | BEP | Met | Met | Met | 100.0% | 100.0% | Met | 1 | ▶ | ▶ |
| Manufacturing costs for currency (dollar costs per thousand notes produced) ($) (E) | BEP | $29.47 | $37 | $32.77 | 111.4% | 88.8% | Exceeded | 37 | ▲ | ▲ |
| Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements (%) (Oe) | BEP | 100% | 99.9% | 99.9% | 100.0% | 99.9% | Met | 99.9 | ▶ | ▶ |
| Security costs per 1000 notes delivered ($) (E) | BEP | $5.63 | $5.65 | $5.76 | 98.1% | 97.7% | Unmet | 5.6 | ▼ | ▼ |
| Absolute Value of Production Percent Deviation from net Pay | Mint | N/A | B | 6.5% | 100.0% | B | Met | DISC | B | B |
| Customer Satisfaction Index | Mint | DISC | 88% | 88.3% | 100.3% | N/A | Exceeded | 88 | B | B |
| Employee Confidence in Protection | Mint | 81% | 83% | 81% | 97.6% | 100.0% | Unmet | DISC | ▼ | ▶ |
| Numismatic Customer Base (Ot) | Mint | N/A | 1.398 | 1.055 | 75.5% | B | Unmet | 0.9 | B | B |
| Numismatic Net Margin (E) | Mint | N/A | 15% | 9.4% | 0.6% | B | Unmet | DISC | B | B |
| Protection Cost Per Square Foot ($) (E) | Mint | $31.76 | $31.75 | $31.57 | 100.6% | 100.6% | Exceeded | 31.7 | ▼ | ▼ |
| Seigniorage per Dollar Issued ($) | Mint | N/A | $0.54 | $0.55 | 101.9% | N/A | Exceeded | 0.53 | B | B |

STRATEGIC OBJECTIVE: TRUST AND CONFIDENCE IN U.S. CURRENCY WORLDWIDE

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

In fiscal year 2009, 17 measures were reported for this objective, five of which were new measures. Of all 17 measures, 12 measures (70 percent) either exceeded or met their performance targets, four measures (24 percent) did not meet targets, and one measure was baselined (6 percent).

While the reported metrics indicate that Treasury met most of its performance targets for this objective and its associated outcome for fiscal year 2009, performance trends over the past four fiscal years require closer examination. Of these measures, eight (47 percent) showed a positive actual performance trend over time, three (18 percent) showed a negative actual performance trend over time, and one (six percent) showed relatively flat performance over time. Five measures (29 percent) were baselined over this time period. Overall, the actual results of the performance measures over time appear to show a trend of improvement when averaged across all measures. Considering that two measures were discontinued in 2009 and five measures were introduced, further evaluation will be needed to determine current trends. A greater effort to reduce the volatility in performance measures from year to year would also yield better bureau performance.

Target trends over the past four fiscal years shows a similar pattern to actual performance: seven targets had a positive direction (41 percent), three (18 percent) displayed a negative direction, and two targets (12 percent) exhibited a fairly flat trend. Five (29 percent) measures were baselined. Averaging these trends across all measures, it can be concluded that the overall trend in target-setting for this objective and its outcome improved slightly over time. Taken together, the actual performance and target trends over time may suggest that, either more aggressive target-setting is needed to stimulate improved performance, or perhaps new measures may need to be established.

## The Bureau of Engraving and Printing

The manufacturing of currency notes experienced a 1.5 billion unit (19.5 percent) reduction in quantity ordered by the Federal Reserve, a drop from 7.7 billion notes in 2008 to 6.2 billion notes in fiscal year 2009. This reduction in the Federal Reserve order was large enough to affect a 7 percent drop in BEP's productivity between fiscal years 2008 and 2009.

In fiscal year 2009, BEP met Federal Reserve product quality standards and exceeded its performance target for cost per 1,000 notes produced. However, BEP manufacturing costs increased from $29.47 per thousand units in 2008 to $32.77 in 2009, an 11 percent increase. The increase was due, in part, to the annual Federal Reserve order for paper currency shifting toward proportionally greater production of higher denomination notes, which are more costly to manufacture and deliver. In addition, there was a 19.5 percent reduction in total currency notes ordered in 2009 as compared to 2008. Any highly capital-intensive manufacturing operation will tend to incur relatively high proportion of fixed costs; therefore, as production volume decreases, the same level of costs are spread over fewer units making each unit produced more costly.

To maintain trust and confidence in U.S. currency, today's operating environment requires BEP to engage in continuous efforts to improve note design, since rapid developments in reprographic technologies and computer-driven printing pose increased challenges to counterfeit deterrence. BEP continues to collaborate with other members of the Advance Counterfeit Deterrent Steering Committee, and other organizations within the Department of the Treasury to determine the effectiveness of counterfeit deterrent features and evaluate possible future currency designs. A notable effort in the currency manufacture area during this fiscal year included the finalization and presentation for approval of a redesigned $100 note, a product redesigned to keep the nation's currency a step ahead of the counterfeiting threat.

BEP efforts related to protection and accountability over government assets continued to meet performance expectations, as did measures of shipment accuracy. However, security costs, on average, exceeded the 2009 target and increased slightly more than 2 percent over fiscal year 2008 level. As previously explained, the failure to meet this target was due in large part to the reduction in total currency notes produced. In 2009 as in years past, BEP reported nearly 100 percent of the currency notes delivered to the Federal Reserve met its product quality requirements. As it has for the past seven years, in fiscal year 2009 BEP again maintained ISO 9001 certification in its quality management system for currency production. ISO certification indicates an ongoing commitment to continuous process and quality improvement. In 2009, BEP also continued efforts to maintain ISO 14001 certification, which indicates a commitment to high-quality environmental management.

In 2009, as it has for the past 24 consecutive years, BEP received an unqualified audit opinion on its financial statements from an independent certified public accounting firm. The bureau also received an unqualified opinion in 2009, as it has for the past four years, on the effectiveness of its internal controls over financial reporting.

## The United States Mint

The economic environment significantly impacted the United States Mint's financial results in fiscal year 2009. Total revenue reached $2.91 billion in fiscal year 2009, up roughly four percent from total revenue of $2.80 billion in fiscal year 2008. Record sales of bullion coins drove most of the revenue growth as both circulating and numismatic revenue declined from the prior fiscal year. Since the Mint manages the bullion program to a nominal net margin, revenue growth did not translate into higher earnings in fiscal year 2009. As a result, the United States Mint returned $475 million to the Treasury General Fund in fiscal year 2009, down from $750 million (36.7 percent) from fiscal year 2008.

Slow economic activity adversely affected the United States Mint's circulating operations by reducing coin demand in cash transactions. Individuals and businesses returned an increased number of coins to the banking system, further reducing the need for newly minted coin in fiscal year 2009. The United States Mint produced 5.4 billion circulating coins and shipped 5.2 billion coins to the Federal Reserve Banks (FRB). Likewise, circulating revenue fell from $1.29 billion in fiscal year 2008 to $777.6 million in fiscal year 2009 (39.9 percent). Seigniorage declined 39.4 percent to $427.8 million in fiscal year 2009 from $706.2 million last year, although seigniorage per dollar issued remained unchanged at $0.55 in fiscal year 2009, surpassing the bureau's target of $0.54. This result was attributed to lower metal costs and stronger relative demand for the $1 coin compared to the prior year; $1 coins generated the vast majority (74.5 percent) of seigniorage in fiscal year 2009 and made up 58.9 percent of the total value of the coins shipped to Federal Rerserve Banks (FRB). Weakened demand not only reduced seigniorage, but also reduced the gross cost of circulating operations as costs fell to $349.8 million in fiscal year 2009 from $588.3 million in fiscal year 2008.

Prices of copper, nickel and zinc remained below prior fiscal year highs but exhibited upward trends during the later months of the fiscal year. While per-unit metal and supplier fabrication costs decreased for all denominations, the unit cost of certain denominations (penny, dime, quarter and $1 coin) increased from last fiscal year because the United States Mint had to allocate cost over fewer units. The unit cost for penny and nickel denominations remained above face value for the fourth consecutive fiscal year. Low demand for the five-cent coin largely reduced the overall loss the United States Mint incurred from producing these denominations in fiscal year 2009. One-cent and five-cent coins were produced at a loss of $22.0 million, down 53.2 percent from the fiscal year 2008 loss of about $47.0 million.

In response to the 45-year low in circulating production, the United States Mint implemented a comprehensive plan to achieve long-term efficiency gains by performing overdue maintenance and capital upgrades and investing heavily in employee training. The bureau instituted an organization-wide hiring freeze to minimize labor costs, ramped up maintenance work, and accelerated capital improvements only possible when production lines are idle. Low production volumes also afforded time to provide additional skill and safety awareness training to employees.

The state of the economy in 2009, in part, increased demand for the United States Mint's bullion products. The United States Mint sold 27.6 million ounces of gold, silver and platinum bullion coins in fiscal year 2009, up 9.2 million ounces from last fiscal year. Uncertainty regarding traditional investments and concerns about future inflation drove investor demand for bullion coins to unprecedented highs. Total bullion revenue neared $1.7 billion, a $746.0 million (78.6 percent) increase from fiscal year 2008 and a 249 percent increase over average annual bullion revenue since fiscal year 2004. However, these record-breaking demand levels and successful sales efforts in the bullion product line posed a new set of challenges. The number of bullion coins produced by the U.S. Mint was constrained in fiscal year 2009 by limited availability of precious metal blanks from suppliers. These constraints compelled the U.S. Mint to suspend the sale of certain bullion coins during the fiscal year. In order to satisfy its legislative mandate to fulfill public demand for bullion products, the U.S. Mint shifted available blank supply to production of bullion coins, suspended production of numismatic proof coins and worked with suppliers to augment blank volumes and sources. Subsequent increases in allocation and ordering limits towards the end of the year allowed the U.S. Mint to satisfy all investor demand for 22-karat gold and silver one-ounce bullion coins by the third quarter of fiscal year 2009. However, at the end of the fiscal year, 22-karat gold and silver one-ounce proof coins remained unavailable.

Retail sales of numismatic versions of the United States Mint's circulating and commemorative coins declined in fiscal year 2009. Numismatic revenue totaled $440.0 million, down 21 percent from last fiscal year's record revenue of $557.2 million. The United States Mint offered fewer numismatic products in fiscal year 2009 because precious metal planchets were diverted to fulfill demand for bullion products. Poor economic conditions may also have suppressed consumer spending on collectibles, reducing the numismatic customer base to only 75 percent of the targeted value. The raw material and production costs of numismatic products declined from last fiscal year but made up a greater proportion of numismatic revenue. Consequently, net income and seigniorage from numismatic sales declined to $41.1 million in fiscal year 2009 from $82.4 million in fiscal year 2008.

The United States Mint is responsible for protecting over $240 billion in United States assets stored at its facilities. The Protection Department safeguards non-United States Mint assets in the bureau's custody, including gold and silver reserves held at the United States Bullion Depository at Fort Knox, Kentucky, as well as United States Mint assets, such as the bureau's products, employees, facilities and equipment. During fiscal year 2009, the United States Mint achieved its target protection cost per square foot metric by reducing expenses for rent, communications and utilities and other supplies from last fiscal year. However, employee confidence in protection remained below the target performance for the fourth year in a row.

## Conclusion

Based on the analysis of the results, the current suite of measures only partially gauges the success of the objective associated with trust and confidence in U.S. coins and notes. Improved measures are needed to determine if commerce is effectively enabled for the nation. Dynamically adjusting production rates to forecasted demand and maintaining inventory targets will minimize costs related to the entire supply chain. Continued improvement in communication and collaboration between the Mint, BEP and the Federal Reserve could yield significant gains for effectively enabling commerce. Management of numismatic product inventory also needs to be addressed to minimize the costs of obsolescence and disposal while meeting public demand. Measures providing even more information about process and product quality (such as cycle time and Six Sigma quality measures) could reduce manufacturing costs even further for both BEP and the Mint.

BEP and Mint measures currently in place are strongly influenced by larger economic conditions both at home and abroad. A comprehensive review of the performance measures to try to disassociate the connection between the economic conditions and bureau productivity is a significant challenge, but one worthy of further investigation. The soft economy does provide the bureaus an opportunity to more closely examine their operations and capture administrative efficiencies implement, capital improvements, and increase employee cross-training.

## Moving Forward

To improve efficiency, BEP is engaged in a multi-year project to retool its manufacturing processes to improve BEP capabilities; the new equipment will include intaglio presses, electronic inspection systems, and finishing equipment. BEP is also investing in new technologies which will integrate various disparate information technology systems and applications used at BEP. The program is intended to optimize the reliability, integration, and timely collection of online real-time performance data. Having this data on hand will enable program managers to proactively manage manufacturing overhead costs, production efficiency, and resource productivity.

Because the improved overt security features in redesigned currency are most effective when the public knows about and uses the features to authenticate their currency, a broad, public education program is crucial to the anti-counterfeiting effort. In cooperation with the Federal Reserve, BEP administers a public education program to support the introduction of new currency designs. The goal of this program is to build an adequate threshold of awareness to support commerce and ensure seamless, "business as usual" transactions as new currency designs are introduced to the public. Overall, counterfeiting of U.S. currency remains at low levels – due primarily to a combination of improvements in the notes' security features, aggressive law enforcement and public education efforts. Statistics continue to indicate that the amount of counterfeit U.S. currency worldwide is less than one percent of genuine U.S. currency in circulation.

In order to ensure smooth introduction of the redesign of the $100 note, communication and outreach about note redesign and counterfeit deterrence features is imperative. BEP has developed a public education strategy to inform target industries and key stakeholder groups about the new $100 note design. To avoid confusion over the notes' authenticity when issued by the Federal Reserve, it is critical users of U.S. currency worldwide should be made aware of design changes. While no timetable has been set for future redesigned currency, the next step in currency redesign will include improvements to the Nation's currency to better serve the needs of Americans and others around the world, including the blind and visually impaired. In coordination with the Department of Treasury, BEP announced the results of a study analyzing options to assist the blind and visually impaired in denominating U.S. currency (available at: ***http://www.moneyfactory.***

*gov/images/ARINC_Final_Report_7-26-09.pdf*). The information gathered in the study will be used to help establish a direction for the Department of the Treasury in providing access to U.S. currency for all cash users.

To monitor ongoing product quality and asset accountability, BEP employs comprehensive security and product accountability programs. BEP has implemented a risk-based management approach to augment and improve these programs, designed to identify and rank risks and vulnerabilities by order of priority, so attention and resources are allocated to areas of greatest vulnerability. To boost IT security, BEP has evaluated, certified, and accredited all of its IT systems to meet applicable federal requirements.

BEP is actively evaluating how to optimize the size and capability of its workforce so as to operate as cost-effectively as possible. During the past several years, the bureau streamlined the organization by realigning and grouping similar functions together. This has improved efficiency, reduced response time, and facilitated currency redesign efforts.

The bureau remains strongly committed to the development of its workforce with focus on training that has been identified to prepare the workforce for increasingly sophisticated technology that is integrated into 21st century manufacturing processes. Strategic investment in people and technology will continue to be critical factors in maintaining the bureau's status as a world class securities manufacturer.

BEP strives to provide its customers with superior products for the lowest possible price. BEP continuously looks for ways to cut costs without compromising quality. Significant capital investments are being implemented that will enhance productivity and lessen BEP's environmental impact.

Although the Mint has successfully worked to reduce its manufacturing costs, base metal prices continue to make up the largest portion of circulating coinage production cost. Changing the composition of circulating coins to less expensive alternatives can generate significant cost savings and mitigate further reductions in seigniorage should metal market prices again increase for copper, nickel, and zinc. Although metals prices fell from prior peaks in fiscal year 2009, market prices for metals in recent months all started to increase towards fiscal year 2007 levels. The Secretary of the Treasury has the authority to select the metal composition of the $1 coin, as well as alter the percentage of copper and zinc in the one-cent coin. The compositions of five-cent, dime, quarter-dollar and half-dollar coins are codified by statute. Any authority to change the metal composition of these denominations requires legislative action. The United States Mint and the Department continue to advocate congressional approval for changes in circulating coin material composition. This could enable more effective control over the cost of raw materials used to manufacture coin products and ultimately result in significant savings.

The Presidential $1 Coin Act (Public Law 109-145) mandates that the United States Mint identify, analyze and overcome barriers to the robust circulation of $1 coins. Likewise, the Native American $1 Coin Act (Public Law 110-82) requires the United States Mint to carry out an aggressive, cost-effective, continuing campaign to encourage commercial enterprises to accept and dispense Native American $1 coins. Although past advertising campaigns fell short and Federal Reserve Bank inventories have continued to rise, research conducted as a part of a United States Mint 2008 four-month, four-city pilot, focusing on new messaging ($1 coins are 100 percent recyclable, last for decades and save the nation money) and retail activation, showed that over 90 percent of Americans accept $1 coins when offered. In the pilot cities, acceptance rose to 94 percent, and overall coin payments increased by 24 percent. Promoting circulating usage of $1 coins also affords potential cost-savings for the Federal government since $1 coins last longer than $1 notes and generate higher seigniorage than any other coin. Treasury is actively engaged in developing a follow-up pilot that targets activation at the large retailer level that is cost-effective and increases circulation.

As BEP and the Mint both continue to plan to meet coin and note demand, Treasury will need to evaluate the costs and benefits of co-circulation of the $1 coin and note. Given historical precedent, sustainability of $1 coin demand is questionable in the medium to long-term, especially if it is co-circulated with the $1 note. Looking to the future, Treasury plans to evaluate this area in the context of overall currency demand to satisfy the needs of the Federal Reserve and the American public. While the Mint does have a Congressional mandate to increase circulation of $1, it is not yet clear what the optimal strategic path is related to this issue. Additional data and discussion with the Federal Reserve, the Mint, BEP and Treasury senior leadership will help to arrive at an informed decision.

After considerable consultation with Treasury, the United States Mint will significantly revise their suite of performance measures for fiscal year 2010. Three measures will be discontinued due to ineffectiveness and/or repetitiveness. The metric measuring manufacturing efficiency ("Production Percent Deviation from Net Pay") will be replaced by a new measure, "Shipments Completed on Time". The Mint will be able to control the outcome of this new measure to a much greater degree as opposed to being subjected to the fluctuating Federal Reserve order. Overall, the four remaining measures will compose the base of a new suite of measures that will be added to in the future in order to better measure bureau performance, disassociate the influence of the larger economy, and incorporate the overall goal of effective supply chain management.

# American Recovery and Reinvestment Act of 2009

The Department of the Treasury played a pivotal role in implementing the American Recovery and Reinvestment Act of 2009 (Recovery Act) this past year. By quickly providing targeted investments and implementing tax provisions to benefit both businesses and individuals, the Department provided a key role in supporting economic recovery. Specific measures provided direct relief to low income and vulnerable households including distribution of $250 one-time economic payments to help retirees and individuals with disabilities meet living expenses, and cash assistance in lieu of tax credits designed to provide affordable housing and make resources available to develop alternative sources of energy and get Americans back to work. The goal of these programs is to stimulate the U.S. economy, create and sustain jobs, and build the foundation for long-term economic growth. The Department of the Treasury administers nine Recovery Act programs:

- Community Development Financial Institutions (CDFI) Program
- Native American CDFI Assistance Program
- New Markets Tax Credit Program
- Economic Recovery Act Payments
- Tax Provision Implementation Program
- Cash Assistance to States for Low-Income Housing Projects in Lieu of Tax Credits
- Cash Assistance for Specified Energy Property in Lieu of Tax Credits
- Health Insurance Tax Credit Administration Program
- Tax Provision Oversight Program

## Community Development Financial Institutions Program

The Treasury Department's CDFI Fund awards grants, loans and other investments on a competitive basis to community banks, credit unions, loan funds and venture capital funds that work in low-income communities or serve individuals or businesses that lack access to mainstream financial institutions. CDFIs provide capital to small businesses and micro-enterprises, mortgage loans to first-time homebuyers, financing to support the development of affordable housing projects and community facilities, and retail banking services for the unbanked.

The Recovery Act appropriated $90 million to the Fund to make awards through the CDFI Program. In 2009, Treasury announced CDFI program awards to 59 Community Development Financial Institutions in 26 states and Puerto Rico. The primary goal of the Recovery Act is to ensure that critical financial resources are provided as quickly as possible to stimulate the economy and create jobs; the Fund selected the following three measures to track this program's success:

- *Number of days between the effective application due date and the date of award notification:* During 2009, the CDFI Fund sought to make Recovery Act awards within 120 days of enactment of the Recovery Act. Although CDFI did not meet its target, the notice of award was provided to awardees within 133 days of enactment. This is an improvement of 167 days, nearly 50 percent faster than fiscal year 2008.
- *Number of days between the date of award notification and the date by which at least 85 percent of award dollars have been disbursed:* During 2009, the CDFI Fund exceeded its goal to disburse 85 percent of all Recovery Act awards within 60 days of the date of award notification; 100 percent of awards were made in this time frame. This represents a 70 percent improvement from fiscal year 2008, going from 210 days to 60 days.
- *Number of full-time equivalent jobs created or maintained by businesses financed by CDFI Program awardees that receive Recovery Act funds:* The CDFI Fund has calculated that CDFI Program Recovery

Act awardees will create or maintain approximately 75,000 full time jobs through direct funding of loans to businesses that pay salary and wages.

## Native American CDFI Assistance (NACA) Program

Through the NACA Program, the CDFI Fund makes grants, loans, and other investments to CDFIs such as community banks, credit unions, loan funds and venture capital funds that deploy the funds in Native American communities or to Native American populations. The Recovery Act appropriated $8 million to the Fund to make awards through the NACA Program.

Treasury awarded NACA program financial assistance to 10 CDFIs committed to serving economically distressed Native American, Alaska Native, and Native Hawaiian communities across the nation. Recovery Act resources enabled the Fund to increase the size of awards from $650,000 to $750,000 in Financial Assistance awards and $150,000 in Technical Assistance or capacity building awards to high quality Native American CDFIs. In addition to increased funding for NACA, the Recovery Act waived the requirement for applicants to match the funds for fiscal year 2009 to ensure that current economic conditions did not impose a barrier to receiving NACA funds. Non-federal matching funds are required by statute to be in place to match the amount of the requested NACA award. The Fund selected the following three metrics to measure performance of this program:

- *Number of days between the effective application due date and the date of award notification:* During fiscal year 2009, CDFI did not meet its goal of making Recovery Act awards within 120 days of the enactment of the Recovery Act. Awards were provided to awardees within 134 days of the law's enactment. However this marked an improvement of 121 days, or nearly 50 percent, over the fiscal year 2008 level.
- *Number of days between the date of award notification and the date by which at least 85 percent of award dollars have been disbursed:* The CDFI Fund disbursed 100 percent of all Recovery Act awards within 60 days of the date of award notification, an improvement of 210 days (78 percent) over the fiscal year 2008 result of 270 days.
- *Number of full-time equivalent jobs created or maintained by businesses financed by NACA Program awardees that receive Recovery Act funds:* The CDFI fund anticipates that its Recovery Act awardees will create or maintain approximately 250 full time jobs through direct funding of loans to businesses that directly pay salary and wages. These loans are typically provided to very small businesses or micro-enterprises. Native CDFIs typically use awards to increase their net assets or loan loss reserves so that they may borrow additional private capital and significantly increase their lending capacity.

For the performance measures shown above for the CDFI and NACA programs related to job creation, the number of full-time equivalent jobs created or maintained is using a leveraged ratio, which reflects the normal bank leveraging of additional private capital to expand lending. Through December, 2009 approximately 1,000 jobs were created or maintained with the help of Recovery Act funds (this estimate excludes any leveraging effects). This information is based on reports from the Recovery Act recipients that are posted quarterly on ***FederalReporting.gov***.

## New Markets Tax Credit (NMTC) Program

NMTC facilitates investment in low-income communities by permitting taxpayers to receive a credit against Federal income taxes for making Qualified Equity Investments in designated Community Development Entities (CDEs) certified by the Department of the Treasury. The CDEs must, in turn, use substantially all NMTC-sourced financing to make loans and investments in businesses and real estate developments in low-income communities.

The Recovery Act provided $3 billion of NMTC allocation authority; $1.5 billion to be made available to applicants that had applied under the calendar year 2008 NMTC allocation round; and $1.5 billion to be made available under the 2009 NMTC allocation round. With this $3 billion, CDFI increased the volume of NMTC investments in low-income communities by 30 percent, and made NMTC awards to 56 CDE's across the country. The Fund uses the following 3 measures to track this program's performance:

- *Number of days between the date of award notification and the date by which at least 85 percent of allocation agreements have been signed by awardees:* The Fund's 2009 goal was to enter into allocation agreements with CDEs within 60 days of providing them with a notice of award, an improvement of 70 days (around 50 percent) better than the 2008 result of 130 days. The Fund exceeded this goal by having the awardees that were announced on May 21, 2009 sign agreements within 60 days. The second NMTC announcement results have not been finalized.
- *Percentage of total dollars that were invested by CDEs in "severely distressed" communities:* "Severely distressed" refers to census tracts with a poverty rate of a least 30 percent and/or a median family income at or below 60 percent of area median family income, and/or an unemployment rate at least 1.5 times the national average. The Fund estimates that at least 75 percent of NMTC proceeds invested by CDEs were invested in these severely distressed communities. Competition for tax credit authority is extremely high and faces a rigorous application process. The Fund selects CDEs willing to focus on severely distressed communities, to provide the most preferential rates and terms to borrowers, to commit to investing more than the required minimum 85 percent of proceeds into low-income communities.
- *Number of jobs (construction jobs and full-time equivalent jobs) created or maintained by businesses or real estate projects financed by NMTC investors.* CDFI is tracking its progress for the awardees that are able to create or maintain approximately 60,000 jobs through the leveraged funding of loans and investments to businesses and real estate developers. The Fund collects data on jobs created and maintained, including construction jobs, at each of the businesses and real estate projects financed by the CDE.

## Economic Recovery Payments Program

The Department of the Treasury's Financial Management Service (FMS) issued one-time payments of $250 to individuals who were, or are found to be, eligible for Social Security, Supplemental Security Income, Railroad Retirement Board, and Veterans Affairs benefits during November and December 2008, as well as January 2009. For people that became eligible after the initial payments were distributed, catch-up payments will be made through December 31, 2010. Treasury disbursed over $13.7 billion by issuing more than 55 million $250 Recovery Act payments. This accounts for 100 percent of the estimated payment volume. FMS processed almost 46.4 million (85 percent) of these payments electronically rather than by paper check, saving taxpayers over $17 million. The remaining 8.4 million payments (15 percent) were disbursed issuing paper checks. FMS also offset over 1 million Recovery Act payments for delinquent non-tax, state tax and child support debts valued almost $239 million. FMS developed the following performance measures to assess the impact of the funding provided to disburse the one-time Economic Recovery payments:

- *Percent of paper check and Electronic Funds Transfer (EFT) payments disbursed accurately and on-time:* Refers to the percentage of check and EFT payments that FMS disburses which are not duplicate or double payments. The term "on-time" means that FMS releases checks to the U.S. Postal Service and EFT payments to the Federal Reserve Bank so that normal delivery results in timely receipt by payees. During 2009 FMS set a target of 100 percent of payments disbursed accurately and on-time, and met this target at fiscal year's end.

- *Percent of Electronic Payments:* Refers to that portion of the total volume of FMS payments that were disbursed electronically. Electronic payments include transfers through the Automated Clearing House. FMS set a 2009 target of 82 percent for this measure. The actual result at fiscal year's end was almost 85 percent.
- *Unit Cost for Federal Government Payments:* This cost measure combines both paper and electronic payments, and includes the aftermath processes (reconciliation and claims) for both types of payment processes. FMS set a 2009 target of $0.40 per payment for this measure, and exceeded this target with a cost of $0.36.

## Payments for Specified Energy Property in Lieu of Tax Credits

Designed in collaboration with the U.S. Department of Energy, the Payments for Specified Energy Property in Lieu of Tax Credits program provides direct payments in lieu of tax credits for qualified renewable energy projects. Treasury Department assistance is equal to 30 percent of the qualifying cost basis of a renewable energy property, and payments are made within sixty days of the facility being placed in service. Projects funded under this program included fuel cell power plants and micro-turbines which convert fuel into electricity, projects that use solar power to generate electricity, small and large wind projects, geothermal property that generates electricity and thermal energy, and combined heat and power system property that generate electricity. Projects vary in size and capacity. Through December, Treasury had approved and awarded nearly $2 billion to 190 recipients, with these awards Treasury exceeded its public goal outlined by the Vice President to power 900,000 homes.

To measure the success of this program, the Department selected the following two performance metrics:

- *Cycle time in days between receipt of application and date of award:* The target for fiscal year 2009 was 60 days; the result achieved was 31.46 days, or 191 percent of target.
- *Cycle time in days between notification date and funding:* The target for fiscal year 2009 was five days; the result achieved was three days, or 167 percent of target.

## Payments to States for Low-Income Housing Projects in Lieu of Tax Credits

The Payments to States for Low-Income Housing Projects in Lieu of Tax Credits program provides direct payments to state housing agencies for investments in low income housing projects in place of existing low-income housing tax credit allocation. States may elect to receive all or a portion of their 2009 low-income housing tax credit allocation in the form of direct payments. Upon receiving notice of these awards, state housing authorities manage a competitive process to issue sub-awards to qualified developers. These sub-awards are subject to the same requirements as the low-income housing tax credit program including rent, income, and use restrictions. Through December, 92 applications had been received from 51 designated housing agencies. A total of $4 billion was awarded and $235 million has been drawn down by 31 states. Initial feedback to the Department suggests that the relatively low level of drawdown exists because state governments are evaluating their financial capacities and determining how to best provide funding needed to complete qualifying projects.

To measure the success of this program, the Department has selected the following two performance metrics:

- *Cycle time in days between receipt of application and date of award:* The fiscal year 2009 was 15 days; the result achieved was 7.15 days, or 209 percent of target.

- *Cycle time in days between notification date and funding:* The fiscal year target was five days; the result achieved was three days, or 167 percent of target.

## Tax Provision Implementation Program

The Recovery Act includes over 50 tax provisions providing over $300 billion in tax relief to households and businesses. These provisions are intended to reduce tax burden during a time of economic stress, and to spur economic growth. The provisions range from individual tax credits to renewable energy and energy conservation incentives, insurance premium benefits providing separated employees with assistance in meeting COBRA payments, tax incentives for businesses, and tax benefits for specified state and local government bonds. The most prominent tax provisions include:

- *Making Work Pay Credit*: A credit that provided $400 to $800 for many Americans through reduced payroll withholdings or refundable credit.
- *First-Time Homebuyer Credit Expansion*: Allows eligible first-time homebuyers to claim a refundable credit up to $8,000 without a payback requirement.
- *Build America Bonds:* Enables state and local governments to more readily be able to finance education, utility, transportation, and other public projects by issuing direct payment or tax credit bonds with deeper federal subsidy.
- *Energy Efficiency and Renewable Energy Incentives*: Allowed energy users and producers who utilize renewable energy sources or improve energy efficiency possible eligibility for tax incentives.
- *Net Operating Loss Carry-back for Small Businesses:* Eligible small businesses can claim 2008 business losses against tax liabilities incurred up to five years ago.
- *Sales Tax Deduction for New Vehicle Purchases*: Enables taxpayers who bought certain new vehicles in 2009 to deduct the state and local sales taxes.
- *Enhanced Credits for Tax Years 2009 and 2010*: Included enhancements to the earned income tax credit, additional child tax credit and the American Opportunity Tax Credit for higher education.
- *Up to $2,400 in Unemployment Benefits Tax Free in 2009:* Provided additional benefits for taxpayers that lost their jobs due to the recession.
- *COBRA: Health Insurance Continuation Premium Subsidy:* Provided expanded health insurance coverage for unemployed workers.

The IRS, goal has been to prepare systems and products in a timely manner, enabling taxpayers to take advantage of the Recovery Act's tax provisions and provide benefits to the economy as soon as possible. The Recovery Act appropriated $123 million to cover the administrative expenses needed to carry out implementation of this program. Implementation was accomplished via education and outreach, guidance and instructions, IRS programming and processing, compliance and reporting. Education and outreach assisted taxpayers with determining if provisions applied to them through issuance of news releases, publishing up-to-date information and posting questions and answers on IRS.gov, providing forums such as conference calls for discussion with targeted groups such as professional tax preparers, providing toll-free telephone assistance to taxpayers on the Recovery Act, and publishing fact sheets on the various provisions. Guidance and instruction informed taxpayers how to claim applicable credits through updating the appropriate tax forms, schedules, instructions, and publications, and issuance of Internal Revenue Bulletin Notices and Revenue Procedures. The IRS outreach efforts were designed to ensure that tax credits were correctly claimed, and that benefits were only going to those eligible.

IRS measured performance results of this program using the following metric:

- *Completion of plan activities affecting the 2009 and 2010 filing season:* Refers to the percentage of activities completed needed to implement Recovery Act provisions affecting the 2009 and 2010 filing season. For 2009, the IRS completed 100 percent of its activities that were planned.

## Tax Provision Program Accomplishments through 2009

Through the end of November 2009, $92.8 billion of tax relief was made available to taxpayers through the Recovery Act.

## Making Work Pay Credit

In 2009 and 2010, the Making Work Pay provision of the Recovery Act provided a refundable tax credit of up to $400 for working individuals and up to $800 for married taxpayers filing joint returns. The credit is calculated at a rate of 6.2 percent of earned income and phases out for taxpayers with modified adjusted gross income in excess of $75,000, or $150,000 for married couples filing jointly. Taxpayers benefit either by claiming the credit on their tax returns or through a reduction in the amount of federal income tax withheld from their paychecks. It is estimated that over 120 million households will benefit from this provision through 2010.

## First-Time HomeBuyer Tax Credit

The Housing and Economic Recovery Act of 2008 established a tax credit for first-time homebuyers to claim on their tax returns up to $7,500. . The Recovery Act expanded this credit by increasing the amount to $8,000 for purchases made in 2009 before December 1, 2009. The estimated benefit claimed by 630,045 taxpayers through November was over $4.6 billion. As a result of this program's success, the Worker, Homeownership and Business Assistance Act of 2009 was signed into law on November 6, 2009, which extended and expanded the tax credit. Eligible taxpayers must buy, or enter into a binding contract to buy, a principal residence on or before April 30, 2010 and close on the home by June 30, 2010.

## Build America Bonds

These bonds are tax credit bonds that provide a refundable credit or direct payment subsidy to State and local governments for 35 percent of their interest costs on taxable governmental bonds issued in 2009 and 2010 to finance capital expenditures, in order to promote economic recovery and job creation. Since the program's inception in early April through December, over $64 billion of Build America Bonds have been sold by 45 states in 779 separate issues representing roughly 22 percent of municipal debt sold in that time frame.

## Recovery Zone Bonds

These bonds are new tax-preferred bond programs created under the Recovery Act which are a modified type of Build America Bond. They provide a deeper federal direct payment subsidy of 45 percent of state and local governmental borrowing costs for eligible governmental projects in 50 states, over 3,000 counties, and over 250 large municipalities based on individual employment declines in 2008. Through November 2009, $565 million of Recovery Zone Economic Development Bonds were issued. The Recovery Act established allocation caps of $10 billion and $15 billion for these bonds for 2009 and 2010, respectively.

## Indian Tribal Economic Development Bonds

The Recovery Act added $2 billion in bond-issuing authority for Indian Tribal Governments. The new bond program gives Indian Tribal Governments the same broad flexibility afforded to state and local governments to use tax-exempt bonds to finance economic development projects, excluding certain gaming facilities, and helps to reduce associated borrowing costs. Two award rounds of $1 billion each were conducted; Treasury's Deputy Secretary Neal Wolin and New Mexico Governor Bill Richardson announced $1 billion in stimulus bond authority for 58 tribes across the country on September 15 in Albuquerque, New Mexico. The application deadline for the second round was January 2, 2010.

## Qualified School Construction Bond Allocation

The Recovery Act established an allocation cap of $11 billion for Qualified School Construction Bonds in 2009 to provide a federal subsidy for school construction financing to states and the 100 largest educational agencies based on school funding data. The bonds provide a federal tax credit to investors designed to cover 100 percent of the interest. Through December, 2009, $2.5 billion of Qualified School Construction Bonds were issued.

## Qualified Energy Conservation Bonds and Clean Renewable Energy Bonds

The Recovery Act established a cap of $3.2 billion for Qualified Energy Conservation Bonds. These bonds provide a subsidy for energy conservation-oriented repair and rehabilitation of public schools through a federal tax credit to investors intended to cover 70 percent of the interest on the bonds. New Clean Renewable Energy Bonds ("New CREBs") provide incentives for entities not eligible for renewable energy tax credits, such as public power providers, government bodies, and cooperative electric companies, to invest in renewable electricity generation. New CREBSs may be issued by qualified issuers to finance renewable energy projects. The Recovery Act expanded New CREBs by adding an additional $1.6 billion in bond issuing authority to bring total allocation to $2.4 billion. Based on applications received by August, 15th only $2.2 billion was allocated due to eligibility requirements.

## Net Operating Loss Carry Back

The Recovery Act extended the period from two to five years for business taxpayers to carry back a 2008 net operating loss (NOL) to offset taxable income in those preceding taxable years. This applies to business taxpayers that incurred an NOL for a taxable year ending December 31, 2007 and beginning January 1, 2010. This provision was extended and changed under the Worker, Homeownership, and Business Assistance Act of 2009 to include all businesses.

## Sales Tax Deduction for Vehicle Purchases

The Recovery Act authorized taxpayers to deduct state and local sales and excise taxes paid on the purchase of new cars, light trucks, motor homes, and motorcycles through 2009.

## Enhance Credits for 2009 and 2010 – American Opportunity Tax Credit

The Recovery Act, through the American Opportunity Tax Credit, expanded the number of parents and students that qualify for a tax credit to pay for college expenses for 2009 and 2010. The Recovery Act modified the existing Hope Credit by making the American Opportunity Tax Credit available to a broader range of taxpayers, including many with higher incomes and those who owe no tax; by adding required course materials to the list of qualifying expenses; and by allowing the credit to be claimed for four years of post-secondary education instead of just two. The full credit is available to individuals, whose modified adjusted gross income is $80,000 or less, or married couples filing joint returns whose modified adjusted gross income is $160,000 or less. The credit phases out for taxpayers with incomes above these levels. The maximum annual credit is $2,500 per student. The total 2009 benefit by fiscal year's end was estimated at $328 million.

## COBRA Health Insurance Continuation Premium Subsidy

The Recovery Act provides a 65 percent subsidy for up to nine months to help involuntarily terminated workers maintain their health care coverage through payment of COBRA continuation premiums for themselves and their families. Eligible workers are required to pay 35 percent of the premium to their former employers. The employers are required to pay the full premium, but are entitled to a credit of 65 percent of that premium on their payroll tax returns. To qualify, a worker must have been involuntarily terminated between September 1, 2008 and December

31, 2009. Through November, more than $803 million in COBRA credits had been claimed by employers.

## Health Insurance Tax Credit Administration Program

Funding for the Health Insurance Tax Credit Administration program enabled the IRS to update systems and products for implementation of the Health Coverage Tax Credit (HCTC). The credit helps workers and retirees that lost their jobs as a result of trade agreements to continue to receive affordable health care. The Recovery Act increased the tax credit to 80 percent of qualified health insurance premiums, up from 65 percent, beginning in April 2009. The HCTC is administered by the IRS, but the U.S. Department of Labor, state workforce agencies and the Pension Benefits Guaranty Corporation determine eligibility for HCTC recipients. The Recovery Act changed HCTC in several other ways including:

- Reimbursement for premiums paid while enrolling in the monthly HCTC Program, beginning August 2009
- Allowing workers' and retirees' family members to continue receiving the HCTC after certain life events, beginning January 2010
- Expanding eligibility to a wider range of people, beginning May 2009

IRS uses the following two metrics to gauge performance of this program:

- *Cost per Taxpayer Served:* The cost per taxpayer served was $16.94 in fiscal year 2008. The target set by IRS for fiscal year 2009 was $17.00. The fiscal year 2009 actual was $13.79. Thus, 123 percent of target was achieved, a decrease of 18.6 percent versus 2008. IRS's goal is to maintain current performance despite increased volumes due to program expansion. IRS plans to establish a new baseline for this measure in fiscal year 2010.
- *Sign-up Time:* Reflects the median number of days between the day the IRS sends program kits to potential recipients and the day recipients enroll and remit their first payments to the IRS. The sign up time was 94 days in fiscal year 2008, and IRS set a target for fiscal year 2009 of 97 days. 106 percent of the target was achieved at 91.3 days, a nearly three percent improvement over the prior year. IRS's goal is to maintain current performance despite increased volumes due to program expansion, and establish a new baseline for this measure in 2010.

## Tax Provision Oversight

The Internal Revenue Service (IRS), in managing tax collection and provision of tax credits, has a substantial role in the successful implementation of the Recovery Act. The Treasury Inspector General for Tax Administration (TIGTA), in its oversight role of the IRS, has been tasked with monitoring and evaluating the IRS's administration of Recovery Act programs, grants, contracts, and funding. The Recovery Act authorized an appropriation of $7 million to TIGTA, available through September 2013, to be used for oversight of IRS programs. TIGTA's role, an extension of its customary duties, includes accounting for IRS monies expended, pursuing those who seek to defraud the Government, holding government officials accountable for administering Recovery Act funds, and conducting analysis contributing to program transparency. TIGTA will perform audits to ensure that IRS's systems and programs are operating effectively, efficiently, and economically in their activities related to this legislation. TIGTA developed an Oversight Program Plan to address the many tax law provisions that IRS is charged with administering. TIGTA will continue to provide oversight to IRS's Recovery Act implementation through 2013.

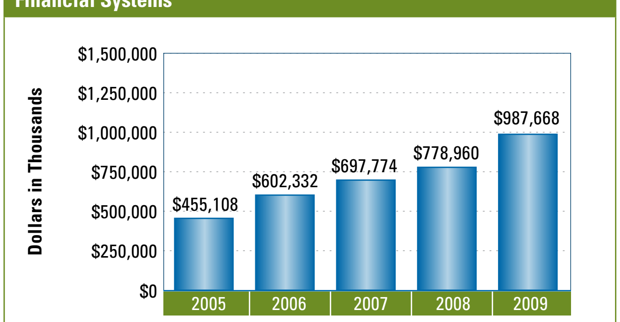
# Strategic Goal: Prevented Terrorism and Promoted the Nation's Security Through Strengthened International Financial Systems

## STRATEGIC OBJECTIVE: Pre-empted and neutralized threats to the international financial system and enhanced U.S. national security

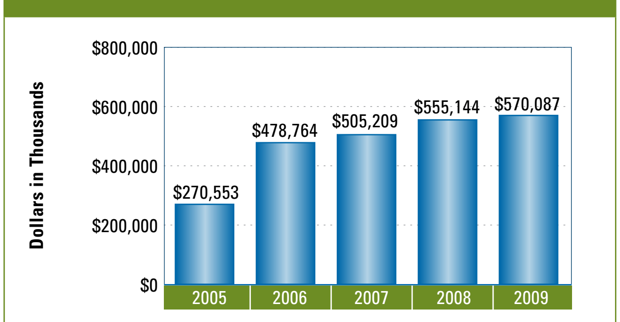
The Office of Terrorism and Financial Intelligence (TFI) is the only organization solely devoted to using financial means to track, degrade, and disrupt threats to U.S. national security. TFI impairs potential threats to U.S. national security from financial and other support networks of terrorists, weapons of mass destruction (WMD) proliferators, drug traffickers, rogue regimes, and other criminals. In order to ensure confidence in U.S. and world financial systems, the office works to keep them accessible to legitimate users and avoid exploitation by others. Its unique capabilities leverage intelligence, law enforcement, sanctions, regulatory, and diplomatic tools to achieve Treasury's strategic objective. This is accomplished through the unification of four offices and a bureau within the Department:

- The Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions
- The Office of Terrorist Financing and Financial Crimes (TFFC) is the policy and outreach apparatus for TFI
- The Office of Intelligence and Analysis (OIA) provides all-source intelligence analysis, leads the Department's integration into the larger Intelligence Community, and provides support to Department leadership on a full range of economic, political, and security issues
- The Financial Crimes Enforcement Network (FinCEN) is responsible for administering the Bank Secrecy Act (BSA) and other regulatory functions; supporting law enforcement investigations and prosecutions, sharing information domestically and with counterpart foreign financial intelligence units, enhancing financial anti-fraud efforts, and improving international money laundering and counter-terrorist financing efforts
- The Treasury Executive Office of Asset Forfeiture administers the Treasury Forfeiture Fund, which is the receipt account for the deposit of non-tax forfeitures

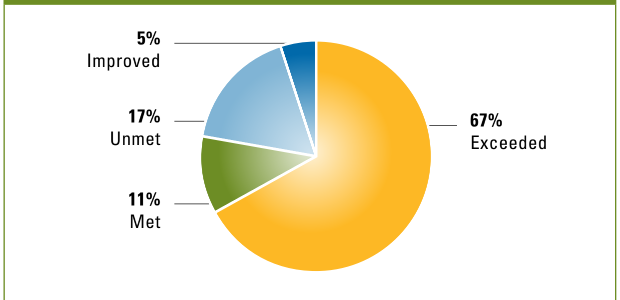
**Budget (Direct & Non-Appropriated): Prevented Terrorism and Promoted the Nation's Security Through Strengthened International Financial Systems**



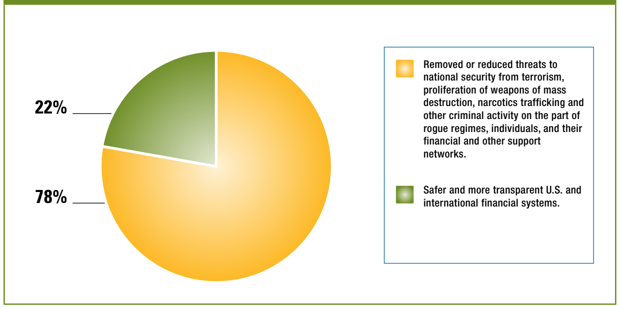

**Performance Cost: Prevented Terrorism and Promoted the Nation's Security Through Strengthened International Financial Systems**



**Fiscal Year 2009 Results: Pre-empted and neutralized threats to the international financial system and enhanced U.S. national security**




**Performance Cost by Outcome**




The outcomes associated with this objective are:

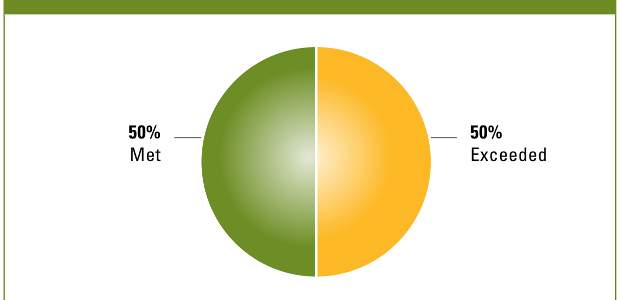
- Removed or reduced threats to national security from terrorism, proliferation of weapons of mass destruction, drug trafficking and other criminal activity on the part of rogue regimes, individuals, and their support networks
- Safer and more transparent U.S. and international financial systems

## REMOVED OR REDUCED THREATS TO NATIONAL SECURITY FROM TERRORISM, PROLIFERATION OF WEAPONS OF MASS DESTRUCTION, DRUG TRAFFICKING AND OTHER CRIMINAL ACTIVITY ON THE PART OF ROGUE REGIMES, INDIVIDUALS, AND THEIR SUPPORT NETWORKS

Based on the performance results Treasury was generally successful in achieving this outcome in fiscal year 2009.

### *Fiscal Year 2009 Results*

**Removed or Reduced Threats to National Security**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 1 | 50% |
| Favorable downward trend | ▼ | 0 | 0% |
| Unfavorable upward trend | ▲ | 0 | 0% |
| Unfavorable downward trend | ▼ | 0 | 0% |
| No change in trend, no effect | ▶ | 0 | 0% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 1 | 50% |
| Total | | 2 | 100% |
| Discontinued | DISC | 3 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Impact of TFI programs and activities | DO | N/A | B | 7.81 | 100.0% | B | Met | 7.4 | B | B |
| Percent of forfeited cash proceeds resulting from high-impact cases (%) | T Forfeiture Fund | 86.91% | 75% | 87.65% | 116.9% | 100.9% | Exceeded | 75 | ▶ | ▲ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

TFI discontinued all of its previously reported performance measures and began applying its composite performance metric "Impact of TFI programs and activities" during fiscal year 2009. This metric consists of four overall focus areas, with additional detailed focus area components. These components align to performance goals established by TFI. In fiscal year 2009 this metric achieved a 7.81 rating out of 10 possible points. The rating is determined by taking each focus area components score and averaging across TFI. The external review process for this performance metric still needs to be developed, but the implementation of this measure is a large step in the effort to measure performance for a policy office that also has operational responsibilities.

| TREASURY OUTCOMES | PERFORMANCE GOALS | FOCUS AREA |
|---|---|---|
| Removed or reduced threats to national security from terrorism, proliferation of weapons of mass destruction, drug trafficking and other criminal activity on the part of rogue regimes, individuals, and their support networks<br><br>Safer and more transparent U.S. and international financial systems | TFI effectively employed tools and authorities to further U.S. Government policy objectives and mitigate national security threats. | Impact of policymaking, outreach, and diplomacy |
| | | Impact of Economic Sanctions |
| | Support the formulation of Treasury policy and the execution of departmental authorities through all-source analysis of the global financial network. | Impact of information and analysis |
| | Provide Treasury Department decision makers with timely, accurate, and relevant intelligence support on the full range of economic, political, and security issues. | |
| | Anti-money laundering and combating financing of terrorism regulations are administered effectively and efficiently. | Impact of regulatory activity on transparency of financial systems |

## Designated Individuals and Entities

OFAC designated 319 individuals and entities during fiscal year 2009, pursuant to sanctions programs it administers. Designations constitute the identification of foreign adversaries and the networks of companies, other entities, and individuals that are associated. Pursuant to an Executive Order or statute, U.S. persons are then prohibited from conducting transactions, providing services, and having other dealings with those designated. The designations made this year varied across a range of sanctions programs and areas across the globe, including narcotics, WMD proliferation, terrorism, Zimbabwe, Burma, and the Democratic Republic of the Congo. In fiscal year 2009 some key designations included:

- The financial networks of Mexican drug traffickers and the designation of 20 individuals and 22 entities, including four leaders of the Gulf Cartel, Los Zetas and a Mexican financial network.
- Continuing to target the Revolutionary Armed Forces of Colombia (FARC), a narco-terrorist group, three of the FARC's international representatives as well as a FARC financial network were designated.
- Two entities owned or controlled by the Cali-based Rodriguez Orejuela drug trafficking organization. This designation assisted a Colombian law enforcement investigation that resulted in the arrest and ultimate guilty pleas by key members of the Rodriguez Orejuela organization.
- Twenty-five individuals and entities pursuant to the Junta's Anti-Democratic Efforts Act and Executive Orders 13448 and 13464 with respect to Burma were designated to continue targeting business associates of the Burmese government and their financial networks in Burma and Singapore.
- Twenty-eight individuals and entities under Executive Order 13224 with respect to terrorism, including Al Qaeda operatives in Iran and Iraq, four Pakistani targets supporting Al Qaeda and Lashkar-e-Tayyiba, and Hizballah's main construction company.
- Concluding a nearly six-year investigation of the international freight forwarder DHL, OFAC and the Department of Commerce's Bureau of Industry and Security entered into a global settlement agreement with the company, resulting in OFAC's biggest settlement or penalty to date.

## Private Sector Cooperation

The extent to which private sector entities cooperate with Treasury in administering targeted financial measures is a key indicator of TFI's success. Many members of the international banking community voluntarily exceed their own legal security requirements because they do not want to handle illicit business. Such institutions do this in the spirit of good corporate citizenship and out of a desire to protect their reputations. As a result, foreign private sector voluntary actions have amplified the effectiveness of government-imposed measures. As private sector institutions sever relationships with an entity targeted by Treasury, other institutions face increasingly high reputational risks when doing business with that entity. Consequently, many foreign banks tend to follow the lead of their peers. In turn, such voluntary implementation makes it even more palatable for their own governments to impose similar measures, thus creating a mutually-reinforcing cycle of public and private action.

Examples of private sector cooperation in fiscal year 2009 include:

- Regulated financial institutions demonstrated a high level of awareness of and compliance with OFAC sanctions programs, blocking or rejecting 5,856 items involving more than half a billion dollars in assets.
- In the securities industry, the Securities & Exchange Commission and the Depository Trust & Clearing Corporation issued a final rule on September 11, 2009, providing that all those who utilize the Depository Trust Company, the National Securities Clearing Corporation, and the Fixed Income Clearing Corporation must now

file biannual reports certifying that they maintain active OFAC compliance programs.

- On October 2, 2008, OFAC designated 10 individuals and six companies connected to the Amezcua Contreras drug trafficking organization, including a pharmaceutical company that diverted pseudoephedrine to drug traffickers for the production of methamphetamine. Following OFAC's designation, a Mexico's office of the Attorney General blocked bank accounts of those identified. Mexican authorities acted again to block accounts when OFAC followed up with eight new designations. In the United States, $2.7 million was blocked and a $2 million aircraft purchase was cancelled.
- Many non-U.S. banks have, as a routine practice, closed the accounts of all individuals and entities on the OFAC SDN list as a prudential and business matter. For example, many Latin American banks have advised OFAC that they rely on the SDN list as part of their due diligence in identifying high-risk account holders. Non-U.S. companies that are not required to comply with U.S. sanctions often refuse to work for, supply, or otherwise do business with SDN commercial enterprises or employ persons on the SDN list, thereby further isolating them commercially. As a result, designated persons are impeded from functioning effectively in the legitimate economy or business world. As of September 2009, public records in Colombia and other countries show that hundreds of companies named as SDNs have dissolved, are in the process of dissolution, or are inactive.
- In response to OFAC actions, the private sector has taken upon itself to increase transparency in the payment system by developing a new payment type requiring full transparency in cover payments, a payment method that had previously made it possible to easily transfer funds through the U.S. financial system in violation of U.S. sanctions.

Treasury's success in conducting outreach through industry counterparts, charitable organizations, and financial institutions to ensure awareness of money laundering threats and vulnerabilities also helps create a positive response by the private sector. The Department has incorporated a high-level of private sector engagement with these entities around the world, raising awareness of these risks and encouraging financial institutions to remain vigilant. Thanks in part to this comprehensive effort, the international community has become increasingly sensitive to these risks, as shown by a number of actions taken over the past few years.

One initiative completed is the series of private sector anti-money laundering/counter-terrorist financing (AML/CFT) dialogues that link the U.S. banking sector with those from the Latin American and the Baltic regions, with the support of relevant financial and regulatory authorities. TFFC continued to work closely with Baltic banking authorities in the context of the U.S-Baltic Private Sector Dialogue (PSD). The U.S. financial community has demonstrated significant support for this initiative, which seeks to facilitate the exchange of information and promote strong AML/CFT practice in the region. The U.S.-Baltic PSD met October 2-3, 2008 in Vilnius, Lithuania and TFFC held an event that focused on the PSD issues with the Association of Latvian Commercial Banks in May, 2009. A second event is organized for the U.S.-Baltic PSD, in fiscal year 2010 in Tallinn, Estonia.

In June 2006, TFFC launched the U.S.-Latin America Private Sector Dialogue to establish a permanent dialogue between the United States and Latin American financial sectors. This initiative, which began as a roundtable in Washington, D.C, seeks to achieve better relations and coordination between correspondent financial institutions in these regions. Several events have taken place, with the most recent being in Buenos Aires, Argentina from October 1-2, 2009. Over 200 participants from 20 different countries representing regulators and the financial sector in the United States and Latin America attended this conference. Private sector entities throughout the region remain heavily engaged in these discussions and continue to play a proactive role in defining the U.S.-LA PSD agenda, particularly through their domestic and regional banking associations. The dialogues raised awareness of terrorist financing and money laundering risks, facilitate a better understanding of effective practices and programs to combat such risks, and strengthen implementation of effective AML/CFT controls.

## Charitable Outreach

Direct private sector outreach is a particularly important element of the U.S. approach to safeguarding charities from terrorist abuse. The government and the charitable sector share fundamental interests in promoting and protecting charitable giving. TFFC spearheads a Muslim-American outreach initiative, which includes meeting with a variety of Muslim-Arab American community organizations in order to raise awareness of the risk of terrorist financing and measures to minimize such risks. TFFC participates in several interagency outreach efforts, hosted by the Department of Justice as well as the Department of Homeland Security. Following the President's June address in Cairo, which cited the need to facilitate charitable giving, or *zakat,* for Muslim-Americans, Treasury held meetings with approximately 19 Muslim-American community leaders, representing over a dozen organizations, to discuss ways in which Treasury could work cooperatively with the community to protect and facilitate charitable giving in certain key regions. Throughout fiscal year 2009, TFFC held 17 separate outreach events or meetings related to terrorist financing with Muslim-American and Arab-American community leaders.

Another way Treasury initiates its outreach to the private sector is by issuing guidance to the charitable sector. It is a critical part of Treasury's comprehensive strategy to raise awareness and minimize the risk of terrorist exploitation of charities. During 2009 Treasury met with the Treasury Guidelines Working Group, which represents major U.S.-based charities, foundations and philanthropic groups, and began revising its Anti-Terrorist Financing Guidelines: *Voluntary Best Practices for U.S-Based Charities*. It is expected that the group will submit a proposal concerning revision of the guidelines by the end of the 2009 calendar year.

## Enforcement and Civil Penalties

In fiscal year 2009, OFAC increased its collaboration with law enforcement agencies and the Intelligence Community through its participation in Immigration and the Customs Enforcement's National Export Enforcement Coordination Network. OFAC issued 34 Cease & Desist Orders, 507 Cautionary Letters, 96 referrals to a special Financial Sector Evaluation Committee, and 28 Blocking Notices. A total of 510 financial institution cases were brought to closure; 340 OFAC license history checks were conducted for other agencies and nearly 30 criminal referrals were made to law enforcement.

The imposition of civil monetary penalties is an important function of enforcing sanctions. In fiscal year 2009, OFAC's Civil Penalties Division issued civil penalties totaling nearly $14 million, including major penalties against DHL, and ANZ Bank, and several cases involving Iranian shipping. This is $10 million more than last year. A total of 191 open civil penalty cases were resolved within the statute of limitation period, compared to 233 closed in fiscal year 2008. The decrease was attributed to Treasury's focus on larger, more complex cases that take more time to process.

## Licensing and Regulations

OFAC's licensing authority serves to carve out exceptions to the broad prohibitions imposed under sanctions programs, ensuring that only transactions consistent with U.S. policy are permitted. The Licensing Division reviews, analyzes, and responds to thousands of requests each year for specific licenses covering a broad range of trade, financial and travel-related transactions, including exporting and importing goods and services. In fiscal year 2009, OFAC employed its licensing discretion and outreach function to ensure the focused impact of sanctions.

OFAC issued a final rule to amend Cuban Assets Control Regulations that eased restrictions on family visits, family remittances, and telecommunications in Cuba to effectuate the President's policy and an act of Congress. Within hours of the law's effect, OFAC had posted the general license on its website. OFAC played a direct role in effectuating foreign policy goals by writing and quickly publishing regulations to loosen or tighten sanctions as appropriate, including alleviating humanitarian situations or supporting foreign policy goals. For example, OFAC drafted general licenses for Sudan to remove certain requirements for sales of food and medicine to South Sudan and to expand a general license for diplomatic missions of the Government of South Sudan to the United States.

OFAC closed approximately 30,000 licensing matters in fiscal year 2009 and reduced its pre-2009 licensing backlog by approximately 69 percent. An almost 50 percent reduction was achieved in processing times for licensing cases involving wire transfers and transactional licensing.

## Lifted sanctions on 125 individuals or entities from the SDN list

OFAC deployed new automation that accelerates the publication of the SDN list dramatically, reducing the amount of time it takes to prepare an SDN-related publication. OFAC took several actions to lift sanctions on 124 individuals and one entity, where the designated person had changed behavior or severed ties and no longer fit the criteria of designation. As a result, dozens of front companies within the target networks have been liquidated and no longer facilitate illicit business activities. The impact of designations often changes the targets' behavior. Costly or time-intensive evasive steps to divest or transfer their property interests, change company names and/or create new companies to hide their property interest in order to avoid OFAC sanctions are also taken. For example, in November 2008, 21 individuals were removed from OFAC's SDN list as a result of their severing ties with Colombia's notorious Cali drug cartel and assisting Colombian authorities. This action resulted from close cooperation with the Colombian Government. These actions represent a success for OFAC's targeting efforts as they stemmed from a change of behavior by the targeted parties or a change of ownership of targeted entities. This type of information provided by Treasury reveals the cartels' support network, allowing law enforcement to dismantle these entities.

## Strengthened measures against Iran to protect U.S. national security

Since taking action against a large Iranian bank, Bank Saderat, in September 2006, Treasury has led an ongoing effort to warn the world about the threat Iran poses to U.S. security and the integrity of the international financial system. This effort has developed a global consensus. In fiscal year 2009, the Financial Action Task Force (FATF), the global standard-setting body to combat money laundering and terrorist financing, issued its fourth warning alerting countries to strengthen measures to protect their financing sectors. Treasury has continued to strengthen its efforts to ensure that Iran is restricted from the U.S. financial system, while encouraging other countries to do the same. The Department of the Treasury responded to the FATF warning one month after it was issued. Treasury hindered Iran's ability to financially support illicit activities by revoking an existing "U-turn" license for Iran, further restricting Iran's access to the U.S. financial system. This license had allowed certain Iran-related funds transfers involving offshore parties to pass through the U.S. financial system. Treasury maintained its designations of Iranian financial institutions and individuals due to proliferation concerns and implemented several new designations. The Department, through the FATF, will continue to strengthen its measures and encourage other countries to enhance vigilance over all business with Iran.

Treasury has continued to take actions and implement preventive measures to protect the international financial sector from the illicit finance risk posed by Iran. As part of this effort, Treasury has incorporated a high-level of private sector engagement with banks all around the world, raising awareness of these risks and encouraging financial institutions to remain vigilant. Thanks in part to this comprehensive effort, the international community has grown increasingly sensitized to these risks, manifested by a number of actions taken over the past few years. The FATF supported its previous statements issued on Iran by reaffirming the February 2009 call for members to apply effective countermeasures to protect their financial sectors from risks posed by Iran.

Numerous international banks in Europe, China, and the Middle East have reduced or terminated business involving Iran. They are refusing to issue new letters of credit to Iranian businesses. In addition, many European export credit agencies have stopped approving new credit guarantees for projects in Iran, directly impacting European foreign direct investment in Iran. As a result of economic sanctions, the Government of Iran has been forced to engage in evasive strategies in order to bypass the many prohibitions on trade and commercial transactions with U.S. persons. The Government of Iran has been forced to rely on front companies, mostly located in the Persian Gulf area, and smugglers in order to access U.S. goods and services.

## Demonstrated action in key regions

TFFC worked with key regions to promote strong anti-money laundering and counter financing of terrorism (AML/CFT) regimes worldwide. A key aspect of strengthening AML/CFT regimes is conducting country assessments to determine the level of those countries' compliance with international AML/CFT standards. These evaluation reports identify deficiencies and ways to strengthen each country's AML/CFT regime. In fiscal year 2009, TFFC staff participated as an assessor in four mutual evaluations, including South Korea, Saudi Arabia, Pakistan and Serbia.

Adoption of the mutual evaluation triggers a follow-up review, which establishes an avenue for TFFC to encourage additional measures to strengthen a country's AML/CFT regime. For example, building upon mutual evaluation feedback, the South Korean government revised its basic money laundering law, expanded AML/CFT supervision and inspections, adopted a stronger stance on non-compliance sanctions, established a counterterrorism coordination committee and strengthened Financial Intelligence Unit analysis and human resources. In response to the 2008 Montenegro mutual evaluation feedback, Montenegro took specific steps during 2009 to improve its AML/CFT regime, including issuing instructions on risk analysis, know-your-client procedures and guidance on recognizing suspicious transactions.

Treasury's efforts throughout fiscal year 2009 raised the profile of illicit finance with Saudi Arabia counterparts, through bilateral engagement at both senior and staff levels and enhanced information sharing, helping to cause a sea change in the U.S.-Saudi relationship and the Saudi approach to terrorist financing. A new Riyadh Treasury Attaché position was filled during fiscal year 2009, directly contributing to a greater U.S. Embassy and Saudi focus on illicit finance. This in turn has helped strengthen overall U.S.-Saudi counterterrorism cooperation, which has fostered a greater Saudi commitment to combat al Qaida in the public realm, demonstrated by publication of a list of 85 most-wanted al Qaida associated individuals located outside the Kingdom, and by prosecuting over 300 individuals on terrorism charges, including terrorism financing.

In fiscal year 2009 TFFC established a whole-of-government interagency Illicit Finance Task Force, bringing together the intelligence and policy communities to coordinate initiatives targeting illicit finance flows in Afghanistan and Pakistan. Working groups and senior leadership of this task force met roughly 15 times between August and the close of the fiscal year, and carried out extensive electronic communication to execute group work products. TFFC detailed a policy advisor to the State Department's Special Representative for Afghanistan and Pakistan office in June, with the result of substantially enhancing coordination between Treasury and State and amplifying U.S. government efforts to combat illicit finance in the Afghanistan and

Pakistan region. TFFC also deploys attaché officers to Kabul and Islamabad to strengthen the focus on combating illicit financial activities within U.S. Embassy operations and among counterparts in the region.

## International Training and Workshops

TFFC conducted several regional workshops in 2009 to enhance awareness around AML/CFT legal and regulatory deficiencies, and build national capacity to counter illicit financial activity. TFFC hosted and led a regional Targeted Financial Sanctions Workshop in Rabat, Morocco in January 2009. The purpose of the workshop was to address implementation challenges, listing processes and enforcement activities for United Nations Security Council Resolution (UNSCR) 1267 sanctions among North African countries. Morocco, Libya, and Algeria each contributed representatives to the event and the U.S. delegation also conducted bilateral meetings with each country. The event provided an opportunity for engagement among the region on issues that had not been addressed in such detail before. Other workshops similar to this were held throughout fiscal year 2009 to enhance countries awareness and increase their ability to implement recommendations.

Treasury also provides assistance to countries regarding development and implementation of effective sanctions regimes. For example, in January 2009 TFFC implemented a regional workshop in Rabat, Morocco to assist North African governments in strengthening their sanctions regimes against terrorist threats, and in particular their targeting and pre-designation authorities and processes in order to submit more successful proposals to the UN 1267 Committee for designation of al Qaida and Taliban-related threats. Participating countries included Morocco, Egypt, Algeria and Libya. In May 2009, Treasury led a presentation for a series of expert-level U.S.-EU workshops on combating terrorism finance. About 120 participants from EU member states and institutions, the U.S., and the UN 1267 Monitoring Team attended the workshop. In addition to discussions on sanctions, this workshop addressed U.S.-EU cooperation in three new areas of countering terrorist financing.

## The United Nations Al-Qaida and Taliban Sanctions Committee

The UNSCR 1267 Sanctions Regime on al Qaida and the Taliban was further strengthened through UNSCR 1822 adopted on June 30, 2008, and for which implementation began in the Fall of 2008 and is ongoing. Treasury plays a central role in implementation of many of these enhancements, in addition to ongoing listing of new individuals and entities to this list. Key UNSCR 1822 reforms include: (1) a comprehensive review of the approximately 500 names on the 1267 Consolidated List to be completed by June 2010; (2) following completion of the comprehensive review, a review of each name on the 1267 Consolidated List at least every three years; (3) the establishment and posting on the 1267 Committee's website of narrative summaries of reasons for the listing of each designated individual and entity; and (4) updates to the 1267 Committee's listing and de-listing procedures. To date, Treasury has reviewed approximately 250 names in the first 3 tranches under the Consolidated List comprehensive review; and 43 persons have been de-listed from the Consolidated List (as of September 23, 2009). The 1267 Committee began posting narrative summaries on its website in March 2009 and 123 narrative summaries had been posted on the Committee's web site through September 30, 2009. Additionally, in response to legal challenges of sanctions designations in Europe in particular, Treasury has been very responsive in providing counterparts information on specific designations over the past year to help support maintenance of these listings.

## Protecting the international financial system from abuse by North Korea

North Korean provocations in the spring of 2009, including a second nuclear test and missile launches, are a clear violation of UNSCR 1718. On June 12, 2009, the Security Council adopted a new resolution 1874, which established broader measures to address North Korea's WMD program and other illicit activities. Working to fully implement the financial provisions in UNSCR 1874, Treasury has worked closely with the international community to impose sanctions against additional North Korean targets, including the first-ever asset freeze against a key North Korean nuclear procurement entity.

Similarly, Treasury on June 18, 2009, issued an advisory to alert U.S. financial institutions to their obligations under the North Korea UNSCR and other steps they should take to protect themselves from risks posed by North Korea's illicit financial conduct. Treasury also participated in interagency delegation visits to key countries led by U.S. Coordinator for Implementing UNSCR 1874 Ambassador Philip Goldberg. The interagency team met with senior officials and relevant bank representatives to discuss the implementation of the resolution and encourage countries to alert their financial sector of the need for enhanced scrutiny of North Korean customers, transactions, and banks. These visits included: China, Malaysia, Russia, Singapore, Thailand, South Korea, Japan, the United Arab Emirates, and Egypt. Treasury will continue to build strong international cooperation on these issues and to amplify efforts currently underway to mitigate the increased risk that North Korea and North Korean entities pose to the international financial systems.

## Timely, accurate, relevant intelligence support

OIA's mission is to support the formulation of policy and execution of Treasury authorities. It executes its mission by providing expert intelligence analysis and production on financial and other support networks for terrorist groups, proliferators, and other key national security threats and by providing timely, accurate, and focused intelligence support on the full range of economic, political, and security issues.

To further these objectives, in fiscal year 2009 OIA established the Office of Reports and Requirements, significantly improving its ability to drive collection of intelligence in response to Departmental requirements – particularly on key terrorist finance, licit and illicit activities, and proliferation finance.

In fiscal year 2009, OIA implemented its Global Finance Initiative, which addresses the Global Financial Network through a comprehensive approach to financial intelligence. This allows the U.S. Government to better confront national security challenges and protect the integrity of the financial system. This initiative strengthens analysis, collection, and intelligence integration on licit and illicit activities related to the Global Financial Network, including emerging and high-priority threats.

OIA is in its third year of conducting its annual survey to measure customer satisfaction with the timeliness, accuracy, and relevance of intelligence products. Survey results for fiscal year 2007 showed that 83 percent of customers were strongly satisfied with OIA's counterterrorism-related products. In fiscal year 2008, the survey was refined and results showed that 82 percent of OIA's customers were strongly satisfied with the accuracy, timeliness, and relevance of finished intelligence products and intelligence support on the full-range of issues. The fiscal year 2009 results showed a 94 percent customer satisfaction rating. For fiscal year 2010, the survey base will be expanded to other Intelligence Community customers outside of the Treasury Department.

## Conclusion

In fiscal year 2009, the Department discontinued using all of its performance measures that were previously reported. These measures are now used as indicators for the new composite measure that was developed in fiscal year 2009. Previously, the Department's measures were output oriented and did not reveal the impact of the organization, only recognizing the workload. The newly developed measure is a better indication of how well Treasury is achieving its national security strategic goal and objective. With an external validation process and methodology for collecting the performance information this measure will create a strong basis for determining TFI's performance.

## Moving Forward

In fiscal year 2010, OIA will expand its analysis, to include additional regions/areas of interest such as Mexico, corruptions, terrorist use of the Internet, and international organized crime and further contribute to interagency intelligence products such as the President's Daily Briefing, National Terrorism Bulletins, and Economic Intelligence Briefings. OIA will drive the Intelligence Community collection on financial intelligence issues through its Office of Reports and Requirements and launch an official reporting program, allowing Treasury to author reports containing information it obtains overtly through its unique access and authorities and disseminate this information to the Intelligence Community.

Targeting the financing of proliferation networks, including those associated with terrorists seeking WMD, is a key component to deter, disrupt, and prevent the spread of WMD. OIA leads Treasury's effort to identify, monitor, and assess the evolution of proliferation finance networks and supports the use of targeted financial measures against them. In fiscal year 2010, OIA proposes to expand these activities to ensure Treasury's continued progress in disrupting proliferation networks as they evolve and adapt, as well as to respond to emerging proliferation threats posed by nation-states that challenge the U.S. interests such as Iran and North Korea.

In the next year, OIA will also continue to play a leading role in the Afghanistan Threat Finance Cell, a Kabul-based interagency task force charged to enhance the collection, exploitation, analysis, and dissemination of intelligence to combat funding and support for the Taliban and other terrorist/insurgent networks in Afghanistan. OIA is also expanding its analytic efforts on official corruption in Afghanistan.

Additionally, OIA will continue to develop its Counterintelligence and Security Initiative, implemented this past year, to support the Department's ability to detect and thwart threats to Treasury personnel, programs, and information, and prevent espionage, as well as identify and neutralize or mitigate threats from compromise.

In fiscal year 2009, TFFC contributed, with interagency partners, to the published FATF typology studies on money laundering through the football sector and vulnerabilities of casinos and the gaming sector. In its on-going work to help law enforcement and financial institutions identify trade based money laundering, TFFC is co-chairing an additional typologies report on Free Trade Zones for the FATF. Through this report TFFC is exploring other vulnerabilities in the trade system, with a view to identifying other measures that could be considered in combating illicit use of the trade system. In particular, TFFC is working with the U.S. Immigration and Customs Enforcement to ensure that Trade Transparency Units are being utilized to investigate criminal offenses such as money laundering and terrorist financing.

Despite the work Treasury has done in and prior to fiscal year 2009, there is still room for improvement to implement AML/CFT laws in key countries. In particular, the Administration is working to encourage Pakistan to build on the progress it made as a result of its mutual evaluation. Its anti-money laundering law should be made permanent and investigations and prosecutions for money laundering and terrorist financing offenses must occur**.** Additionally, many Gulf countries have yet to adequately protect against vulnerabilities from cash courier systems.

TFFC will create and execute strategies to combat the funders, facilitators and enablers of financing for terrorism, proliferation, financial crime and other illicit activity, while continuing to provide policy guidance and financial intelligence to national security and law enforcement agencies. TFFC will build upon existing programs for targeted financial actions to isolate violent extremist groups, including al-Qaida and the Taliban, as well as state sponsors of terror, such as Iran. TFFC will develop policies to reinforce OFAC's designations to disrupt and dismantle financial networks underlying WMD proliferation, including those associated with Iran and North Korea. Continuing to advance discussions within the FATF on existing AML/CFT international standards will also be a priority for TFFC, including a specific focus on how standards should be augmented, altered or applied to increase effectiveness. TFFC will also work to promote global implementation of the standards through the eight FATF-style regional bodies.

In fiscal year 2010, OFAC will strengthen its capacity to investigate effectively terrorist networks and state-sponsored terrorism, proliferators of WMDs, foreign narcotics trafficking organizations, and other sanction targets. It will continue to aggressively target and designate individuals and entities of interest and block their assets in order to further a broad variety of U.S. sanctions policies.

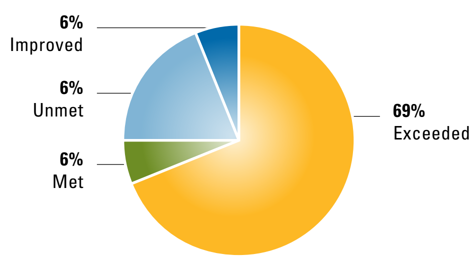
OFAC will further its comprehensive improvements to the performance of its divisions to ensure that its sanctions programs are transparent and responsive to inquiries from the public, industry, and members of Congress. OFAC will continue to strive to improve the efficiency and speed with which it issues licenses and publishes regulations or other guidance. OFAC also will analyze its licensing, compliance, designation, and enforcement capacity, based on the level of new Executive Orders and evolving national security and foreign policy demands, to ensure that its programs are calibrated correctly and appropriate personnel are assigned to the areas with greatest demand.

## SAFER AND MORE TRANSPARENT U.S. AND INTERNATIONAL FINANCIAL SYSTEMS

Based on the performance results, Treasury was successful in achieving this outcome in fiscal year 2009.

### *Fiscal Year 2009 Results*

**Safer and more transparent U.S. and International Financial Systems**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 9 | 56% |
| Favorable downward trend | ▼ | 3 | 19% |
| Unfavorable upward trend | ▲ | 0 | 0% |
| Unfavorable downward trend | ▼ | 2 | 13% |
| No change in trend, no effect | ▶ | 1 | 6% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 1 | 6% |
| Baseline | B | 0 | 0% |
| Total | | 16 | 100% |
| Discontinued | DISC | 0 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Average time to process enforcement matters (in years) | FinCEN | 0.7 | Met | Met | 100.0% | 57.1% | Met | 1 | ▶ | ▶ |
| Percent of federal and state regulatory agencies with memoranda of understanding/information sharing agreements | FinCEN | 41% | 45% | 43% | 95.6% | 104.9% | Improved | 46 | ▲ | ▲ |
| Percent of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve the BSA consistency and compliance of the financial system | FinCEN | 64% | 66% | 82% | 124.2% | 128.1% | Exceeded | 68 | ▲ | ▲ |
| Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule. | FinCEN | 2.5% | 5.2% | 2.1% | 159.6% | 116.0% | Exceeded | 5.2 | ▶ | ▼ |
| Percentage of customers satisfied with the BSA E-Filing | FinCEN | 93% | 90% | 94% | 104.4% | 101.1% | Exceeded | 90 | ▶ | ▲ |
| Percentage of FinCEN's Regulatory Resource Center Customers rating the guidance received as understandable | FinCEN | 94% | 90% | 94% | 104.4% | 100.0% | Exceeded | 90 | ▶ | ▶ |
| The percentage of domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable | FinCEN | 83% | 80% | 81% | 101.3% | 97.6% | Exceeded | 81 | ▲ | ▲ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

FinCEN has 16 measures, for fiscal year 2009 75 percent of their targets were achieved. Four key performance measures are used for the overall composite measure for TFI mentioned previously. The following measures; average time to process enforcement matters; percentage of FinCEN's Regulatory Resource Center customers rating the guidance received as understandable; percentage of domestic law enforcement and foreign intelligence units finding FinCEN's analytic reports highly valuable; percentage of customers satisfied with the BSA e-filing; and percentage of customers satisfied with WebCBRS and secure outreach. These four measures are used to score the focus area, "impact of activities to create safer and more transparent financial systems" for the overall TFI measure, with the results from these measures FinCEN achieved a 7.4 out of 10 possible points.

In the regulatory area, FinCEN continued to increase awareness by state and federal regulators that examine for Bank Secrecy Act (BSA) compliance by negotiating Memorandums of Understanding (MOU) for information sharing. In 2009, FinCEN reached a level of 43 percent of federal and state regulatory agencies with MOU/information sharing agreements, but did not meet its target of 45 percent. FinCEN finalized an MOU with the Commodity Futures Trading Commission, the last remaining federal regulator with BSA examination authority to sign an agreement and the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico, but FinCEN was not able to execute three additional agreements. FinCEN will continue collaborating with state insurance agencies and other regulatory agencies to sign additional agreements to meet future targets. In fiscal year 2008, FinCEN surveyed its compliance MOU holders to determine the impact of the information exchange to improve the BSA consistency and compliance of the financial system, and established a 64 percent benchmark for respondents rating the information exchange valuable to improving BSA consistency and compliance. In fiscal year 2009, FinCEN surpassed its target of 66 percent rating the information as 82 percent valuable. FinCEN attributes a portion of this success to the distribution of analytic information to the MOU holders throughout the fiscal year. To achieve future targets, FinCEN will continue to facilitate routine discussions with the MOU holders.

FinCEN's goal to provide financial institutions with understandable guidance is critical to institutions establishing anti-money laundering programs that comply appropriately with the BSA. FinCEN's goal is to maintain at least a 90 percent satisfaction level and FinCEN surpassed its target at 94 percent. FinCEN attained this success by responding timely (within 24 hours of the inquiry), providing a high level of service, and improving the organization of information on its public website. In order to achieve future targets, FinCEN will continue to make guidance available on the Internet, accept and analyze customer feedback, and conduct surveys to measure customer satisfaction.

FinCEN also works closely with its regulatory partners to take enforcement action against financial institutions that systemically and egregiously violate the provisions of the BSA, including imposing civil money penalties when appropriate. Timely enforcement action is essential to deter non-compliance with the BSA. In fiscal year 2009, FinCEN met its target of 1 year. FinCEN will continue to actively manage casework to meet future targets.

In the analytical area, FinCEN supports domestic law enforcement and international FIU partners by providing analyses of BSA information, and measures the percentage of customers finding FinCEN's analytic reports highly valuable. This measure closely ties to how BSA information is used by law enforcement and international FIUs to identify, investigate, and prevent abuse of the financial system. In fiscal year 2009, FinCEN surpassed its target of 80 percent with 81 percent. FinCEN will continue its efforts to solicit input from its customers on types of products they would like to see produced and possible ways to improve the structure of its reports to meet future targets.

In the efficient management, safeguarding, and use of BSA information, FinCEN conducts a survey of the users of the BSA E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The fiscal year 2009 target was to maintain at least a 90 percent satisfaction level, and FinCEN surpassed its target with 94 percent. FinCEN will continue outreach to E-Filers and ensure the technology supports to the demand to achieve future targets.

## Improvements to the BSA E-filing System

The BSA requires financial institutions to file reports and maintain records on certain types of financial activity to establish appropriate internal controls to guard against financial fraud, money laundering, terrorist financing, and other types of illicit finance. These reports and records have a high degree of usefulness in criminal, tax, and regulatory matters. Law enforcement agencies use BSA information, domestically and through exchanges with international counterparts, to identify, detect and deter financial fraud and money laundering. Regulatory authorities use BSA information to promote the safety and soundness of financial institutions and markets.

FinCEN focused its efforts on improving and increasing electronic filing in fiscal year 2009 aimed at providing faster feedback to the filing community and improving data quality for regulators and law enforcement. Additional field and business rule validations to batch data for e-filing Currency Transaction Report (CTR) forms and CTRs for casinos were introduced. Together these accounted for approximately 90 percent of all filings. These enhancements aim to improve data quality by providing detailed error notifications to filers upon submission.

In keeping with the effort to make BSA filing requirements more secure, efficient, and effective, FinCEN successfully transitioned all financial institutions submitting BSA data via media tapes and diskettes to e-filing. This increased the number of filings electronically by 11 percent. The Magnetic Media Program retirement moved the BSA program toward a cost savings for industry filers by eliminating the mailing of diskettes and tapes which in turn reduced the costs of processing and submitting BSA data. The BSA E-Filing program is more secure, cost-efficient, and user-friendly since it is a web-based system that requires a user-ID and password and does not require storage media. It supports the filing of both single and multiple BSA reports. As there are no tapes or diskettes to mail, BSA E-Filing will be able to reduce reporting costs. Reporting institutions will also see a decrease in the time it takes to file a wide range of BSA forms and will obtain a more rapid receipt of acknowledgements. These initiatives are expected to improve efficiencies through eliminating the paper review process, better facilitation of the compliance review process, and long-term cost savings to the government through reductions in filing errors due to the verification and validation of the submitted data.

Approximately 82 percent of BSA reports were electronically filed during fiscal year 2009, up from 71 percent in fiscal year 2008. The cost per e-filed report was $0.16 in fiscal year 2009, just above the target of $0.15. This slight increase was due to higher operation and management support costs associated with several BSA e-filing system improvements implemented in fiscal year 2009.

## Collaboration with Financial Intelligence Units

FinCEN also serves as the nation's financial intelligence unit (FIU). A FIU serves as a national center to collect, analyze, disseminate, and exchange information pursuant to a country's anti-money laundering/counter-terrorist financing (AML/CFT) legislation and regulations. This includes information about suspicious or unusual financial activity reported by the financial sector. FinCEN has a unique authority to facilitate law enforcement investigations involving transnational criminal activity and financial flows, by exchanging lead information with FIU counterparts in over 100 countries around the world.

In fiscal year 2009, the U.S. Government made renewed commitments to disrupt arms smuggling and money laundering across the U.S. Mexico border, target narcotic cartels, and combat other cross-border crime. FinCEN continued to support this effort related to Mexico through close collaboration with the Mexican FIU and coordination with other federal government agencies. FinCEN and the Mexican FIU have undertaken a strategic study designed to develop a more complete picture of currency flows between the United States and Mexico that has involved both information and analyst exchanges and coordination with U.S. law enforcement.

In fiscal year 2009, FinCEN completed its sponsorship of the Saudi Arabia into the Egmont Group of FIUs, the world's organization of financial intelligence units. The Saudi Arabian FIU became a member of the Egmont Group in May 2009, allowing it to engage the other 115 units that form the global network for sharing financial intelligence. The multi-year sponsorship process culminated with FinCEN's on-site assessment to ensure the unit was suitable to join the Egmont Group. FIUs in the Egmont Group share information relating to thousands of investigations per year; in fiscal year 2009, FinCEN received over 1,000 requests from 89 other FIUs. The increased number of requests and responses can be attributed to FinCEN's proactive outreach efforts.

## Enhanced mechanisms to combat mortgage and loan modification fraud

A series of initiatives have been announced to help American homeowners and address the housing crisis. The United States government continues to intensify its efforts to ensure predatory scams do not rob Americans of their savings and potentially their homes.

On April 6, 2009 Secretary Geithner announced a coordinated proactive effort to be led by Treasury, to combat fraudulent loan modification schemes and coordinate ongoing efforts across a range of federal and state agencies that investigate fraud and assist with enforcement and prosecutions. Treasury simultaneously issued an advisory to alert financial institutions to the risks of emerging schemes related to loan modification. These efforts are designed to facilitate the detection, deterrence, investigation and prosecution of those who would exploit consumers facing possible home foreclosures, in particular to target fraudulent scams against consumers seeking loan modification assistance.

This advisory was intended to identify "red flags" that may indicate a loan modification or foreclosure rescue scam and warrant the filing of a Suspicious Activity Report (SAR). These red flags alert financial institutions to scams victimizing their customers and provide an opportunity to stop predatory loan modification. The advisory reminded financial institutions of the requirement to implement appropriate risk-based policies, procedures and processes. Financial institutions must conduct customer due diligence on a risk-assessed basis to prevent fraudulent actors from accessing the financial system and to aid in the identification of potentially suspicious transactions.

The advisory required the term "foreclosure rescue scam" to be included in the narrative sections of all relevant SARs. This inclusion allowed law enforcement to more easily search for and identify fraudulent activity when reviewing SAR information, improving the focus of investigative resources. Utilizing the initiative's advanced targeting methods, 58 case referrals were made to law enforcement investigators involving hundreds of suspects, and more than 1000 BSA reports were referred to law enforcement investigators. Also, FinCEN opened 88 loan modification and foreclosure rescue scam cases involving approximately 500 suspects. These results have illustrated the benefits of proactive threat identification and preemption of fraudulent activity.

Other efforts to combat mortgage fraud, foreclosure rescue scams, and loan modification fraud included FinCEN issuing an advance notice of proposed rulemaking. This notice was to solicit public comment on a wide range of questions pertaining to the possible application of anti-money laundering and SAR requirements to non-bank residential mortgage lenders and originators. The application of such rules would require them to guard against and report on illicit actors engaging in financial transactions much the same way banks do now. FinCEN also issued two additional mortgage fraud reports, ***Filing Trends in Mortgage Loan Fraud*** and ***Mortgage Loan Fraud Connections with Other Financial Crime*** that revealed a 44 percent increase in SARs filed on suspected mortgage fraud in a year ending in June 2008 compared with the prior year, and a relationship between mortgage loan fraud and other financial fraud.

## Regulatory Efforts

In the regulatory area, FinCEN's policy efforts focus on efficient and effective BSA administration. This includes improving the consistency in the application of BSA regulations to regulated financial institutions, providing guidance regarding regulatory expectations, conducting studies to provide feedback to stakeholders, and initiating enforcement actions when appropriate.

In fiscal year 2009 FinCEN:

- Issued a Notice of Proposed Rulemaking to re-designate and reorganize the BSA regulations in a new chapter within the Code of Federal Regulations. The re-designation and reorganization of the regulations in a new chapter was not intended to alter regulatory requirements. The regulations will be organized in a more consistent and intuitive structure that more easily allows financial institutions to identify their specific regulatory requirements under the BSA.

- Published a final rule that simplifies the current requirements for depository institutions to exempt their eligible customers from currency transaction reporting. The final rule was developed in accordance with the Government Accountability Office's recommendations, FinCEN's independent research, and after considering valuable industry feedback received during the public comment process.
- Issued a BSA examination manual for money services businesses (MSBs), in collaboration with the Internal Revenue Service, state agencies responsible for MSB regulation, the Money Transmitter Regulators Association, and the Conference of State Bank Supervisors. The manual's risk-based approach empowers the examiner to decide what examination procedures are necessary to evaluate whether the MSB's AML program is compliant with BSA requirements.
- Proposed revised rules and guidance that would permit certain affiliates of depository institutions as well as broker-dealers in securities, mutual funds, futures commission merchants, and introducing brokers in commodities, to share SARs within a corporate organizational structure for purposes consistent with Title II of the BSA. The revised rules will help financial institutions better facilitate compliance with the applicable BSA requirements and more effectively implement enterprise-wide risk management.

## Analytic efforts in support of detection and deterrence of money laundering

FinCEN's efforts in the analytical area focus on developing products and services to enhance law enforcement's detection and deterrence of domestic and international financial fraud, money laundering, terrorism financing, and other illicit activity. FinCEN intends to improve its expert analysis of BSA data to provide early warning of emerging trends of fraud and other criminal abuse. This includes information exchange with counterpart FIUs in 116 countries that are members of the Egmont Group.

Additional analytical accomplishments that have not been mentioned previously include:

- Became a member of the new multi-agency task force lead by the Special Inspector General for the Troubled Asset Relief Program to deter, detect, and investigate instances of fraud in the Term Asset-Backed Securities Loan Facility and the Public-Private Investment Program.
- Held several inter-agency information sharing events to discuss sensitive data with the private sector. These events combined analytical findings and related law enforcement presentations for financial industry personnel, and provided an opportunity for industry personnel to share information on vulnerabilities and suspicious activities identified through their operations. A recent event included information sharing on money laundering and other financial crimes in Mexico and on the Southwest Border with representatives from banks that provide financial services to Mexico and the Southwest border region.
- Produced a series of strategic international studies addressing complex money laundering schemes and examining money flows related to illicit activities.
- Composed and disseminated 1,027 tactical reports to the other Egmont FIUs. These intelligence products are integral to investigations of money laundering and terrorist financing around the world
- Continued outreach and liaison activities that enhance the quality and quantity of financial intelligence exchanged between FinCEN and foreign FIUs. These efforts included training and technical assistance programs that strengthen the global network of FIUs.

## Conclusion

While FinCEN experienced a decrease in meeting its fiscal year 2009 targets from 94 percent in 2008 to 75 percent for this year, actual results for the missed targets were within 10 percent. Some targets were exceeded by large margins and trends for 50 percent of the targets showed increases year over year.

## Moving Forward

Treasury developed a strategy in fiscal year 2007 to modernize the BSA data architecture to better serve its internal and more than 10,000 external users that rely on accurate, timely, and reliable BSA data to identify money laundering, terrorist financing, tax evasion, and vulnerabilities in the financial industry. The current technology environment has not kept pace with today's *USA PATRIOT Act* requirements. The number of financial institutions falling under the purview of the BSA has grown exponentially in the last six years and will continue to experience robust growth in the future. The current technology environment is ill-equipped to meet 21st century realities and unable to quickly adapt to changing financial indicators and patterns of illicit activity.

After two years of conducting analysis on this initiative, the Department anticipates it will begin to implement the modernization in fiscal year 2010. The modernization will reengineer the BSA data architecture, update antiquated infrastructure required to support data capture and dissemination, implement innovative web-services and enhanced electronic-filing, and provide analytical tools. This investment will begin to enrich and standardize BSA data to maximize value, evaluate and deploy advanced analytical technologies, and establish more effective security technologies to enhance data confidentiality and integrity. The benefits of this centralized investment will be leveraged across the hundreds of federal, state, and local agencies that rely on FinCEN and BSA data.

FinCEN's future plans in the regulatory area will improve its ability to strengthen financial system security and enhance U.S. national security. To ensure financial systems are resistant to abuse by money launderers, terrorists and other perpetrators of financial fraud and crimes, FinCEN will:

- Clarify the scope of the MSB definitions to the extent consistent with appropriately managing money laundering risks in this industry, and continue to review the appropriate regulatory treatment of stored value providers within the MSB framework, consistent with the requirements of the Credit Card Accountability, Responsibility, and Disclosure Act.
- Continue the outreach initiative to the financial services industry, which expanded from visits to the largest fifteen depository institutions in the U.S. to large MSBs, and will continue to expand to additional financial service industries.
- Implement a simplified, revised regulatory structure, proposed in fiscal year 2009, to reorganize BSA regulations under Chapter 10 of the Code of Federal Regulations.
- Conduct analysis in support of efforts to combat mortgage loan fraud, building off prior analysis efforts to identify emerging trends, and continue to consider appropriate regulatory options.
- Strengthen oversight of recently-covered industries under the BSA, by beginning to sign information sharing agreements with state insurance regulators and working cooperatively with the IRS and state regulators on consistent, risk-based examination procedures.

FinCEN's future plans in the analytical area will improve its ability to strengthen financial system security and enhance U.S. national security. To detect and deter financial fraud, money laundering, terrorism financing, and other illicit activity, FinCEN will:

- Implement a process to capture and gauge analytic product relevance to support law enforcement.
- Advance collaborative relationships with investigative and intelligence agencies to exploit SARs for proactive evaluation.

- Expand working agreements with the government agency customer community and financial institutions' AML compliance personnel on issues of strategic importance to FinCEN's analytical objectives.
- Improve analytical products and responsiveness to foreign government counterparts to strengthen the effectiveness of international AML/CFT efforts.
- Increase joint analytical projects with foreign FIU counterparts through intensified operational engagements with key strategic partner FIUs.

FinCEN's future plans include improving its ability to strengthen financial system security and enhance U.S. national security. To ensure efficient management, safeguarding and use of BSA information, FinCEN will modernize BSA information management and analysis to equip law enforcement and financial industry regulators with better decision-making abilities and increase the value of BSA information through increased data integrity and analytical tools. This multi-year program will accomplish several items for example; provide advanced analytical and BSA data storage technologies; implement innovative Web-services and E-Filing technologies; enrich and standardize BSA data to maximize value for state and federal partners; integrate BSA data with other state and federal sources; and deploy proven customer relationship technologies to capture data usage and access patterns and solicit/provide feedback to partners.

# Strategic Goal: Management and Organizational Excellence

## STRATEGIC OBJECTIVE: Enabled and effective Treasury Department

The Department of the Treasury strives to maintain public trust and confidence through exemplary leadership and creating a culture of excellence, integrity, and teamwork. The Department is dedicated to serving the public interest and focused on delivering results that align with its strategic objectives. Management enables this through a strong institution that is citizen-centered, focused on achieving results, and is accountable and transparent to the American people. Strategies to achieve this objective are aligning and managing resources, investing in people and technology, and conducting independent audits and investigations. The Treasury Department is committed to planning and assessing performance, reviewing results, and working towards continuous improvement.

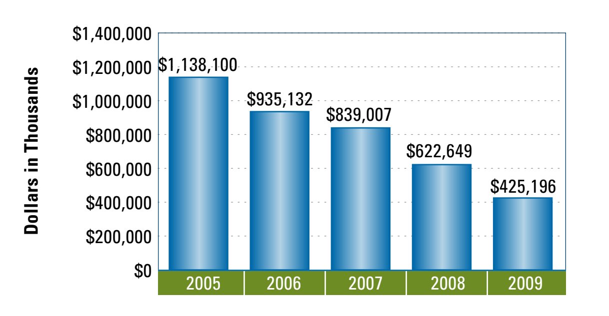
The bureaus and offices responsible for achievement of this objective are:

- The Treasury Inspector General for Tax Administration
- Office of the Treasury Inspector General
- Office of the Treasury Assistant Secretary for Management and Chief Financial Officer (ASM/CFO) which includes the Deputy Chief Financial Officer, Budget, Planning, Human Capital, Information Technology, Procurement, Privacy, and Operations)
- Office of the Special Inspector General for the Troubled Assets Relief Program (SIGTARP)

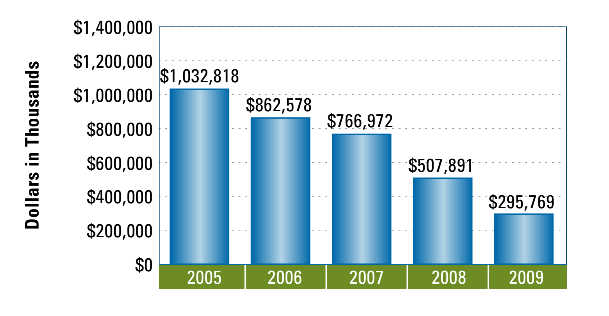
The outcomes associated with this objective are:

- A citizen-centered, results oriented and strategically aligned organization
- Exceptional accountability and transparency

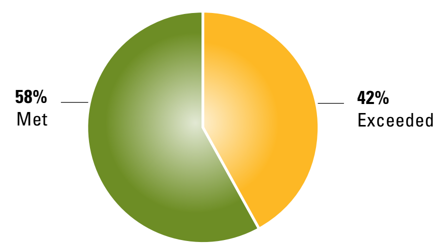
**Budget Trend by Objective: Enabled and Effective Treasury Department**



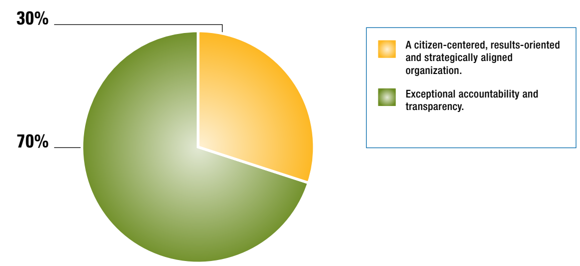

**Performance Cost Trend: Enabled and Effective Treasury Department**



**Fiscal Year 2009 Results: Enabled and Effective Treasury Department**



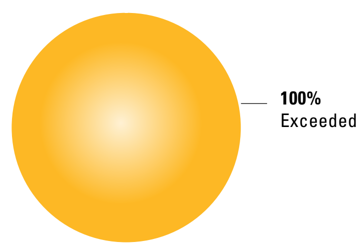

**Performance Cost by Outcome**




## A CITIZEN-CENTERED, RESULTS ORIENTED AND STRATEGICALLY ALIGNED ORGANIZATION

### *Fiscal Year 2009 Results*

**A Citizen-Centered, Results-Oriented and Strategically Aligned Organization**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 3 | 75% |
| Favorable downward trend | ▼ | 1 | 25% |
| Unfavorable upward trend | ▲ | 0 | 0% |
| Unfavorable downward trend | ▼ | 0 | 0% |
| No change in trend, no effect | ▶ | 0 | 0% |
| No change in trend, favorable effect | ▶ | 0 | 0% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 0 | 0% |
| Total | | 4 | 100% |
| Discontinued | DISC | 3 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Complete Investigations of EEO Complaints Within 180 Days (%) (Oe) | DO | 56% | 50% | 65% | 130% | 116% | Exceeded | 65 | ▶ | ▲ |
| Percent of complainants informally contacting EEO (for the purpose of seeking counseling or filing a complaint) who participate in the ADR Process (%) (Oe) | DO | 45% | 30% | 35% | 116.7% | 77.8% | Exceeded | 30 | ▶ | ▲ |
| Customer Satisfaction Index - Financial Mgmt Admin Support Services (%) (Oe) | T Franchise Fund | 97% | 80% | 89% | 111.3% | 91.8% | Exceeded | 80 | ▲ | ▲ |
| Operating expenses as a percentage of revenue–Financial Management Administrative Support (%) (E) | T Franchise Fund | 3.6% | 12% | 4.72% | 160.7% | 68.9% | Exceeded | 12 | ▶ | ▼ |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

Treasury successfully achieved its tracked targets for this outcome in fiscal year 2009. The data suggests that while the Department successfully achieved goals for priorities related to this outcome, targets for these measures may not be sufficiently aggressive. Moreover, the link between this strategic outcome and its associated measures is weak.

Three of eight performance measures which were reported for fiscal year 2008 have been discontinued in fiscal year 2009. In 2009 Treasury exceeded all of its performance goals for this strategic outcome based on the remaining measures.

## Human Capital

The Office of the Deputy Assistant Secretary for Human Resource is responsible for Department-wide policy and oversight in all areas of human capital management, including equal employment opportunity. There are two Equal Employment performance goals included in Treasury's 2009 performance budget.

In fiscal year 2008 the Office of the Deputy Assistant Secretary of Human Resources-Chief Human Capital Officer (DASHR-CHCO) identified two performance measures to assess the effectiveness of human capital at the Treasury Department.

The first measure "Results-Oriented Performance Cultures" includes the following components:

| COMPONENT MEASURE DEFINITION | FY 2008 ACTUAL | FY 2009 ACTUAL |
|---|---|---|
| Relationship of Senior Executive Service performance ratings and awards to the accomplishment of the agency's strategic goals | 100.0% | 62.7% |
| Degree of linkage between all employee's performance appraisal plans and agency missions, goals, and outcomes (PAAT score) | 38.0% | 73.0% |
| Performance Culture Index - from 2008 Federal Human Capital Survey | 54.0% | 56.8% |

The second measure "Talent Management" includes the following components:

| COMPONENT MEASURE DEFINITION | FY 2008 ACTUAL | FY 2009 ACTUAL |
|---|---|---|
| Competency Gap Closure in Mission Critical Occupations - the difference between competencies needed by the organization and competencies possessed by employees | 97.0% | N/A |
| Talent Management Index - from 2008 Federal Human Capital Survey | 59.0% | 59.9% |
| Job Satisfaction Index- from 2008 Federal Human Capital Survey | 67.0% | 65.7% |

There was a change in the fiscal year 2008 actual figure for the SES relationship between performance and awards based on a change in the metrics. In this report, Treasury used the Office of Personnel Management's most recent Pearson's Correlation Coefficient of .627 based 2008 performance data. (The 2009 performance data has not been received yet.) This is a standard metric across Federal Government provided by an objective third party. Using this metric provides consistency year to year in terms of assessment as well as relativity in terms of performance of other federal agencies.

The Performance Appraisal Assessment Tool is a government-wide metric utilized by the Office of Personnel Management (OPM) to assess the effectiveness of performance management systems and programs. OPM considers 80 points or greater as an indicator of an effective performance appraisal program. The Department's bureaus have multiple performance management programs and their respective PAAT scores are weighted based on their population to derive the overall Department weighted score. The Department's PAAT's were scored in fiscal year 2009 (reflecting the 2008 performance management cycles). Because OPM does not score every year, the score for fiscal year 2008 is a roll-over of the score reported in fiscal year 2007. The Department's overall score was 73.0 percent.

The aforementioned Results Oriented Performance Culture, Talent Management, and Job Satisfaction index scores are derived from the fiscal year 2008 Federal Human Capital Survey results. Comparable Treasury-wide index scores do not exist for fiscal year 2009 since the Federal Human Capital Survey is not administered annually. The next set of similar index scores will be available when fiscal year 2010 Employee Viewpoint Survey results are released.

In fiscal year 2008 Treasury measured competency gap closures in selected occupations utilizing the Federal Competency Assessment Tool (FCAT) administered by OPM. In fiscal year 2009, OPM did not administer the FCAT. Thus Treasury lacked a comprehensive competency assessment tool to measure skill gap closures. In fiscal year 2010, Treasury will revisit what constitutes a mission critical occupation and develop a refined strategy to track competency gap closures.

## Information Technology

The Office of the Chief Information Officer (OCIO) provides leadership to the Department and its bureaus in the areas of information and technology management, including development of the Department's IT strategy, management of IT investments, and leadership of key technology initiatives including management of the HR Line of Business, HR Connect. OCIO facilitates and coordinates the implementation and maintenance of a wide array of applications and networks Department-wide that enable the mission of the Treasury. OCIO provides forward-thinking initiatives to provide new web, security and collaboration technologies. The OCIO's adoption and delivery of an enhanced Treasury IT infrastructure promotes information networks that eliminate stove-pipe systems, foster innovation and collaboration, and provide consistent data across the organization. No performance goals related to Information Technology are included in Treasury's 2009 performance budget.

To facilitate maximum return on Treasury IT investments, OCIO uses an IT dashboard provided by the Office of Management and Budget (OMB) to gauge the health of its IT portfolio. Each month, the CIO evaluates the Department's 59 major investments on cost and schedule performance metrics. During fiscal year 2009, the Department's IT portfolio performance has been positive, noting that a few investments required executive management attention:

| MEASURE | FISCAL YEAR 2008 | FISCAL YEAR 2009 | CHANGE |
|---|---|---|---|
| Percent of IT investments reported as "red" for cost variance (greater than +/- 10% from target) | 40.33% | 1.70% | -38.63% |
| Percent of IT investments reported as "red" for schedule variance (greater than +/- 10% from target) | 19.40% | 0.00% | -19.40% |

It is important to note that during fiscal year 2008, the dashboard allowed investments to be reported as "green," "yellow," or "red." During fiscal year 2009, investments could only be reported as "green" or "red." Changing this scale likely impacted results between the two years. Regardless, there was significant improvement in the achieving cost and schedule targets for these investments.

Over the course of the last year, OCIO has made improvements in terms of enhancing the qualifications of the staff managing major IT investments:

| MEASURE | FISCAL YEAR 2008 | FISCAL YEAR 2009 | CHANGE |
|---|---|---|---|
| Percent investments reported that the Project Manager (PM) was validated according to Federal Acquisition Certification for Program and Project Managers (FAC-P/PM) or Defense Acquisition Workforce Improvement Act (DAWIA) criteria as qualified | 77.42% | 83.05% | 5.63% |

During fiscal year 2009, OCIO met unique challenges posed by the Emergency Economic Stabilization Act (EESA) and the American Recovery and Reinvestment Act (ARRA) by:

- Obtaining clearance under the Paperwork Reduction Act to conduct information collection requirements to support EESA's Troubled Assets Relief Program (TARP), including the Capital Purchase Program (CPP), as well as two cash assistance programs under ARRA. In sum, OCIO worked to clear 145 Information Collection Requests under ARRA and 20 requests under EESA
- Deploying public-facing websites critical to the recovery effort including FinancialStability.gov and MakingHomesAffordable.gov
- Upgrading collaboration, encryption and disaster recovery tools to allow the Office of Financial Stability (OFS) to access applications specific to its mission creating efficiency and transparency

## Procurement

The Office of the Procurement Executive (OPE) is responsible for providing Department-wide acquisition management, improving guidance for procurement programs and systems, bureau-level procurement operation evaluation, and facilitating strategic procurement. No performance goals for agency-wide procurement were included in Treasury's 2009 performance budget.

On November 2, 2009, the Department submitted its Acquisition Improvement Plan to meet the OMB mandate to deliver 3.5 percent in procurement savings in both fiscal years 2010 and 2011, and to achieve a 10 percent reduction in high risk contracting in fiscal year 2010. The Department has already taken steps to ensure the required savings of 3.5 percent in fiscal year 2010 (estimated at $158 million) through active management of acquisition operations. The Department will achieve these savings in non-appropriated bureaus through active management of procurement activities and examination of high dollar/risk acquisition contracts.

The Department developed its plan with the Bureau Chief Procurement Officers, conducted several Treasury-wide governance meetings, set individual bureau goals, and inventoried current and planned savings and improvement activities. This draft inventory identified possible savings of approximately $91 million in fiscal year 2010 and $135 million in fiscal year 2011. The inventory also identified a possible reduction in high risk contracts of $170 million against a goal of $244 million.

The Department plan includes specific strategic sourcing activities that were initiated in fiscal year 2009 to be further developed in fiscal year 2010 and beyond. These Treasury-wide initiatives include, but are not limited to, consolidation and acquisition of software and subscriptions; participation in the Microsoft Software Assurance Program; and, purchase of office supplies and overnight delivery services through the General Services Administration's (GSA) Federal Strategic Sourcing Initiative (FSSI) program.

As required by the National Defense Authorization Act for fiscal year 2009 and the Office of Federal Procurement Policy (OFPP), Treasury will develop an Acquisition Workforce Strategic Plan that will be used to guide the growth in capacity and capability of its acquisition workforce over the next five years.

The agency's plan will be submitted to OFPP by March 31, 2010 (and annually thereafter) and will reflect specific hiring and training needs for fiscal year 2011. In addition the plan will serve as a component of the agency's budget preparation beginning with the fiscal year 2012 budget cycle.

## Performance Management and Budgeting

The Office of the Deputy Assistant Secretary for Management and Budget (DASMB) conducts strategic planning and performance, budget formulation and execution, program evaluation and leads special projects, such as ARRA coordination for the Department. No performance goals related to DASMB are included in Treasury's 2009 performance budget.

In fiscal year 2009, the Department's fiscal year 2011 budget submission was meticulously reviewed and prepared to establish funding based on key priorities. Treasury also worked to realize savings during this fiscal year by only funding the top priority needs and reallocated savings towards programs aligned with Treasury and Administration priorities.

## Departmental Operations

The Office of the Deputy Assistant Secretary for Departmental Offices Operations provides management and administrative support for the offices and employees in Treasury's departmental, or headquarters, offices. No performance goals related to Departmental Operations are included in Treasury's 2009 performance budget.

Two key Departmental Operations accomplishments for fiscal year 2009 are:

- Standing up the Office of Financial Stability (OFS) and Special Inspector General for the Troubled Assets Relief Program (SIGTARP) at their permanent Washington, DC duty location.
- Establishing and maintaining "all green" on the Environment and Energy Scorecard for two reporting periods covering six months each.

## Conclusion

The Department exceeded its targets for its strategic outcome: "A Citizen Centered, Results Oriented and Strategically Aligned Organization" for fiscal year 2009. Because current performance measures do not effectively capture all of Treasury's management functions, Treasury will revisit its selection of performance measures relative to this outcome. Development of measures that appropriately gauge the performance of Treasury management would ensure greater internal effectiveness and efficiency.

## Moving Forward

During fiscal year 2010, Treasury will revise its strategic plan, review its performance measures as they relate to the new plan, undertake a number of new initiatives to improve management operational efficiencies, and develop improved metrics for management functions. Some of the key goals are:

- Reducing paper usage across Treasury by one third over two years
- Reducing greenhouse gas emissions by 33 percent by 2020, exceeding the projected Treasury goal - from the Office of Federal Environmental Executive - of 22 percent
- Formalization of performance metrics in all management functions, taking into consideration stakeholder satisfaction
- Achieving a ten percent improvement in positive response rate for each of the major categories of the Employee Viewpoint Survey by 2011
- Reducing the average time to hire for mission critical occupations (GS positions) by 15 percent
- Reducing the percentage of employees leaving Treasury within three years of being hired
- Ensuring all new supervisors will receive new supervisor training before or within six months of appointment by the end of 2010
- Developing competency gaps for all organizations by the end of 2010

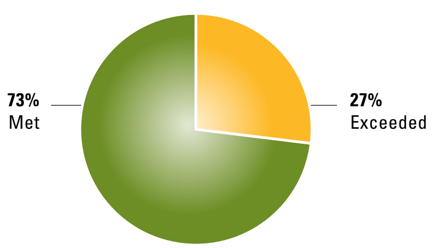
- Exceeding the two percent government-wide hiring goal for individuals with targeted disabilities
- Re-engineering of the headquarters local area network (LAN) by 12/31/2010
- Achieving $180 million in savings (3.5 percent) in procurement
- Achieving a clean opinion on Treasury financial statements
- Closing material weaknesses and significant deficiencies identified by Treasury oversight bodies in accordance with resolution plan timelines
  Achieving a ten percent reduction in Freedom of Information Act (FOIA) requests by making information available online
- Implementing HSPD-12 for physical access at 50 percent of Treasury facilities and computer systems by the end of fiscal year 2012

## EXCEPTIONAL ACCOUNTABILITY AND TRANSPARENCY

Achieving and maintaining exemplary accountability and transparency is critical for the Treasury Department as the primary financial agency for the U.S. Government. The Department follows proper internal controls that serve to deter and eliminate fraud, waste and abuse, while increasing efficiency and effectiveness.

### *Fiscal Year 2009 Results*

**Exceptional Accountability and Transparency**




### *Summary of Actual Trends for the Prior Four Years*

| TREND | SYMBOL | COUNT | % |
|---|---|---|---|
| Favorable upward trend | ▲ | 4 | 27% |
| Favorable downward trend | ▼ | 0 | 0% |
| Unfavorable upward trend | ▲ | 0 | 0% |
| Unfavorable downward trend | ▼ | 1 | 7% |
| No change in trend, no effect | ▶ | 0 | 0% |
| No change in trend, favorable effect | ▶ | 1 | 7% |
| No change in trend, unfavorable effect | ▶ | 0 | 0% |
| Baseline | B | 9 | 60% |
| Total | | 15 | 100% |
| Discontinued | DISC | 1 | |

### *Key Performance Measure Table*

The following table contains only key performance measures associated with this outcome. Actual and target trends represent four years of data where available. The full suite of measures with detailed explanations is available in the Appendix.

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of material weaknesses closed (significant management problems identified by GAO, the IGs and/or other bureaus) (Oe) | DO | 2 | 0 | 0 | 100.0% | -100.0% | Met | 1 | ▼ | ▼ |
| Number of completed audit products | OIG | 64 | 60 | 68 | 113.3% | 106.3% | Exceeded | 62 | ▲ | ▲ |
| Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action | OIG | 93 | DISC | DISC | DISC | DISC | DISC | DISC | DISC | DISC |

*table continued on next page*

| KEY PERFORMANCE MEASURE | BUREAU | 2008 ACTUAL | 2009 TARGET | 2009 ACTUAL | % OF TARGET ACHIEVED | % CHANGE IN ACTUAL | PERFORMANCE RATING | 2010 TARGET | TARGET TREND | ACTUAL TREND |
|---|---|---|---|---|---|---|---|---|---|---|
| Percent of statutory audits completed by the required date (%) | OIG | 100% | 100% | 100% | 100.0% | 0.0% | Met | 100 | ▶ | ▶ |
| Percentage of all cases closed during fiscal year that were referred for criminal/civil prosecution or Treasury Administrative action | OIG | N/A | B | 100% | 100.0% | B | Met | 70 | B | B |
| Percentage of all cases that were accepted by prosecutors, referred for agency action, or closed during fiscal year and were completed within 18 months of case initiation | OIG | N/A | B | 92% | 100.0% | B | Met | 70 | B | B |
| Percentage of audit products delivered when promised to stakeholders | TIGTA | 65% | 65% | 81% | 124.6% | 124.6% | Exceeded | 65 | ▲ | ▲ |
| Percentage of recommendations made that have been implemented | TIGTA | 85% | 83% | 91% | 109.6% | 107.1% | Exceeded | 83 | ▲ | ▲ |
| Percentage of results from investigative activities | TIGTA | 78% | 78% | 83% | 106.4% | 106.4% | Exceeded | 78 | ▲ | ▲ |
| Number of completed audit products (Ot) | SIGTARP | N/A | B | 3 | 100.0 | B | Met | 12 | B | B |
| Percent of recommendations implemented (Oe) | SIGTARP | N/A | B | 100% | 100.0% | B | Met | 70 | B | B |
| Congressional requests for testimony completed (Ot) | SIGTARP | N/A | B | 9 | 100.0 | B | Met | 4 | B | B |
| Percentage of hotline complaints referred for investigation or to OFS within 14 days of receipt (E) | SIGTARP | N/A | B | 77% | 100.0% | B | Met | 60 | B | B |

| LEGEND | SYMBOL |
|---|---|
| Favorable upward trend | ▲ |
| Favorable downward trend | ▼ |
| Unfavorable upward trend | ▲ |
| Unfavorable downward trend | ▼ |
| No change in trend, no effect | ▶ |
| No change in trend, favorable effect | ▶ |
| No change in trend, unfavorable effect | ▶ |
| Baseline | B |
| Discontinued | DISC |

## Analysis of Performance Results

Fiscal year 2009 data suggests that Treasury has achieved its goals for this outcome. The Department met or exceeded all targets for the fiscal year and exhibited desirable trends in all but one measure. Treasury discontinued one measure during this fiscal year and established a baseline for nine. Seven of these baseline measures are for SIGTARP, which was established in 2008. One of the two OIG baseline measures, "Percentage of all cases closed during fiscal year that were referred for criminal/civil prosecution or Treasury" began at the highest possible level, 100 percent. The measure "Number of material weaknesses (identified by OIG, TIGTA, or GAO) closed" exhibited an unfavorable downward trend.

## Deputy Chief Financial Officer

The Deputy Chief Financial Officer's office is responsible for financial accountability of the Department, financial reporting, maintaining effective internal controls, improving the efficiencies of the Working Capital Fund, and the effectiveness of asset management. In fiscal year 2009, the office led the effort to achieve a clean audit opinion for the seventh consecutive year, a huge accomplishment given the magnitude and complexity of programs that were introduced to stabilize the Nation's financial systems and enable economic recovery. To view the Agency Financial Report, please click ***here***.

## Office of the Inspector General

The Office of Inspector General (OIG) is responsible for the audit and investigation of all non-IRS and non-TARP Treasury programs and operations. OIG auditors conduct financial, performance and information technology audits. These audits are intended to save taxpayer dollars, improve the effectiveness and efficiency of Treasury programs and operations, help prevent waste, and detect fraud and abuse in Treasury programs and operations. OIG investigators conduct a variety of investigations, covering financial crimes, corruption, other crimes, and employee misconduct. The OIG implemented two new performance measures during fiscal year 2009:

The first measure is "Timeliness of Investigations requiring both judicial and non-judicial cases to be closed within a 12-month period." This measure was baselined in fiscal year 2009, but a review of investigation information indicates that eight judicial and eight non-judicial cases were opened and closed during the fiscal year. Judicial cases were open for an average of 131 days and non-judicial cases open for an average of 138 days.

The second measure is "Effectiveness of Investigative Results requiring reportable results for 75 percent of the investigations that are opened." Reportable results include the following outcomes:

- Criminal indictment
- Criminal declination
- Civil resolution
- Civil declination
- Administrative resolution
- Exoneration of an employee
- Determination that an allegation is unfounded

During fiscal year 2009, OIG successfully addressed a number of difficult challenges. OIG devoted nearly its entire audit resources to mandated work. Some limited resources were devoted to work associated with non-Internal Revenue Service Treasury programs authorized and funded by ARRA. During fiscal year 2009, OIG Office of Audit completed 100 percent of statutory audits timely and completed 68 products.

The mandated work most impacting the office were material loss reviews (MLRs) of failed banks. These reviews are required by the Federal Deposit Insurance Corporation Improvement Act of 1991 when the failure of an institution supervised by Treasury causes a loss to the Deposit Insurance Fund that exceeds the greater of $25 million or two percent of the institution's assets. During fiscal year 2009, 107 banks failed of which 13 were regulated by the Office of the Comptroller of the Currency and 14 were regulated by the Office of Thrift Supervision. Such a high number of failures has not occurred since the savings and loan crisis of the late 1980s and early 1990s.

OIG provided oversight of two new ARRA programs administered by Treasury totaling an estimated $20 billion. These two new programs provide cash payments to businesses and individuals for partial reimbursement of specified energy properties placed in service and to the states for the development of low income housing. Additional grant fund and tax credit authorization for the CDFI Fund as well as payments to Puerto Rico and other U.S. territories for distribution to their citizens also fell under OIG oversight during the fiscal year. Furthermore, the Treasury Inspector General serves as a statutory member of the Recovery Accountability and Transparency Board, which was established to coordinate and conduct oversight of Recovery Act covered funds to prevent fraud, waste, and abuse, during fiscal year 2009.

It should also be noted that former Secretary Paulson asked OIG to provide interim oversight of the $700 billion Troubled Asset Relief Program (TARP) until the office of the Special Inspector General (SIGTARP) was operational. As part of that interim oversight, OIG began the information collection process for the SIGTARP's reporting responsibilities and conducted a case study of a national bank that received TARP funds.

## Treasury Inspector General for Tax Administration

The Treasury Inspector General for Tax Administration (TIGTA) audits and investigates the Internal Revenue Service (IRS) to ensure that it is managed fairly and effectively and is accountable for more than $2 trillion in tax revenues

During fiscal year 2009, TIGTA exceeded all of its performance measures. TIGTA was responsible for successful investigations of entities and individuals who threatened the nation's tax system and issued many high-profile audit reports that received considerable coverage by the media and others. Cumulatively, these efforts resulted in $14.7 billion in potential financial accomplishments from audit recommendations and $95.1 million in potential savings from investigative recoveries in embezzlements, thefts, court order fines, penalties and restitution.

TIGTA actions potentially impacted approximately 14.9 million taxpayers' accounts and achieved the following year-over-year results:

- Issuance of 142 audit reports in fiscal year 2009, as compared with 180 reports in 2008
- Produced total financial accomplishments of $14.68 billion as a result of a range of audits, investigations, inspections, and evaluations; this compares with $2.57 billion in total financial accomplishments in fiscal year 2008, an increase of 571 percent
- In fiscal year 2009, there were 197 cases of employee misconduct versus 171 cases in fiscal year 2008, an increase of 26 cases or 15 percent
- Percentage of investigations generating results increased from 78 percent in fiscal year 2008 to 83 percent in fiscal year 2009, an increase of 6 percent
- Cases accepted for criminal prosecution remained the same at 171 cases in both fiscal years 2008 and 2009
- TIGTA opened 403 unauthorized access cases in fiscal year 2009 versus 434 in fiscal year 2008, a decrease of 7.1 percent
- Unauthorized access cases closed decreased from 491 cases in fiscal year 2008 to 419 cases in fiscal year 2009, a decrease of 14.7 percent
- Personnel actions against IRS employees decreased from 471 actions in fiscal year 2008 to 401 actions in fiscal year 2009, a difference of 14.9 percent

## Special Inspector General for Trouble Assets Relief Program

Treasury's Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) advances economic stability by promoting transparency, efficiency and effectiveness in Treasury's management of the Troubled Asset Relief Program (TARP) through coordinated oversight and robust enforcement against waste, theft, or abuse of TARP funds.

The American taxpayer has been asked to provide hundreds of billions of dollars to fund the stabilization of the financial system and to promote economic recovery. In this context, the public has a right to know how their money is being spent. Transparency is a powerful tool to ensure that all those managing TARP funds will act appropriately, consistent with the law and in the best interests of the country.

SIGTARP advises TARP managers on internal controls and oversight, assesses the effectiveness of TARP activities over time, and makes recommendations for positive change in TARP management. SIGTARP closely coordinates its oversight activities with other TARP oversight bodies to ensure maximum coverage and to avoid redundancy and undue burden.

In their oversight activities, SIGTARP carries out both audits and investigations, ensuring the satisfaction of the public's right to know how Treasury decides to invest their money, how Treasury manages the assets it obtains, and how TARP recipients use these funds.

The Audit Division (AD) conducts, supervises, and coordinates programmatic audits with respect to Treasury's operation of TARP and the recipients' compliance with their obligations under relevant law and contracts; evaluates TARP policies and procedures; and provides technical assistance to Treasury. In fiscal year 2009, AD issued three audit reports and initiated 13 audits.

AD also reviewed TARP policies and procedures. SIGTARP's March 6th and April 21st reports to

Congress (http://www.sigtarp.gov/reports.shtml) detail the results of these reviews and recommendations. SIGTARP had 100 percent of their recommendations implemented in fiscal year 2009. Among the policies that SIGTARP reviewed and commented upon were TARP agreements, TALF, Public-Private Investment Program (PPIP), Capital Assistance Program, and Making Home Affordable programs. For example:

- TARP Agreements: SIGTARP recommended that Treasury require program participants to account for their use of TARP funds and to report periodically to Treasury concerning such use. Treasury has not yet fully implemented this recommendation. SIGTARP is testing Treasury's response with an audit that includes a survey of 364 financial institutions' use of TARP assistance. The audit is not yet complete, and the survey responses need to be fully analyzed. Many of the 364 financial institutions that responded generally provided a reasonable level of detail regarding their use of TARP funds.
- Public Private Investment Program (PPIP): SIGTARP recommended that Treasury impose conflict of interest rules on PPIP fund managers; require PPIP fund managers to screen and identify investors; and mandate that PPIP fund managers acknowledge a fiduciary duty to the taxpayer. SIGTARP also recommended that Treasury clarify SIGTARP's right of access to all PPIP books and records. Senate Amendment 1043 to Senate Bill No. 896, which passed the Senate by a unanimous vote and was later enacted in P.L. 111-22, incorporated these recommendations.

The Investigations Division (ID) supervises and conducts criminal and civil investigations inside and outside of government, regarding waste, theft, or abuse of TARP funds. In fiscal year 2009, SIGTARP opened over 61 investigations and closed two. As of December 31, 2009, SIGTARP had also processed over 9,900 Hotline contacts and referred 77 percent of hotline complaints for investigation or to the Office of Financial Stability within 14 days of receipt.

ID employs experienced financial and corporate fraud investigators, special agents, forensic analysts and attorney advisors. This structure provides SIGTARP with a broad array of expertise and perspectives in developing sophisticated investigations. SIGTARP coordinates closely with other law enforcement agencies; forms law enforcement partnerships and task force relationships across the Federal government; and implements the SIGTARP Hotline, which abides by all applicable whistleblower protections when processing the telephone, e-mail, website, and in-person complaints the hotline receives.

## Privacy and Records

The Office of Privacy and Treasury Records (PTR) was established in fiscal year 2008 to strengthen the Department's privacy programs by combining key privacy functions and elevating the privacy program to directly report to the Assistant Secretary for Management and Chief Financial Officer (ASM/CFO). The realignment of information privacy, civil liberties, records management, library and disclosure functions into one office promotes an integrated, corporate approach to information management and protection across the Department.

PTR continued to strengthen corporate governance activities pertaining to privacy and records by accomplishing some key milestones. Privacy training was updated and made available across Treasury on the Treasury Learning Management Platform, enabling the timely training of 22 percent more employees than the previous year. The Department reduced its Freedom of Information Act (FOIA) backlog by 19 percent during fiscal year 2009. PTR's records management team effectively scheduled 100 percent of the Department's electronic records systems ahead of the required September 30, 2009 deadline set by the National Archives and Records Administration (NARA).

## Conclusion

Treasury has been successful in achieving this outcome. It met or exceeded all associated performance goals and exhibited positive trends in all but one measure.

## Moving Forward

In fiscal year 2010, OIG will complete implementation of its two new performance metrics. Although OIG was not appropriated funds to oversee Treasury operations related to ARRA it plans to devote resources to provide oversight of critical, non-IRS, Treasury-administered ARRA programs.

TIGTA will continue to provide critical audit, investigative, and inspection and evaluation services while promoting the integrity of tax administration on behalf of the Nation's taxpayers.

The American Recovery and Reinvestment Act authorized an appropriation of $7 million to TIGTA, available through September 2013, to be used in oversight activities of IRS programs and designated TIGTA as a member of the Recovery Accountability and Transparency Board. TIGTA will perform audits to ensure that the IRS's systems and programs are operating effectively, efficiently, and economically in their activities related to this legislation. TIGTA developed an Oversight Program Plan to address the many tax law provisions that the IRS is charged with administering. TIGTA will continue to provide oversight to IRS's ARRA implementation through fiscal year 2013.

TIGTA concluded that it is doubtful that the IRS's tax gap estimate includes the entire international tax gap primarily because identifying hidden income within international activity is very difficult and time-consuming. TIGTA will continue to work with the IRS to identify other opportunities to reduce the tax gap and improve the efficiency and effectiveness of America's tax system.

As the IRS continues to modernize and automate its operations, TIGTA auditors and investigators must be appropriately trained to operate in this environment. TIGTA will build upon actions initiated in fiscal year 2009 throughout the coming fiscal year.

SIGTARP will continue to build infrastructure, such as securing office space and equipment for staff, to enable SIGTARP to carry out its mission to conduct, supervise, and coordinate audits and investigations of TARP. SIGTARP will also complete implementation of its seven new performance metrics.

# List of Acronyms

| LIST OF ACRONYMS | |
|---|---|
| ABS | Asset-Backed Securities |
| AFR | Agency Financial Report |
| AGP | Asset Guarantee Program |
| AIFP | Automotive Industry Financing Program |
| AIG | American International Group |
| AIIP | Automotive Industry Investment Program |
| APR | Annual Performance Report |
| ARC | Administrative Resource Center |
| ASC | Accounting Standards Codification |
| ASM/CFO | Assistant Secretary for Management & Chief Financial Officer |
| BEP | Bureau of Engraving and Printing |
| BPD | Bureau of the Public Debt |
| BSA | Bank Secrecy Act |
| BSM | Business Systems Modernization |
| CADE | Customer Account Data Engine |
| CAP | Competitiveness Assessment Process |
| CAP | Capital Assessment Program |
| CBLI | Consumer and Business Lending Initiative |
| CDDB | Custodial Detail Database |
| CDE | Community Development Entities |
| CDFI | Community Development Financial Institutions |
| CDS | Credit Default Swaps |
| CFPA | Consumer Financial Protection Agency |
| CFO | Chief Financial Officer |
| CFS | Consolidated Financial Statements |
| CFTC | Commodities Futures Trading Commission |
| CMBS | Commercial Mortgage Backed Securities |
| CO | Contracting Officer |
| COP | Congressional Oversight Panel |
| CPP | Capital Purchase Program |
| CSRS | Civil Service Retirement System |
| CTF | Clean Technology Fund |
| DASHR/CHCO | Office of the Deputy Assistant Secretary for Human Resources/Chief Human Capital Officer |

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| LIST OF ACRONYMS | |
|---|---|
| DCAA | Defense Contract Auditing Agency |
| DCP | Office of D.C. Pensions |
| DIP | Debtor-in-Possession |
| DO | Departmental Offices |
| DHS | Department of Homeland Security |
| EESA | Emergency Economic Stability Act of 2008 |
| EFTPS | Electronic Federal Tax Payment System |
| EGTRRA | Economic Growth and Tax Relief Reconciliation Act |
| EITC | Earned Income Tax Credit |
| ESF | Exchange Stabilization Fund |
| Fannie Mae | Federal National Mortgage Association |
| FARS | Financial Analysis and Reporting System |
| FASAB | Federal Accounting Standards Advisory Board |
| FATF | Financial Action Task Force |
| FCDA | Foreign Currency Denominated Assets |
| FCRA | Federal Credit Reform Act |
| FDIC | Federal Deposit Insurance Corporation |
| FECA | Federal Employees' Compensation Act |
| FERS | Federal Employees' Retirement System |
| FEGLI | Federal Employees Group Life Insurance |
| FEHBP | Federal Employees Health Benefits Program |
| FFB | Federal Financing Bank |
| FFMIA | Federal Financial Management Improvement Act |
| FHFA | Federal Housing Finance Agency |
| FHLB | Federal Home Loan Bank |
| FinCEN | Financial Crimes Enforcement Network |
| FMFIA | Federal Managers' Financial Integrity Act |
| FMIS | Financial Management Information System |
| FMS | Financial Management Service |
| FRB | Federal Reserve Bank |
| FRBNY | Federal Reserve Bank of New York |
| Freddie Mac | Federal Home Loan Mortgage Corporation |
| FTO | Fine Troy Ounce |
| FY | Fiscal Year |
| G-7 | Group of Seven |
| G-20 | Group of Twenty |

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| LIST OF ACRONYMS | |
|---|---|
| GAAP | Generally Accepted Accounting Principles |
| GAB | General Arrangement to Borrow |
| GAO | Government Accountability Office |
| GFRA | General Fund Receipt Account |
| GM | General Motors |
| GMAC | General Motors Acceptance Corporation |
| GSA | General Services Administration |
| GSE | Government Sponsored Enterprises |
| GSECF | Government Sponsored Enterprise Credit Facility |
| HAMP | Home Affordable Modification Program |
| HCTC | Health Coverage Tax Credit |
| HERA | Housing and Economic Recovery Act |
| HUD | Department of Housing and Urban Development |
| IAP | International Assistance Programs |
| IFS | Integrated Financial System |
| IMF | International Monetary Fund |
| IPIA | Improper Payments Information Act |
| IRACS | Interim Revenue Accounting Control System |
| IRS | Internal Revenue Service |
| IT | Information Technology |
| JAMES | Joint Audit Management Enterprise System |
| LIBOR-OIS | London Inter-Bank Offered Rate-Overnight Index Swap |
| MBS | Mortgage-Backed Securities |
| MDB | Multilateral Development Banks |
| MeF | Modernized Electronic File |
| MINT | U.S. Mint |
| MRADR | Market Risk Adjusted Discount Rate |
| MV&S | Modernization, Vision, and Strategy |
| NAB | New Arrangement to Borrow |
| NACA | Native American CDFI Assistance |
| NMTC | New Markets Tax Credit |
| NRC | National Revenue Center |
| NRP | National Research Program |
| OCC | Office of the Comptroller of the Currency |
| OFS | Office of Financial Stability |
| OIG | Office of Inspector General |

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| LIST OF ACRONYMS | |
|---|---|
| OMB | Office of Management and Budget |
| ONI | Office of National Insurance |
| OPEB | Other Post Employment Benefits |
| OPM | Office of Personnel Management |
| ORB | Other Retirement Benefits |
| OTC | Over-the-Counter |
| OTS | Office of Thrift Supervision |
| PB | President's Budget |
| PCA | Planned Corrective Actions |
| PP&E | Property, Plant, and Equipment |
| PPIF | Public-Private Investment Fund |
| PPIP | Public-Private Investment Program |
| PSPA | Preferred Stock Purchase Agreements |
| QEO | Qualified Equity Offering |
| QFI | Qualified Financial Institution |
| RRACS | Redesign Revenue Accounting Control System |
| SAR | Suspicious Activity Report |
| SBA | Small Business Administration |
| SBR | Statement of Budgetary Resources |
| SCAP | Supervisory Capital Assessment Program |
| SDR | Special Drawing Rights |
| SEC | Securities and Exchange Commission |
| SED | Strategic Economic Dialogue |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SFP | Supplementary Financing Program |
| SIGTARP | Special Inspector General for TARP |
| SOMA | System Open Market Account |
| SPSPA | Senior Preferred Stock Purchase Agreements |
| SPV | Special Purpose Vehicle |
| SSP | Shared Service Provider |
| SSP | Stable Share Price |
| TAIFF | Troubled Assets Insurance Financing Fund |
| TALF | Term Asset-Backed Securities Loan Facilities |
| TARP | Troubled Asset Relief Program |
| TFF | Treasury Forfeiture Fund |
| TIER | Treasury Information Executive Repository |

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| LIST OF ACRONYMS | |
|---|---|
| TIGTA | Treasury Inspector General for Tax Administration |
| TIP | Targeted Investment Program |
| TIPS | Treasury Inflation-Protected Securities |
| TRES | Treasury Retail E-Services |
| TRIA | Terrorism Risk Insurance Act |
| TTB | Alcohol and Tobacco Tax and Trade Bureau |
| UBS | Union Bank of Switzerland |
| USSGL | United States Standard General Ledger |
| VITA | Volunteer Income Tax Assistance |

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# Appendix


Full Report of the Treasury Department's Fiscal Year 2009
Performance Measures by Focus and Strategic Goal

# Full Report of the Treasury Department's Fiscal Year 2009 Performance Measures by Focus and Strategic Goal

## FISCAL YEAR 2009 PERFORMANCE SUMMARY

This section reports the results of the Department of the Treasury's official performance measures by focus and strategic goal, and further by bureau/organization, for which targets were set in the *Fiscal Year 2009 Performance Plan*, as presented in the *Fiscal Year 2011 Congressional Justification for Appropriations and Performance Plans*. For each performance measure, there is a definition of the measure, performance levels and targets for three previous fiscal years (where available), the performance target and actual for the reporting year, and proposed performance targets for the next fiscal year (where available). The report examines unrealized performance targets and presents actions for improvement.

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

Overall, the Department of the Treasury had 166 performance targets in fiscal year 2009; 22 of these measures were baseline, and 11 were discontinued, resulting in 133 measures. Targets exceeded, met, improved and unmet are shown below for two calculations: 1) excluding baseline and discontinued measures, and 2) including baseline and discontinued measures.

**FISCAL YEAR 2009 TREASURY-WIDE PERFORMANCE SUMMARY FOR ACTIVE MEASURES (EXCLUDING BASELINE AND DISCONTINUED)**

| Total Measures | Target Exceeded | Target Met | Target Unmet | Target Improved |
|---|---|---|---|---|
| 133 | 88 (66%) | 19 (14%) | 24 (18%) | 2 (2%) |

**FISCAL YEAR 2009 TREASURY-WIDE PERFORMANCE SUMMARY (INCLUDING BASELINE AND DISCONTINUED)**

| Total Measures | Target Exceeded | Target Met | Target Unmet | Target Improved | Baseline | DISC |
|---|---|---|---|---|---|---|
| 166 | 88 (53%) | 19 (11%) | 24 (14%) | 2 (1%) | 22 (13%) | 11 (7%) |

## DEFINITIONS AND OTHER IMPORTANT INFORMATION

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

**Actual:** For most of the measures included in this report, the fiscal year 2009 actual data is final. Some of the actual data for fiscal year 2009 are estimates at the time of publication, which are indicated by an asterisk (*).

Actual data for these estimated measures will be presented in the *Fiscal Year 2012 Congressional Justification for Appropriations* and the *Fiscal Year 2010 Performance and Accountability Report*. The actual data for previous years throughout this report is the most current data available and may not reflect previous editions of the Performance and Accountability Report and the Congressional Justification.

**Target:** The targets shown for fiscal year 2010 are proposed targets and are subject to change. The final targets will be presented in the *Fiscal Year 2012 Congressional Justification for Appropriations*. Also included in this report are the previous year's final targets for each performance measure.

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

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

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

**Future Plans/Explanation for Shortfall:** If a performance target is not met, the report includes an explanation as to why Treasury did not meet its target, and what it plans to do to improve performance in the future. If a performance target is met, the report includes what future plans Treasury has to either match fiscal year 2009 performance, or improve on that performance in future years. Explanations may also include justification for any expected degradation in performance.

**Discontinued:** Some measures will be discontinued in the *Fiscal Year 2011 Congressional Justification for Appropriations* and the *Fiscal Year 20010 Performance and Accountability Report*. New measures are sometimes developed in order to better measure performance; when this happens, the measure being replaced is discontinued, and an explanation is provided.

**Baseline Measures:** There are 19 new measures in fiscal year 2009 included in this report. Baseline values facilitate target-setting in the future. The target value for a new measure is "baseline," and the actual value is the initial data point. These targets are considered met since the objective was to establish the initial value in the first year of measurement. Targets are then established for subsequent years.

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

| LEGEND | |
|---|---|
| * | Indicates actual data is estimated and subject to change |
| Oe | Outcome Measure |
| E | Efficiency Measure |
| Ot | Output |

*These tables do not include measures that were discontinued prior to fiscal year 2010.

| CASH RESOURCES ARE AVAILABLE TO OPERATE THE GOVERNMENT | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Performance Measure** | **Bureau** | **2009 Target** | **2009 Actual** | **Performance Rating** | **Percent of Target Achieved** | **Year over Year Percent Change in Actual** | **2010 Target** | **Target Trend** | **Actual Trend** |
| Revenue Collected When Due Through a Fair and Uniform Application of the Law | | | | | | | | | |
| Amount of delinquent debt collected per $1 spent ($) (E) | FMS | $43 | $53.76 | Exceeded | 125% | 1% | $43 | ▲ | ▲ |
| Amount of delinquent debt collected through all available tools ($ billions) (Ot) | FMS | $3.9 | $5.03 | Exceeded | 129% | 114% | $4 | ▲ | ▲ |
| Dollar amount of collections processed through Pay.gov governmentwide Internet collections portal ($ billions) | FMS | $43 | $68.8 | Exceeded | 160% | 141% | $44 | ▲ | ▲ |
| Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe) | FMS | 80% | 84% | Exceeded | 105% | 105% | 80% | ► | ▲ |
| Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral (%) (Ot) | FMS | 97% | 100% | Exceeded | 103% | 101% | 97% | ▲ | ▲ |
| Percentage of Federal agency customers indicating an overall service rating of satisfactory or better | FMS | 87% | 91% | Exceeded | 105% | 103% | 88% | ▲ | ▲ |
| Unit cost to process a Federal revenue collection transaction ($) (E) | FMS | $1.27 | $1.57 | Unmet | 0.8% | 0.7% | $1.25 | ▼ | ▲ |
| Automated Collection System (ACS) Accuracy (%) (Oe) | IRS | 92% | 94.3% | Exceeded | 103% | 99% | 92.5% | ▲ | ▲ |
| Automated Underreporter (AUR) Coverage (%) (E) | IRS | 2.5% | 2.6% | Exceeded | 104% | 102% | 3% | ▲ | ▲ |
| Automated Underreporter (AUR) Efficiency (E) | IRS | 1,855 | 1,905 | Exceeded | 103% | 96% | 1,868 | ▲ | ▲ |
| Collection Coverage - Units (%) (Oe) | IRS | 54.4% | 54.2% | Unmet | 100% | 98% | 50.5% | ▲ | ► |
| Collection Efficiency - Units (E) | IRS | 1,872 | 1,845 | Unmet | 99% | 96% | 1,898 | ▲ | ▲ |
| Conviction Efficiency Rate (Cost per Conviction) ($) (E) | IRS | $317,100 | $327,328 | Unmet | 97% | 96% | $331,000 | ▼ | ► |
| Conviction Rate (%) (Oe) | IRS | 92% | 87.2% | Unmet | 95% | 94% | 92% | ► | ▼ |
| Criminal Investigations Completed (Ot) | IRS | 3,900 | 3,848 | Unmet | 99% | 95% | 3,900 | ► | ▼ |
| Customer Accuracy - Customer Accounts (Phones) (%) (Oe) | IRS | 93.5% | 94.9% | Exceeded | 101% | 101% | 93.7% | ▲ | ▲ |
| Customer Accuracy - Tax Law Phones (%) (Oe) | IRS | 91% | 92.9% | Exceeded | 102% | 102% | 91.2% | ► | ▲ |
| Customer Contacts Resolved per Staff year (E) | IRS | 10,386 | 12,918 | Exceeded | 124% | 102% | 9,398 | ▲ | ▲ |
| Customer Service Representative (CSR) Level of Service (%) (Oe) | IRS | 70% | 70% | Met | 100% | 133% | 71% | ▼ | ▼ |
| Examination Coverage - Business Corporations > $10 million (%) (Oe) | IRS | 5.8% | 5.6% | Unmet | 97% | 92% | 5.1% | ▼ | ▼ |
| Examination Coverage - Individual (%) (Oe) | IRS | 1% | 1% | Met | 100% | 100% | 1.1% | ► | ► |
| Examination Efficiency - Individual (1040 Form) (E) | IRS | 132 | 138 | Exceeded | 105% | 100% | 132 | ► | ▲ |
| Examination Quality (LMSB) - Coordinated Industry (%) (Oe) | IRS | 96% | 95% | Unmet | 99% | 98% | 96% | ► | ► |
| Examination Quality (LMSB) - Industry (%) (Oe) | IRS | 88% | 88% | Met | 100% | 100% | 89% | ▲ | ▲ |

*table continued on next page*

## CASH RESOURCES ARE AVAILABLE TO OPERATE THE GOVERNMENT

| Performance Measure | Bureau | 2009 Target | 2009 Actual | Performance Rating | Percent of Target Achieved | Year over Year Percent Change in Actual | 2010 Target | Target Trend | Actual Trend |
|---|---|---|---|---|---|---|---|---|---|
| Field Collection National Quality Review Score (Oe) | IRS | 80% | 80.5% | Exceeded | 101% | 102% | 81% | ▼ | ▼ |
| Field Examination National Quality Review Score (%) (Oe) | IRS | 87% | 85.1% | Unmet | 98% | 99% | 86.3% | ▶ | ▶ |
| HCTC Cost per Taxpayer Served | IRS | $17 | $13.79 | Exceeded | 119% | 119% | B | ▲ | ▶ |
| HCTC Sign-up Time (days) | IRS | 97 | 91.3 | Exceeded | 106% | 103% | B | ▶ | ▼ |
| Number of Convictions (Oe) | IRS | 2,135 | 2,105 | Unmet | 99% | 98% | 2,135 | ▶ | ▶ |
| Office Examination National Quality Review Score (%) (Oe) | IRS | 90% | 92.1% | Exceeded | 102% | 102% | 90.9% | ▲ | ▲ |
| Percent of BSM projects within +/- cost variance | IRS | 90% | 60% | Unmet | 67% | 65% | 90% | ▶ | ▼ |
| Percent of BSM projects within +/- schedule variance | IRS | 90% | 90% | Met | 100% | 98% | 90% | ▶ | ▶ |
| Percent of Business Returns Processed Electronically (%) (Oe) | IRS | 21.6% | 22.8% | Exceeded | 106% | 118% | 24.3% | ▲ | ▲ |
| Percent of Individual Returns Processed Electronically (%) (Oe) | IRS | 64% | 65.9% | Exceeded | 103% | 114% | 70.2% | ▲ | ▲ |
| Refund Timeliness - Individual (paper) (%) (E) | IRS | 98.4% | 99.2% | Exceeded | 101% | 100% | 98.4% | ▼ | ▶ |
| Taxpayer Self Assistance Rate | IRS | 64.7% | 69.3% | Exceeded | 107% | 104% | 61.3% | ▲ | ▲ |
| TEGE Determination Case Closures (Ot) | IRS | 94,000 | 96,246 | Exceeded | 102% | 96% | 140,465 | ▼ | ▼ |
| Timeliness of Critical Individual Filing Season Tax Products to the Public (%) (E) | IRS | 92% | 96.8% | Exceeded | 105% | 105% | 94% | ▶ | ▲ |
| Timeliness of Critical TE/GE and Business Tax Products to the Public (%) (Oe) | IRS | 89% | 95.2% | Exceeded | 107% | 106% | 90% | ▲ | ▲ |
| Amount of revenue collected per program dollar ($) (New data compilation methodology, 2008) | TTB | $300 | $427 | Exceeded | 142% | 136% | $400 | ▶ | ▲ |
| Percent of Voluntary Compliance from large taxpayers in filing tax payments timely and accurately (in terms of revenue) | TTB | 92% | 94% | Exceeded | 102% | 100% | 92% | ▶ | ▶ |
| **Timely and Accurate Payments at the Lowest Possible Cost** | | | | | | | | | |
| Percentage of paper check and electronic funds transfer (EFT) payments made accurately and on-time (%) (Oe) | FMS | 100% | 100% | Met | 100% | 100% | 100% | ▶ | ▶ |
| Percentage of Treasury payments and associated information made electronically (%) (Oe) | FMS | 80% | 81% | Exceeded | 101% | 103% | 80% | ▲ | ▲ |
| Unit cost for federal government payments ($) (E) | FMS | $0.4 | $0.37 | Met | 108% | 106% | $0.4 | ▲ | ▶ |
| **Government Financing at the Lowest Possible Cost Over Time** | | | | | | | | | |
| Cost per debt financing operation ($) (E) | BPD | $256,336 | $170,214 | Exceeded | 134% | 123% | $193,962 | ▲ | ▲ |
| Cost per federal funds investment transaction ($) (E) | BPD | $69.11 | $41.71 | Exceeded | 140% | 136% | $45.7 | ▼ | ▼ |
| Cost per TreasuryDirect assisted transaction ($) (E) | BPD | $9.34 | $8.72 | Exceeded | 107% | 94% | $8.57 | ▲ | ▲ |
| Cost per TreasuryDirect online transaction ($) (E) | BPD | $4.34 | $5.21 | Unmet | 80% | 80% | $5.69 | ▲ | ▲ |

*table continued on next page*

## CASH RESOURCES ARE AVAILABLE TO OPERATE THE GOVERNMENT

| Performance Measure | Bureau | 2009 Target | 2009 Actual | Performance Rating | Percent of Target Achieved | Year over Year Percent Change in Actual | 2010 Target | Target Trend | Actual Trend |
|---|---|---|---|---|---|---|---|---|---|
| Number of Government Agency Investment Services control processes consolidated | BPD | 0 | 0 | Met | 100% | 100% | 5 | ▼ | ▼ |
| Percent of auction results released in two minutes +/- 30 seconds (%) (Oe) | BPD | 95% | 100% | Exceeded | 105% | 100% | 95% | ▶ | ▶ |
| Percentage of retail customer service transactions completed within 5 business days (%) (Ot) | BPD | B | 86% | Met | 100% | B | 86% | B | B |
| **Effective Cash Management** | | | | | | | | | |
| Variance between estimated and actual receipts (annual forecast) (%) (Oe) | DO | 5% | 5.5% | Unmet | 90% | 80% | 5% | ▶ | ▲ |
| **Accurate, Timely, Useful Transparent and Accessible Financial Information** | | | | | | | | | |
| Cost per summary debt accounting transaction ($) (E) | BPD | $10.01 | $8.66 | Exceeded | 113% | 105% | $11.81 | ▼ | ▼ |
| Release federal government-wide statements on time (Oe) | DO | Met | Met | Met | 100% | 100% | Met | ▶ | ▶ |
| Percentage of government-wide accounting reports issued accurately (%) (Oe) | FMS | 100% | 100% | Met | 100% | 100% | 100% | ▶ | ▶ |
| Percentage of government-wide accounting reports issued timely (%) (E) | FMS | 100% | 100% | Met | 100% | 100% | 100% | ▶ | ▶ |
| Unit cost to manage $1 million dollars of cash flow ($) | FMS | $12.38 | $7.08 | Exceeded | 143% | 121% | $11.77 | ▲ | ▼ |

## IMPROVED ECONOMIC OPPORTUNITY, MOBILITY, AND SECURITY WITH ROBUST, REAL, SUSTAINABLE ECONOMIC GROWTH AT HOME AND ABROAD

| Performance Measure | Bureau | 2009 Target | 2009 Actual | Performance Rating | Percent of Target Achieved | Year over Year Percent change in Actual | 2010 Target | Target Trend | Actual Trend |
|---|---|---|---|---|---|---|---|---|---|
| Strong U.S. Economic Competitiveness | | | | | | | | | |
| Administrative cost per number of Bank Enterprise Award (BEA) applications processed ($) (E) | CDFI | $1,455 | $2,366 | Improved | 37% | 123% | DISC | ▶ | ▲ |
| Administrative costs per financial assistance (FA) application processed (E) | CDFI | $6,920 | $3,283 | Exceeded | 153% | 154% | DISC | ▶ | ▼ |
| Administrative costs per number of Native American CDFI Assistance (NACA) applications processed ($) (E) | CDFI | $9,090 | $3,162 | Exceeded | 165% | 171% | DISC | ▶ | ▼ |
| Administrative costs per number of New Markets Tax Credit (NMTC) applications processed ($) (E) | CDFI | $4,875 | $3,254 | Exceeded | 133% | 156% | DISC | ▶ | ▼ |
| Annual percentage increase in the total assets of Native CDFIs (%) (Oe) | CDFI | 15% | 23% | Exceeded | 153% | 121% | 15% | ▼ | ▶ |
| Commercial real-estate properties financed by BEA Program applicants that provide access to essential community products and services in underserved communities | CDFI | 285 | 500 | Exceeded | 175% | 174% | DISC | ▶ | ▲ |
| Community Development Entities' annual investments in low-income communities ($ billion) | CDFI | $2.5 | $3.6 | Exceeded | 144% | 109% | $2.5 | ▲ | ▲ |
| Community Development Entities' cumulative investments in low-income communities ($ billion) | CDFI | $11.4 | $12.5 | Exceeded | 110% | 140% | $10 | ▲ | ▲ |
| Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance ($ in millions) (Oe) | CDFI | $635 | $1,298 | Exceeded | 204% | 209% | $600 | ▼ | ▶ |
| Increase in community development activities over prior year for all BEA program applicants ($ millions) (Oe) | CDFI | $202 | $292 | Exceeded | 145% | 126% | $210 | ▲ | ▶ |
| Increase in the percentage of eligible areas served by a CDFI | CDFI | 15% | 25.1% | Exceeded | 167% | 141% | 21% | ▲ | ▲ |
| Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI program awardees (Oe) | CDFI | 30,000 | 70,260 | Exceeded | 234% | 238% | 85,000 | ▶ | ▲ |
| Number of small businesses located in underserved communities financed by BEA Program applicants | CDFI | 288 | 640 | Exceeded | 222% | 71% | 252 | ▼ | ▲ |
| Percent of CDFIs that increased their total assets (cumulative) | CDFI | 70% | 88% | Exceeded | 126% | 101% | 65% | ▶ | ▲ |
| Percent of CDFIs that increased their total assets over the previous year | CDFI | 70% | 69% | Unmet | 99% | 86% | 66% | ▶ | ▼ |
| Percentage of eligible areas served by one or more CDFI | CDFI | 3% | 14.8% | Exceeded | 493% | 435% | 5% | ▲ | ▲ |
| Percentage of loans and investments that went into severely distressed communities | CDFI | 66% | 81% | Exceeded | 123% | 111% | 66% | ▶ | ▲ |
| Percentage of licensing applications and notices completed with established timeframes (%) (Oe) | OCC | 95% | 95% | Met | 100% | 100% | 95% | ▶ | ▶ |

*table continued on next page*

## IMPROVED ECONOMIC OPPORTUNITY, MOBILITY, AND SECURITY WITH ROBUST, REAL, SUSTAINABLE ECONOMIC GROWTH AT HOME AND ABROAD

| Performance Measure | Bureau | 2009 Target | 2009 Actual | Performance Rating | Percent of Target Achieved | Year over Year Percent change in Actual | 2010 Target | Target Trend | Actual Trend |
|---|---|---|---|---|---|---|---|---|---|
| Average number of days to process an original permit application at the National Revenue Center (%) (E) | TTB | 72 | 64 | Exceeded | 111% | 0% | 72 | ▶ | ▶ |
| National Revenue Center (NRC) customer satisfaction survey | TTB | 85% | 89% | Exceeded | 105% | 99% | 85% | ▶ | ▼ |
| Percent of electronically filed Certificate of Label Approval applications (%) (E) | TTB | 53% | 74% | Exceeded | 140% | 119% | 78% | ▲ | ▲ |
| Percentage of importers identified by TTB as illegally operating without a Federal permit | TTB | 20% | 15% | Exceeded | 125% | 132% | 19% | ▶ | ▼ |
| **Free Trade and Investment** | | | | | | | | | |
| Number of New Trade and Investment Negotiations Underway or Completed (Oe) | DO | 6 | 15 | Exceeded | 250% | 107% | 2 | ▼ | ▲ |
| Number of specific new trade actions involving Treasury interagency participation in order to enact, implement and enforce US trade law and international agreements | DO | 30 | 98 | Exceeded | 327% | 144% | 40 | ▼ | ▲ |
| **Prevented or Mitigated Financial and Economic Crises** | | | | | | | | | |
| Average days to close a FOIA case | DO | B | 67 | Met | 100% | B | 64 | B | B |
| Changes that result from project engagement (Impact) | DO | 3.1 | 3.1 | Met | 100% | 100% | 3.1 | ▶ | ▶ |
| Clean audit opinion on TARP financial statements | DO | B | Met | Met | 100% | B | Met | B | B |
| Percentage of Congressional correspondence responses drafted within 48 hours | DO | B | 87% | Met | 100% | B | 90% | B | B |
| Percentage of Customers satisfied with FinancialStability.gov | DO | B | 65% | Met | 100% | B | 70% | B | B |
| Percentage of SIGTARP and GAO oversight recommendations responded to on time | DO | B | 100% | Met | 100% | B | 100% | B | B |
| Percentage of statutorily-mandated reports submitted on time | DO | B | 100% | Met | 100% | B | 100% | B | B |
| Scope and intensity of engagement (Traction) | DO | 3.6 | 3.7 | Exceeded | 103% | 103% | 3.6 | ▶ | ▲ |
| Percent of national banks with composite CAMELS rating of 1 or 2 (%) (Oe) | OCC | 90% | 82% | Unmet | 91% | 89% | 90% | ▶ | ▼ |
| Percentage of national banks that are categorized as well capitalized (%) (Oe) | OCC | 95% | 86% | Unmet | 91% | 87% | 95% | ▶ | ▼ |
| Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe) | OCC | 94% | 97% | Exceeded | 103% | 100% | 94% | ▶ | ▲ |
| Rehabilitated national banks as a percentage of problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe) | OCC | 40% | 29% | Unmet | 73% | 62% | 40% | ▶ | ▼ |
| Total OCC costs relative to every $100,000 in bank assets regulated ($) (E) | OCC | $9.22 | $8.81 | Exceeded | 104% | 95% | $9.22 | ▼ | ▼ |
| Percent of safety and soundness exams started as scheduled (%) (Oe) | OTS | 90% | 94% | Exceeded | 104% | 100% | 90% | ▶ | ▶ |

*table continued on next page*

## IMPROVED ECONOMIC OPPORTUNITY, MOBILITY, AND SECURITY WITH ROBUST, REAL, SUSTAINABLE ECONOMIC GROWTH AT HOME AND ABROAD

| Performance Measure | Bureau | 2009 Target | 2009 Actual | Performance Rating | Percent of Target Achieved | Year over Year Percent change in Actual | 2010 Target | Target Trend | Actual Trend |
|---|---|---|---|---|---|---|---|---|---|
| Percent of thrifts that are well capitalized (%) (Oe) | OTS | 95% | 97% | Exceeded | 102% | 99% | 95% | ▶ | ▼ |
| Percent of thrifts with a compliance examination rating of 1 or 2 (%) (Oe) | OTS | 90% | 95% | Exceeded | 106% | 99% | 90% | ▶ | ▶ |
| Percent of thrifts with composite CAMELS ratings of 1 or 2 (%) (Oe) | OTS | 90% | 84% | Unmet | 93% | 93% | 80% | ▶ | ▼ |
| Total OTS costs relative to every $100,000 in savings association assets regulated ($) (E) | OTS | $23.04 | $19.88 | Exceeded | 114% | 68% | $22 | ▲ | ▲ |
| **Decreased Gap in Global Standard of Living** | | | | | | | | | |
| Improve International Monetary Fund (IMF) Effectiveness and Quality Through Periodic Review of IMF Programs (%) (Oe) | DO | 90% | 23% | Unmet | 26% | 25% | 90% | ▶ | ▼ |
| Percentage of Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement (%) (Oe) | DO | 90% | 94% | Exceeded | 104% | 100% | 90% | ▶ | ▲ |

## TRUST AND CONFIDENCE IN U.S. NOTES AND COINS

| Performance Measure | Bureau | 2009 Target | 2009 Actual | Performance Rating | Percent of Target Achieved | Year over Year Percent change in Actual | 2010 Target | Target Trend | Actual Trend |
|---|---|---|---|---|---|---|---|---|---|
| **Commerce Enabled Through Safe, Secure U.S. Notes and Coins** | | | | | | | | | |
| Currency Production | BEP | 6.2 | 6.2 | Met | 100% | 81% | 8 | ▼ | ▼ |
| Currency shipment discrepancies per million notes (%) (Oe) | BEP | 0.01% | 0% | Exceeded | 200% | 200% | 0.01% | ▶ | ▼ |
| Improper and/or erroneous payments or puchases | BEP | $500 | $0 | Exceeded | 200% | N/A | $300 | ▼ | ▼ |
| Maintain ISO certification | BEP | Met | Met | Met | 100% | 100% | Met | ▶ | ▶ |
| Manufacturing costs for currency (dollar costs per thousand notes produced) ($) (E) | BEP | $37 | $32.77 | Exceeded | 111% | 89% | $37 | ▲ | ▲ |
| Other financial losses | BEP | $0 | $0 | Met | 100% | 100% | $0 | ▶ | ▼ |
| Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements (%) (Oe) | BEP | 99.9% | 99.9% | Met | 100% | 100% | 99.9% | ▶ | ▶ |
| Security costs per 1000 notes delivered ($) (E) | BEP | $5.65 | $5.76 | Unmet | 98% | 98% | $5.6 | ▼ | ▼ |
| Total financial losses | BEP | $20,500 | $16,000 | Exceeded | 122% | N/A | $15,300 | ▼ | ▼ |
| Total regulatory fines and claims paid | BEP | $20,000 | $16,000 | Exceeded | 120% | N/A | $15,000 | ▼ | ▼ |
| Absolute Value of Production Percent Deviation from net Pay | Mint | B | 6.5% | Met | 100% | B | DISC | B | B |
| Customer Satisfaction Index - A measure of the satisfaction of customers with numismatic products | Mint | 88% | 88.3% | Exceeded | 100% | N/A | 88% | B | B |
| Employee Confidence in Protection | Mint | 83% | 81% | Unmet | 98% | 100% | DISC | ▼ | ▶ |
| Numismatic Customer Base (Ot) | Mint | 1.398 | 1.055 | Unmet | 75% | B | 0.9 | B | B |
| Numismatic Net Margin (E) | Mint | 15% | 9.4% | Unmet | 1% | B | DISC | B | B |
| Protection Cost Per Square Foot ($) (E) | Mint | $31.75 | $31.57 | Exceeded | 101% | 101% | $31.7 | ▼ | ▼ |
| Seigniorage per Dollar Issued ($) | Mint | $0.54 | $0.55 | Exceeded | 102% | N/A | $0.53 | B | B |

## PRE-EMPTED AND NEUTRALIZED THREATS TO THE INTERNATIONAL FINANCIAL SYSTEM AND ENHANCED U.S. NATIONAL SECURITY

| Performance Measure | Bureau | 2009 Target | 2009 Actual | Performance Rating | Percent of Target Achieved | Year over Year Percent change in Actual | 2010 Target | Target Trend | Actual Trend |
|---|---|---|---|---|---|---|---|---|---|
| Removed or Reduced Threats to National Security from Terrorism, Proliferation of Weapons of Mass Destruction, Drug Trafficking and Other Criminal Activity on the Part of Rogue Regimes, Individuals, and Their Support Networks | | | | | | | | | |
| Impact of TFI programs and activities | DO | B | 7.81 | Met | 100% | B | 7.4 | B | B |
| Percent of forfeited cash proceeds resulting from high-impact cases (%) | T Forfeiture Fund | 75% | 87.65% | Exceeded | 117% | 101% | 75% | ▶ | ▲ |
| Safer and More Transparent U.S. and International Financial Systems | | | | | | | | | |
| Average time to process enforcement matters (in years) | FinCEN | Met | Met | Met | 100% | 57% | Met | ▶ | ▶ |
| Cost Per BSA Form E-Filed | FinCEN | $0.15 | $0.16 | Unmet | 93% | 77% | $0.15 | ▶ | ▼ |
| Median time taken from date of receipt of Financial Institution Hotline Tip SAR to transmittal of a written analytical report to law enforcement or the intelligence community (days) | FinCEN | 15 | 3 | Exceeded | 180% | 100% | 5 | ▼ | ▼ |
| Number of largest BSA report filers using E-Filing | FinCEN | 454 | 486 | Exceeded | 107% | 126% | 534 | ▲ | ▲ |
| Number of users directly accessing BSA data | FinCEN | 10,000 | 10,072 | Exceeded | 101% | 104% | 10,000 | ▲ | ▲ |
| Percent of federal and state regulatory agencies with memoranda of understanding/information sharing agreements | FinCEN | 45% | 43% | Improved | 97% | 105% | 46% | ▲ | ▲ |
| Percent of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve the BSA consistency and compliance of the financial system | FinCEN | 66% | 82% | Exceeded | 124% | 128% | 68% | ▲ | ▲ |
| Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule. | FinCEN | 5.2% | 2.1% | Exceeded | 160% | 116% | 5.2% | ▶ | ▼ |
| Percentage of complex analytical work completed by FinCEN analysts | FinCEN | 39% | 44% | Exceeded | 113% | 163% | 39% | ▲ | ▼ |
| Percentage of customers satisfied with the BSA E-Filing | FinCEN | 90% | 94% | Exceeded | 104% | 101% | 90% | ▶ | ▲ |
| Percentage of customers satisfied with WEBCBRS and secure outreach | FinCEN | 81% | 74% | Unmet | 91% | 91% | 74% | ▶ | ▼ |
| Percentage of FinCEN's Regulatory Resource Center Customers rating the guidance received as understandable | FinCEN | 90% | 94% | Exceeded | 104% | 100% | 90% | ▶ | ▶ |
| Share of BSA filings submitted electronically | FinCEN | 67% | 82% | Exceeded | 122% | 115% | 71% | ▲ | ▲ |
| The percent of countries/jurisdictions connected to the Egmont Secure Web within one year of Egmont membership | FinCEN | 98% | 99% | Exceeded | 101% | 101% | 98% | ▶ | ▲ |
| The percentage of domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable | FinCEN | 80% | 81% | Exceeded | 101% | 98% | 81% | ▲ | ▲ |
| The percentage of private industry or financial institution customers finding FinCEN's SAR Activity Review products valuable | FinCEN | 76% | 73% | Unmet | 96% | 97% | 75% | ▲ | ▲ |

## ENABLED AND EFFECTIVE TREASURY DEPARTMENT

| Performance Measure | Bureau | 2009 Target | 2009 Actual | Performance Rating | Percent of Target Achieved | Year over Year Percent change in Actual | 2010 Target | Target Trend | Actual Trend |
|---|---|---|---|---|---|---|---|---|---|
| **A Citizen-Centered, Results-Oriented and Strategically Aligned Organization** | | | | | | | | | |
| Complete Investigations of EEO Complaints Within 180 Days (%) (Oe) | DO | 50 | 65 | Exceeded | 130% | 116% | 65 | ▶ | ▲ |
| Percent of complainants informally contacting EEO (for the purpose of seeking counseling or filing a complaint) who participate in the ADR Process (%) (Oe) | DO | 30% | 35% | Exceeded | 117% | 78% | 30% | ▶ | ▲ |
| Customer Satisfaction Index - Financial Mgmt Admin Support Services (%) (Oe) | T Franchise Fund | 80% | 89% | Exceeded | 111% | 92% | 80% | ▲ | ▲ |
| Operating expenses as a percentage of revenue--Financial Management Administrative Support (%) (E) | T Franchise Fund | 12% | 4.72% | Exceeded | 161% | 69% | 12% | ▶ | ▼ |
| **Exceptional Accountability and Transparency** | | | | | | | | | |
| Number of material weaknesses closed (significant management problems identified by GAO, the IGs and/or other bureaus)(Oe) | DO | 0 | 0 | Met | 100% | -100% | 1 | ▼ | ▼ |
| Number of completed audit products (Ot) | SIGTARP | B | 3 | Met | 100% | B | 12 | B | B |
| Percent of recommendations implemented (Oe) | SIGTARP | B | 100% | Met | 100% | B | 70% | B | B |
| Congressional requests for testimony completed (Ot) | SIGTARP | B | 9 | Met | 100% | B | 4 | B | B |
| Percentage of investgations accepted by prosecutors (Oe) | SIGTARP | B | 95% | Exceeded | 100% | B | 50% | B | B |
| Percentage of preliminary investigations that are converted into full investigations (Oe) | SIGTARP | B | 50% | Met | 100% | B | 35% | B | B |
| Percentage of all cases that are joint agency/task force investigations (Oe) | SIGTARP | B | 60% | Exceeded | 100% | B | 30% | B | B |
| Percentage of hotline complaints referred for investigation or to OFS within 14 days of receipt (E) | SIGTARP | B | 77% | Exceeded | 100% | B | 60% | B | B |
| Number of completed audit products | OIG | 60 | 68 | Exceeded | 113% | 106% | 62 | ▲ | ▲ |
| Percent of statutory audits completed by the required date (%) | OIG | 100% | 100% | Met | 100% | 100% | 100% | ▶ | ▶ |
| Percentage of all cases closed during fiscal year that were referred for criminal/civil prosecution or Treasury Administrative action | OIG | B | 100% | Met | 100% | B | 70% | B | B |
| Percentage of all cases that were accepted by prosecutors, referred for agency action, or closed during fiscal year and were completed within 18 months of case initiation | OIG | B | 92% | Met | 100% | B | 70% | B | B |
| Percentage of audit products delivered when promised to stakeholders | TIGTA | 65% | 81% | Exceeded | 125% | 125% | 65% | ▲ | ▲ |
| Percentage of recommendations made that have been implemented | TIGTA | 83% | 91% | Exceeded | 110% | 107% | 83% | ▲ | ▲ |
| Percentage of results from investigative activities | TIGTA | 78% | 83% | Exceeded | 106% | 106% | 79% | ▲ | ▲ |

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

# STRATEGIC GOAL: Effectively Managed U.S. Government Finances

## STRATEGIC OBJECTIVE: Cash Resources are Available to Operate the Government

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

### Financial Management Service

**MEASURE: Dollar amount of collections processed through Pay.Gov government-wide internet collections portal ($ billions) (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 15 | 30 | 40 | 43 | 44 |
| ACTUAL | 29.5 | 37.94 | 48.7 | 68.8 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS exceeded the anticipated target performance measure for fiscal year 2009. FMS fiscal year 2010 goal is $70 billion.

**MEASURE: Percentage collected electronically of total dollar amount of Federal government receipts (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 83 | 80 | 79 | 80 | 80 |
| ACTUAL | 79 | 79 | 80 | 84 | |
| TARGET MET? | N | N | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS exceeded the anticipated target performance measure for fiscal year 2009. FMS fiscal year 2010 goal is 81%

**MEASURE: Unit cost to process a Federal revenue collection transaction ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1.37 | 1.33 | 1.3 | 1.27 | 1.25 |
| ACTUAL | 1.1 | 1.19 | 1.195 | 1.57 | |
| TARGET MET? | Y | Y | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2009, total dollar collections decreased from $3.2 Trillion to $2.9 Trillion as a result businesses and individuals impacted by the economic downturn. Both EFT and paper collections decreased; however, non-EFT collections decreased at a higher rate than EFT collections, resulting in an overall increase in EFT collections. The primary driver for the increased EFT percentage was the significant decrease in non-EFT tax receipts for fiscal year 2009. Non-EFT tax receipts collected through the lockbox network and Federal Tax Deposits decreased over 28% from the prior fiscal year. Electronic tax collections only decreased 11%. The considerable decrease in non-EFT tax receipts caused the total EFT percentage to post a sizeable increase. Therefore, FMS did not meet the fiscal year 2009 target because the unit cost to process collections increased by 30 cents. FMS constantly strives to increase the amount of Federal government receipts collected electronically. Currently, FMS is working with the banking community to promote electronic collections. In conjunction with the banking effort, FMS is also implementing marketing efforts which promote non-EFT based collections migrating to EFTPS or Pay.gov. Finally, FMS has proposed 2 EFT initiatives to the Department. The first initiative would eliminate paper coupons for employment taxes and transfer them to EFTPS in fiscal year 2011. The second initiative would require certain classes of non-tax collections be paid electronically. Both of these proposals will provide significant support for increasing EFT. FMS will continue to look for ways to increase electronic collections and move towards the common goal for an all electronic treasury. FMS fiscal year 2010 goal is $1.70.

**MEASURE: Amount of delinquent debt collected per $1 spent ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 36.4 | 36.5 | 40 | 43 | 43 |
| ACTUAL | 39.97 | 53.55 | 54.76 | 53.76 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FMS has exceeded the target performance measure for fiscal year 2009. This performance measure will be calculated on an annual basis by A/C Management's, Finance Division. While costs may be evenly distributed throughout the fiscal year, a majority of the collections occur during the second and third quarters (tax season) of the fiscal year; therefore, calculating this measure quarterly would result in an inaccurate reflection of the return on investment of the debt collection program. In fiscal year 2010, FMS anticipates collecting $43.00 per $1 spent.

**MEASURE: Amount of delinquent debt collected through all available tools ($ billions) (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 3.1 | 3.2 | 3.4 | 3.9 | 4 |
| ACTUAL | 3.34 | 3.76 | 4.41 | 5.03 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has exceeded the target performance measure for fiscal year 2009. In fiscal year 2010, FMS anticipates collecting $4.00 billion in delinquent debt.

**MEASURE: Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 93 | 94 | 95 | 97 | 97 |
| ACTUAL | 95 | 100 | 99 | 100 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has exceeded the target performance measure for fiscal year 2009. In fiscal year 2010, FMS is targeted to receive 97% of the delinquent debt eligible to be referred to FMS for collection. Over the past few years, FMS has exceeded the performance target due to high-performing agency outreach and education efforts and improvements made to debt collection systems.

## Alcohol and Tobacco Tax and Trade Bureau

**MEASURE: Amount of revenue collected per program dollar (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 300 | 400 |
| ACTUAL | | | 313 | 427 | |
| TARGET MET? | N/A | N/A | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TTB surpassed its fiscal year 2009 target for this measure due to the increase in the federal excise tax (FET) rate on tobacco products imposed under the Children's Health Insurance Program Reauthorization Act of 2009, passed by Congress and signed by the President in February 2009. TTB collected an additional $6 billion in tobacco FET compared to fiscal year 2008 revenue collections. TTB expects that the return on every dollar expended under its Collect the Revenue program will increase in fiscal year 2010, as that will be the first full year of collections under the new tax rate.

**MEASURE: Percent of voluntary compliance from large taxpayers in filing tax payments timely and accurately (in terms of revenue) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 92 | 92 |
| ACTUAL | | | 94 | 94 | |
| TARGET MET? | N/A | N/A | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB surpassed its target for this measure, due in large part to educational efforts of our auditors and investigators on industry premises, and as a result of our outreach efforts at TTB seminars, which offer guidance related to TTB filing and reporting requirements for alcohol and tobacco federal excise taxpayers. TTB's revised aggressive audit plan, and continued outreach efforts, will prove critical in ensuring the bureau meets its fiscal year 2010 targeted performance level for voluntary compliance.

## Internal Revenue Service

| MEASURE: Automated Collection System (ACS) Accuracy (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 88 | 91 | 92 | 92 | 92.5 |
| ACTUAL | 91 | 92.9 | 95.3 | 94.3 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

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

| MEASURE: Automated Underreporter Coverage (%) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 2.3 | 2.5 | 2.5 | 2.5 | 3 |
| ACTUAL | 2.4 | 2.5 | 2.55 | 2.6 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

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

**MEASURE: Automated Underreporter (AUR) Efficiency (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1759 | 1932 | 1961 | 1855 | 1868 |
| ACTUAL | 1832 | 1956 | 1982 | 1905 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS will leverage the process improvements implemented in fiscal year 2009 to improve workload selection and productivity and reduce the number of cases closed with taxpayer contact.

**MEASURE: Percent of BSM Projects within +/- Cost Variance (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 90 | 90 |
| ACTUAL | | | 92 | 60 | |
| TARGET MET? | N/A | N/A | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Development costs for several Account Management Services (AMS) releases exceeded initial estimates.

| MEASURE: Percent of BSM Projects within +/- Schedule Variance (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 90 | 90 |
| ACTUAL | | | 92 | 90 | |
| TARGET MET? | N/A | N/A | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

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

| MEASURE: Collection Coverage - Units (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 52 | 54 | 53 | 54.4 | 50.5 |
| ACTUAL | 54 | 54 | 55.2 | 54.2 | |
| TARGET MET? | Y | Y | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: A slight delay in the full implementation of BMFCCNIP caused the delay in processing the notices. Enterprise Collection organizations have worked together throughout the year to identify and assign suitable inventory from the Queue to Campus Collection in order to mitigate the notice disposition shortfall.

| MEASURE: Collection Efficiency - Units (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1650 | 1723 | 1835 | 1872 | 1898 |
| ACTUAL | 1677 | 1828 | 1926 | 1845 | |
| TARGET MET? | Y | Y | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: A large number of new-hires brought on in late fiscal year 2009 were not as productive as experienced caseworkers, contributing to the shortfall. Notice dispositions were also down 1.0 million (6.5%) over last year. Factors in the notice decreases included: 1. Delays in return delinquency notice processing earlier in the year resulted in a corresponding delay in notice closures. 2. A programming change in January 2009 accelerated notice accounts directly to revenue officers with related cases.

| MEASURE: Conviction Efficiency Rate (cost per conviction) ($) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 339565 | 314008 | 317625 | 317100 | 331000 |
| ACTUAL | 328750 | 301788 | 315751 | 327328 | |
| TARGET MET? | Y | Y | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Higher than expected reimbursable amounts from asset forfeitures increased the overall CI financial plan, causing the efficiency rate to exceed plan.

| MEASURE: Conviction Rate (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 92 | 92 | 92 | 92 | 92 |
| ACTUAL | 92 | 90.2 | 92.3 | 87.2 | |
| TARGET MET? | Y | N | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Tax-based and Legal Sourced Cases were the focus this year. While the number of convictions has not changed much over the last three years, the number of dismissals increased. Reasons for dismissal include fugitive subjects, uncooperative subjects, and unavailability of witnesses. Monitoring of performance and ensuring appropriate and consistent contact with Department of Justice and the U.S. Attorney's Office regarding prosecutorial priorities and quality investigations is planned.

| MEASURE: Criminal Investigations Completed (Ot) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 3945 | 4000 | 4000 | 3900 | 3900 |
| ACTUAL | 4157 | 4269 | 4044 | 3848 | |
| TARGET MET? | Y | Y | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Legal Source Investigations Initiated were 13.3% above last fiscal year and Tax-related Investigations increased 14.4%. The increased focus on legal and tax cases (which are more complex and have a higher cycle time) coupled with additional time spent on reducing cases in the pipeline resulted in a lower number of Investigations Completed. For fiscal year 2010, increases in the number of investigations initiated in fiscal year 2009 will contribute to achievement of planned Investigations.

**MEASURE: Customer Accuracy - Customer Accounts (Phones) (%) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 92 | 93.3 | 93.5 | 93.5 | 93.7 |
| ACTUAL | 93.2 | 93.4 | 93.7 | 94.9 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Incremental improvement in performance is expected in fiscal year 2010 and beyond from continued improvement efforts such as the development of new online tools for assistors to research taxpayer questions.

**MEASURE: Customer Accuracy - Tax Law Phones (%) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90 | 91 | 91 | 91 | 91.2 |
| ACTUAL | 90.9 | 91.2 | 91.2 | 92.9 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS will maintain Tax Law Accuracy above 90 % in fiscal year 2010. The type and complexity of tax law questions changes each year as new and often complex tax laws are enacted.

| MEASURE: Customer Contacts Resolved per Staff Year (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 7477 | 7702 | 8000 | 10386 | 9398 |
| ACTUAL | 7414 | 7648 | 12634 | 12918 | |
| TARGET MET? | N | N | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Exceeded plan by more than 5% because of large increase in taxpayers self-service. Web Services increased 41% to 118.7 million, Economic Stimulus Payment increased 71% to 58.1 million, Transcript Delivery System increased 48% to 3.2 million, and "Where's My Refund?" increased 21% to 54.3 million.

| MEASURE: Customer Service Representative (CSR) Level of Service (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 82 | 82 | 82 | 70 | 71 |
| ACTUAL | 82 | 82.1 | 52.8 | 70 | |
| TARGET MET? | Y | Y | N | Y | |

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

Indicator Type: Measure

Data Capture and Source: Enterprise Telephone Database (ETD)

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS will continue to properly staff toll-free sites in order to maintain the CSR Level of Service target.

**MEASURE: Examination Coverage - Business Corporations >$10 million(%) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 7.3 | 8.2 | 6.6 | 5.8 | 5.1 |
| ACTUAL | 7.4 | 7.2 | 6.1 | 5.6 | |
| TARGET MET? | Y | N | N | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Actual Large Business return closures totaled 13,582. Although this fell slightly short of planned closures of 13,725, it exceeded prior year closures of 13,366. Actual return filings were 242,037, far surpassing estimated return filings of 237,315 used to compute the coverage percentage. The increased return filings were primarily in the 1120 and 1120S categories. The drop in coverage was primarily caused by increased return filings.

**MEASURE: Examination Coverage - Individual (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | .9 | 1 | 1 | 1 | 1.1 |
| ACTUAL | 1 | 1 | 1 | 1 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

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

| MEASURE: Examination Efficiency – Individual (1040 form) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 121 | 136 | 133 | 132 | 132 |
| ACTUAL | 128 | 137 | 138 | 138 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

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

| MEASURE: Examination Quality - Coordinated Industry (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 92 | 97 | 96 | 96 | 96 |
| ACTUAL | 96 | 96 | 97 | 95 | |
| TARGET MET? | Y | N | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Workpapers did not adequately document audit techniques used and conclusions reached, and the reports did not adequately document the issue, fact, law, arguments and conclusions in the Examination Report. In addition, the Administrative Procedures Documents were missing or not signed by the Team Coordinator and/or the Team Manager. Continuing to focus on the importance of meeting the Auditing Standards through direct feedback to field teams, partnering with the industries in Quality Improvement Efforts, Quality Quotes, Quarterly Reports and outreach efforts.

| MEASURE: Examination Quality - Industry (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 80 | 88 | 88 | 88 | 89 |
| ACTUAL | 85 | 87 | 88 | 88 | |
| TARGET MET? | Y | N | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS continues to review work papers to ensure quality.

| MEASURE: Field Collection National Quality Review Score (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 84.2 | 86 | 86 | 80 | 81 |
| ACTUAL | 84.2 | 84 | 79 | 80.5 | |
| TARGET MET? | Y | N | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS will continue to improve case quality through improve job aids, conducting quarterly reviews and conducting annual Quality Summits that focus on specific quality attributes in need of improvement.

| MEASURE: Field Examination National Quality Review Score (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 85.9 | 87 | 87 | 87 | 86.3 |
| ACTUAL | 85.9 | 85.9 | 86 | 85.1 | |
| TARGET MET? | Y | N | N | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Actions underway to address quality weaknesses include: The National Quality Review Staff issued Quality Alerts to the Field to address the decline in the Solicit Payment attribute; Income Toolkit training began in the final quarter of fiscal year 2009; Area case quality improvement teams continue to work to address Area specific quality deficiencies; Area level quality targets will be reestablished in fiscal year 2010, with specific emphasis on improvement within the weakest attributes.

| MEASURE: HCTC Cost per Taxpayer Served (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 14.25 | 14.25 | 17 | Baseline |
| ACTUAL | 13.71 | 14.93 | 16.94 | 13.79 | |
| TARGET MET? | Y | N | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Baseline - In fiscal year 2010, HCTC will re-baseline targets, as fiscal year 2010 will represent the first full year of operation under the expanded HCTC Program, estimated at nearly 400% of the fiscal year 2008 level.

**MEASURE: Number of Convictions (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 2260 | 2069 | 2135 | 2135 | 2135 |
| ACTUAL | 2019 | 2155 | 2144 | 2105 | |
| TARGET MET? | N | Y | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Convictions from Legal Sourced Investigation, an area of increased focus, rose 2% over the prior year. Dismissals lowered the conviction rates and contributed to an 11% drop in Illegal Tax Case convictions and a 5% drop in Narcotics case convictions. Monitoring of performance and ensuring appropriate and consistent contact with Department of Justice and the U.S. Attorney's Office regarding prosecutorial priorities and quality investigations is planned.

**MEASURE: Office Examination National Quality Review Score (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 88.2 | 89 | 90 | 90 | 90.9 |
| ACTUAL | 88.2 | 89.4 | 90 | 92.1 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

Data Capture and Source: Examination Quality Measurement System

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: For fiscal year 2010 and beyond, the IRS will use results to drive improvements in work products and help improve the taxpayer's experience.

| MEASURE: Percent of Business Returns Processed Electronically (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 18.6 | 19.5 | 20.8 | 21.6 | 24.3 |
| ACTUAL | 16.6 | 19.1 | 19.4 | 22.8 | |
| TARGET MET? | N | N | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS expects the percentage of business returns filed electronically to slowly increase as previous mandates take effect.

| MEASURE: Percent of Individual Returns Processed Electronically (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 55 | 57 | 61.8 | 64 | 70.2 |
| ACTUAL | 54.1 | 57.1 | 57.6 | 65.9 | |
| TARGET MET? | N | Y | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The E-file participation rate is projected to increase to 70.2 percent in fiscal year 2010 based on current experience, historical growth, increased advertising, marketing, and expanded e-file programs and do not reflect gains from any mandates.

| MEASURE: Refund Timeliness - Individual (paper) (%) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 99.2 | 99.2 | 98.4 | 98.4 | 98.4 |
| ACTUAL | 99.3 | 99.1 | 99.1 | 99.2 | |
| TARGET MET? | Y | N | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

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

| MEASURE: HCTC Sign-up Time (days) (Ot) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 97 | 97 | 97 | Baseline |
| ACTUAL | 98.7 | 93.3 | 94 | 91.3 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Baseline - In fiscal year 2010, HCTC will rebaseline targets, as fiscal year 2010 will represent the first full year of operation under the expanded HCTC Program, estimated at nearly 400% of the fiscal year 2008 level.

**MEASURE: Taxpayer Self Assistance Rate (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 45.7 | 48.6 | 51.5 | 64.7 | 61.3 |
| ACTUAL | 46.8 | 49.5 | 66.8 | 69.3 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

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

**MEASURE: TEGE Determination Case Closures (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 112400 | 118200 | 100600 | 94000 | 140465 |
| ACTUAL | 108462 | 109408 | 100050 | 96246 | |
| TARGET MET? | N | N | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The IRS continues to help pension plans, exempt organizations, and government entities comply with the laws.

**MEASURE: Timeliness of Critical Individual Filing Season Tax Products to the Public (%) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 92 | 85.2 | 86 | 92 | 94 |
| ACTUAL | 83 | 83.5 | 92.4 | 96.8 | |
| TARGET MET? | N | N | Y | Y | |

Definition: This measure will assess the percentage of Critical Individual Filing Season (CIFS) tax products available to the public by the fifth workday in January. CIFS tax products are those tax forms, schedules, instructions, publications, tax packages, and certain notices required by a large number of filers to prepare a complete and accurate individual income tax return by April 15th.

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS expects to continue to timely deliver tax products to the public in fiscal year 2010.

**MEASURE: Timeliness of Critical TE/GE and Business Tax Products to the Public (%) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 85 | 79.6 | 86 | 89 | 90 |
| ACTUAL | 61.2 | 84 | 89.5 | 95.2 | |
| TARGET MET? | N | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The IRS expects to continue to timely deliver tax products to the public in fiscal year 2010.

## OUTCOME: Timely and Accurate Payments at the Lowest Possible Cost

### Financial Management Service

**MEASURE: Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately and on time (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 100 | 100 | 100 | 100 | 100 |
| ACTUAL | 100 | 100 | 100 | 100 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2009 performance goal. FMS expects the measure to stay at 100%.

**MEASURE: Percentage of Treasury Payments and associated information made electronically (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 78 | 78 | 79 | 80 | 81 |
| ACTUAL | 77 | 78 | 79 | 81 | |
| TARGET MET? | N | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FMS has met its fiscal year 2009 performance goal and expects the measure to increase by one percent each year at least through fiscal year 2012.

| MEASURE: Percentage of federal agency customers indicating an overall rating of satisfactory or better | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 81 | 81 | 85 | 87 | 88 |
| ACTUAL | 80 | 88 | 88 | 91 | |
| TARGET MET? | N | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: FMS exceeded the anticipated target performance measure for fiscal year 2009. FMS fiscal year 2010 goal is 88%.

| MEASURE: Unit cost for Federal Government payments ($) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | .35 | .39 | .4 | .4 | .4 |
| ACTUAL | .37 | .39 | .394 | .37 | |
| TARGET MET? | N | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Final cost unit data will be available at the end of November 2009.

## OUTCOME: Government Financing at the Lowest Possible Cost Over Time

### Bureau of the Public Debt

| MEASURE: Cost per debt financing operation ($) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 133683 | 228409 | 263306 | 256336 | 193962 |
| ACTUAL | 148926 | 235172 | 220732 | 170214 | |
| TARGET MET? | N | N | Y | Y | |

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

Indicator Type: Measure

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

Data Verification and Validation: Analysts determine the number of debt financing operations from TreasuryDirect.gov. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The final cost per debt financing operation for fiscal year 2009 is below the fiscal year 2009 target of $256,336, as a result of an unanticipated 31 percent increase in the number of auctions in fiscal year 2009 held to meet government financing requirements. The increase from fiscal year 2009 actual costs of $170,214 to the projected cost for fiscal year 2010 to $193,962 reflects an estimated decline in the number of auctions anticipated, as well as increases for inflation and upgrades to the TAAPS system. The upgrades to TAAPS are planned to keep pace with changes in technology that will ensure financing operations are conducted timely and with 100 percent accuracy.

| MEASURE: Cost per federal funds investment transaction ($) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90.15 | 72.33 | 75.55 | 69.11 | 45.7 |
| ACTUAL | 62.64 | 68.53 | 64.98 | 41.71 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The final cost per federal funds investment transaction for fiscal year 2009 is below the target of $69.11. Decreased support charges, the addition of one new customer and a significant increase in volumes from an existing customer resulted in a large increase in transactions. Due to inflationary cost increases, projected constant transaction volumes and a reduction in the number of systems used to support GAIS, Public Debt established a target for fiscal year 2010 of $45.70.

**MEASURE: Percent of auction results released in Two minutes +/- 30 seconds (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 95 | 95 | 95 | 95 | 95 |
| ACTUAL | 100 | 99.1 | 100 | 100 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, the Bureau of the Public Debt achieved an auction release time performance of 100 percent, exceeding the stated goal of 95 percent of timely releases. For the upcoming fiscal year, Public Debt will continue to focus on identifying and correcting any auction system defects in order to ensure ongoing success with this performance metric.

**MEASURE: Cost per TreasuryDirect assisted transaction ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 7.75 | 6.16 | 9.25 | 9.34 | 8.57 |
| ACTUAL | 4.97 | 6.65 | 8.19 | 8.72 | |
| TARGET MET? | Y | N | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The final fiscal year 2009 cost per TreasuryDirect assisted transaction is below the target of $9.34. The fiscal year 2010 target is $8.57. Public Debt will continue to realign resources to handle a changing mixture of customer transactions that result from a growing number of accounts and an expansion of services available in TreasuryDirect.

| MEASURE: Cost per TreasuryDirect online transaction ($) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 2.99 | 2.96 | 4.34 | 4.34 | 5.69 |
| ACTUAL | 3.06 | 3.24 | 4.34 | 5.21 | |
| TARGET MET? | N | N | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The final fiscal year 2009 cost per TreasuryDirect online transaction exceeded the target of $4.34. Low interest rates—0 percent for Series I Bonds and 0.7 percent for Series EE Bonds—have dampened customer demand, driving the number of online transactions significantly below projections. At the same time, costs have increased. The TreasuryDirect system is being deployed in phases over the course of a few years, with specific functionality provided in each release. As the system nears full functionality, some design and development costs have shifted from assisted to online activities as more online features are available to customers. In addition, in fiscal year 2009 the Federal Reserve took on the task of regression testing, causing costs to increase slightly. The fiscal year 2010 target is $5.69. Public Debt will continue to promote customer self-sufficiency in TreasuryDirect—a 24/7 online account system that provides one-stop shopping, account management, and product information.

| MEASURE: Number of Government Agency Investment Services control processes consolidated (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | Baseline | 2 | 0 | 5 |
| ACTUAL | | 3 | 2 | 0 | |
| TARGET MET? | N/A | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: During fiscal year 2009, the Bureau of the Public Debt went through a developmental period in which there was no process reduction. Future plans for fiscal year 2010 include consolidating five common processes within the Special Purpose Securities program, leaving only 8 Government Agency Investment Services (GAIS) processes remaining. The control environment originally consisted of 18 processes that will be transformed into 6 standardized processes. Through systems reduction, Public Debt will streamline the diversity of technology involved in supporting this business line. Additionally, this effort will allow Public Debt to consolidate and standardize the internal controls over processes common to all GAIS programs.

**MEASURE: Percentage of retail customer service transactions completed within 11 business days (Ot) [DISCONTINUED FY 2009]**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90 | 90 | 90 | Discontinued | Discontinued |
| ACTUAL | 98 | 99.43 | 99.86 | 99.83 | |
| TARGET MET? | Y | Y | Y | N/A | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, Public Debt met its target for completing 90 percent of time-sensitive retail customer service transactions within 11 business days. Public Debt also culminated its long-term goal of completing 90 percent of those transactions within 10 business days, one year ahead of schedule. (The long-term goal was originally planned for fiscal year 2010.) The culmination allows Public Debt to transition to a new performance measure in fiscal year 2010 - to complete 86 percent of time-sensitive retail customer service transactions within 5 business days.

**MEASURE: Percentage of Retail Customer Service Transactions Completed within 5 Business Days**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 86 |
| ACTUAL | | | | 86 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: By fiscal year 2014, significantly improve the number of Retail customer service transactions completed within 5 business days. The length of time to complete a customer service transaction is measured from the date each transaction is received to the date it is completed.

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2010, Public Debt will transition to a new performance measure for retail securities services. The fiscal year 2010 measure is to complete 86 percent of time-sensitive retail customer service transactions within 5 business days. Public Debt will incrementally increase the percentage of these transactions completed through fiscal year 2014. In fiscal year 2011 and fiscal year 2012, the measure will be to complete 87 percent of time-sensitive retail customer service transactions within 5 business days. The goal rises to 88 percent in fiscal year 2013 and fiscal year 2014. These goals will be achieved by continually streamlining work processes and increasing the volume of electronic business transactions.

## OUTCOME: Effective Cash Management

### Departmental Offices

| MEASURE: Variance between estimated and actual receipts (annual forecast)(%)(Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 5 | 5 | 5 | 5 | 5 |
| ACTUAL | 3.9 | 2.1 | 4.6 | 5.5 | |
| TARGET MET? | Y | Y | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The Office of Fiscal Projections creates forecasts of the Federal government's daily cash flows used to make short-term financing decisions and to manage the Treasury's daily cash position, including the investment of excess cash balances. The metric variance between estimated and actual receipts measures the accuracy of the office's monthly forecast of budget receipts over the entire year. In fiscal year 2007, the Office of Fiscal Projections continued to improve its receipt forecasts and exceeded its targeted variance level of 5 percent. In fiscal year 2008 and fiscal year 2009, the office will add new analytical functionality to make additional improvements in receipt projections. Combining improved receipt projections with more accurate projections of outlays and other cash flow components will allow Treasury to reach it's primary goals of cash and debt management: (1) lowest cost of borrowing over time; (2) adequate cash balances to meet Federal obligations at all times; (3) investment of excess cash balances to increase the rate of return and lower even further the net cost of borrowing; and (4) efficient capital markets. In fiscal year 2008, the targeted variance level will remain at 5 percent. In fiscal year 2009, the targeted variance level will be reduced to 4.5 percent.

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

### Bureau of the Public Debt

**MEASURE: Cost per summary debt accounting transaction ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 11.59 | 10.98 | 9.91 | 10.01 | 11.81 |
| ACTUAL | 10.96 | 9.29 | 9.11 | 8.66 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The final cost per summary debt accounting transaction for fiscal year 2009 is below the target of $10.01. Due to inflationary cost increases and constant transaction volumes, Public Debt established a target for fiscal year 2010 of $11.81. Public Debt will continue to maintain and support strong accounting controls to ensure integrity of the operations and accuracy of the information provided to the public.

### Departmental Offices

**MEASURE: Release Federal Government-wide financial statements on time (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1 | 1 | 1 | 1 | 1 |
| ACTUAL | Met | Met | Met | Met* | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

Data Verification and Validation:

Data Accuracy: Reasonable Report is released to the public with a release date that can be independently verified. The due date is established by OMB policy. The statutory deadline is March 31st.

Data Frequency: Annually

Future Plans/Explanation for Shortfall: OMB revised the accelerated December 15, 2009 deadline to February 16, 2010 and we are on target to meet the revised deadline for the fiscal year 2009 Financial Report of the United States Government (FR). The statutory deadline for the FR is March 31, 2010.

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## Financial Management Service

**MEASURE: Percentage of Governmentwide accounting reports issued accurately (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 100 | 100 | 100 | 100 | 100 |
| ACTUAL | 100 | 100 | 100 | 100 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: GWA will continue to issue reports with 100% accuracy.

**MEASURE: Percentage of Governmentwide accounting reports issued timely (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 100 | 100 | 100 | 100 | 100 |
| ACTUAL | 100 | 100 | 100 | 100 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: GWA will continue to issue reports on time 100%.

**MEASURE: Unit Cost to Manage $1 Million Dollars of Cash Flow (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 10.69 | 11.72 | 12.38 | 11.77 |
| ACTUAL | 8.5 | 10.36 | 8.958 | 7.08 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The fiscal year TD cash flow for the US has increased by 39% from last year. Assuming linear growth in IR and Overhead costs, our estimates for Unit Cost for fiscal year 2009 show a significant decrease from the original estimates.

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

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

**OUTCOME:** Strong U.S. Economic Competitiveness

### Community Development Financial Institution Fund

**MEASURE: Administrative costs per number of Bank Enterprise Award (BEA) Applications processed ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1280 | 1455 | 1455 | 1455 | Discontinued |
| ACTUAL | 1630 | 1950 | 3070 | 2366 | |
| TARGET MET? | N | N | N | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The system to account for administrative costs was modified to provide more accurate estimates and it is noteworthy that BEA has the lowest per application processing cost, $2,366, compared to the other Fund programs (which averaged about $3,200 per application processed for CDFI, NACA and NMTC). Nevertheless, it is unfortunate that the target administrative cost for fiscal year 2009 did not reflect prior year cost trends and was set to unrealistically low levels. This administrative efficiency measure is being phased out in fiscal year 2010.

**MEASURE: Administrative costs per Financial Assistance (FA) application processed (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 5130 | 6920 | 6920 | 6920 | 3380 |
| ACTUAL | 8710 | 7180 | 7200 | 3283 | |
| TARGET MET? | N | N | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The system to account for administrative costs was modified to provide more accurate estimates, leading to a more accurate measure of the administrative costs per application processed as compared to the initial target. This measure is being discontinued in fiscal year 2010.

**MEASURE: Administrative costs per number of Native American CDFI Assistance (NACA) applications processed ($)(E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 10050 | 9090 | 9090 | 9090 | Discontinued |
| ACTUAL | 8130 | 13510 | 10990 | 3162 | |
| TARGET MET? | Y | N | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The system to account for administrative costs was modified to provide more accurate estimates, leading to a more accurate measure of the administrative costs per application processed as compared to the initial target. This measure is being discontinued in fiscal year 2010.

**MEASURE: Administrative costs per number of New Markets Tax Credit (NMTC) applications processed ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 5390 | 4875 | 4875 | 4875 | Discontinued |
| ACTUAL | 4360 | 5320 | 7400 | 3254 | |
| TARGET MET? | Y | N | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The system to account for administrative costs was modified to provide more accurate estimates, leading to a more accurate measure of the administrative costs per application processed as compared to the initial target. This measure is being discontinued in fiscal year 2010.

| MEASURE: Annual percentage increase in the total assets of Native CDFIs (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 33 | 33 | 15 | 15 | 15 |
| ACTUAL | 182 | 19 | 19 | 23 | |
| TARGET MET? | Y | N | Y | Y | |

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

Indicator Type: Indicator

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The capacity building efforts of NACA CDFIs have been increased, leading to an increased focus on Technical Assistance. We will review background data in computing future targets and final measure data.

| MEASURE: Commercial real-estate properties financed by BEA program applicants that provide access to essential community products and services in underserved communities (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | Baseline | 285 | 285 | Discontinued |
| ACTUAL | | 301 | 287 | 500 | |
| TARGET MET? | N/A | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The number of commercial real estate loans increased as BEA applicants sought to meet the increased demand for property acquisition as the market contracted for other types of lending due to the credit crunch in financial markets. We will reevaluate background data and compute new targets and final measure data.

| MEASURE: Community Development Entitites'(CDEs) annual investments in low-income communities ($ billions) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1.6 | 2.1 | 2.5 | 2.5 | 2.5 |
| ACTUAL | 2 | 2.5 | 3.3 | 3.6 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: CDEs have become increasingly focused on making investments in severely distressed communities. We will review background data in computing future targets and final measure data.

| MEASURE: Community Development Entities' cumulative investments in low-income communities (Oe) ($billions) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 2 | 4 | 6 | 11.4 | 10 |
| ACTUAL | 3.1 | 5.6 | 8.9 | 12.5 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: CDEs have become increasingly focused on making investments in severely distressed communities. We will review background data in computing future targets and final measure data.

**MEASURE: Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance ($ millions) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1100 | 861 | 750 | 635 | 60 0 |
| ACTUAL | 1400 | 778 | 621 | 1298 | |
| TARGET MET? | Y | N | N | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: An increase in award funds distributed through the CDFI program led to an increase in private sector match in fiscal year 2008 this measure above the target. Please note that this metric cannot be reported for 2010 because Congress has waived the matching requirement for 2009 and 2010 due to the economic crisis. Thus a new metric needs to be finalized. The CDFI Fund has proposed a replacement metric of the number of loans originated by CDFIs. This metric needs to be approved by OMB.

**MEASURE: Increase in community development activities over prior year for all BEA program applicants ($ millions) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 81 | 100 | 180 | 202 | 210 |
| ACTUAL | 318 | 227 | 232 | 292 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: There was increase in CDFIs who were BEA applicants, resulting in an increased emphasis on community development outcomes in this pool of applicants compared to past trends This led to an increase in this measure above last year's targets. We will revaluate background data and compute new targets and final measure data.

**MEASURE: Increase in the percentage of eligible areas served by a CDFI (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 5 | 8 | 15 | 15 | 21 |
| ACTUAL | 13.5 | 19.5 | 17.8 | 25.1 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: An increase in award funds distributed through the CDFI program led to an increase in this measure relative to fiscal year 2008. We will revaluate background data and compute new targets and final measure data.

**MEASURE: Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI Program Awardees (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 29158 | 34009 | 28676 | 30000 | 85000 |
| ACTUAL | 22329 | 35022 | 29539 | 70260 | |
| TARGET MET? | N | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Increasingly CDFIs are using Transactional Level Reporting to calculate jobs created or maintained through their lending activities. Previous job reporting used only Institutional Level Report data, which accounts for the increase in jobs reported. We will revalue the baseline in computing future targets and final measure data.

| MEASURE: Number of small businesses located in underserved communities financed by BEA Program Applicants (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | Baseline | 329 | 288 | 252 |
| ACTUAL | | 375 | 906 | 640 | |
| TARGET MET? | N/A | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The number of loans provided to small businesses in distressed areas by BEA applicants increased more than anticipated as BEA applicants sought to meet the increase in demand as affordable housing lending contracted due to the credit crunch in financial markets. We will revaluate background data and compute new targets and final measure data.

| MEASURE: Percent of CDFIs that increased their total assets (cumulative) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 70 | 70 | 70 | 70 | 65 |
| ACTUAL | 84 | 82 | 87 | 88 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Most CDFIs have been able to increase their asset base, when compared to their initial year of reporting to the CIIS database. We will review background data in computing new targets and final measure data.

**MEASURE: Percent of CDFIs that increased their total assets over the previous year (annual) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 69 | 70 | 70 | 70 | 66% |
| ACTUAL | 82 | 74 | 80 | 69 | |
| TARGET MET? | Y | Y | Y | N | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The financial crisis has likely had an impact on CDFI's asset base. We will review background data and consider the current financial situation in computing future targets and final measure data.

**MEASURE: Percentage of eligible areas served by one or more CDFI (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1 | 1 | 3 | 3 | 5% |
| ACTUAL | 1.6 | 4.2 | 3.4 | 14.8 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: An increase in award funds distributed through the CDFI program led to an increase in this measure relative to fiscal year 2008. We will revaluate background data and compute new targets and final measure data.

| MEASURE: Percentage of loans and investments that went into severely distressed communities (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 66 | 66 | 66 | 66 | 66 |
| ACTUAL | 71 | 76 | 73 | 81 | |
| TARGET MET? | Y | Y | Y | Y | |

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

Indicator Type: Measure

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

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

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: CDEs have become increasingly focused on providing loans in severely distressed communities. We will review background data in computing future targets and final measure data.

## Office of the Comptroller of the Currency

| MEASURE: Percentage of licensing applications and notices completed within established timeframes (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 95 | 95 | 95 | 95 | 95 |
| ACTUAL | 94 | 96 | 95 | 95 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: This measure reflects the extent to which OCC meets its established timeframes for reaching decisions on licensing applications and notices. The OCC's timely and effective approval of corporate applications and notices contributes to the nation's economy by enabling national banks to engage in corporate transactions and introduce new financial products and services.

Indicator Type: Measure

Data Capture and Source: The Chief Counsel's office uses the Corporate Activity Information System (CAIS) to identify applications completed during the fiscal year. For each filing, the actual decision date is compared to the target action date to determine whether the application was completed within established standards. The percentage is determined by comparing the number of licensing applications processed within the required timeframes to the total number of licensing applications processed during the fiscal year. The processing time is the number of calendar days from the date of OCC receipt to the date of OCC's decision. The established processing timeframe depends on the application type and if the application qualifies for expedited processing.

Data Verification and Validation: The Licensing Department tracks processing of all applications and notices through the Corporate Activity Information System (CAIS). The analyst who is assigned the application will verify the accuracy of the CAIS data as the application is processed. The senior analyst or manager who approves the final decision also verifies the accuracy of the CAIS data.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: On Target. OCC plans to maintain its high level of timeliness in completing licensing applications and notices by hiring qualified staff as vacancies arise; providing staff training through annual conferences and rotational assignments; revising licensing manuals to address new circumstances and changed policies; and maintaining frequent communications between Headquarters office management and licensing analysts and District Office staff.

## Alcohol and Tobacco Tax and Trade Bureau

| MEASURE: Percentage of importers identified by TTB as illegally operating without a Federal permit (%)(Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 20 | 19 |
| ACTUAL | | | 22 | 15 | |
| TARGET MET? | N/A | N/A | Y | Y | |

Definition: This measure estimates the rate of occurrences in which an individual or business imports alcohol or tobacco illegally (i.e., without a Federal permit) in the United States by dividing the number of illicit importers, as determined by a comparison of data in U.S. Customs' International Trade Database System (ITDS) and TTB's Integrated Revenue Information System (IRIS), by the total number of importers operating, as captured in ITDS. TTB revised the methodology for this measure in September 2008, finding that the use of data from ITDS on active importers in a given reporting period better reflects the level of illicit activity in the marketplace. The reported fiscal year 2008 result of 22 percent in the TTB PAR was based on historic data retrieved from ITDS, which was not completed until after the close of the Treasury performance reporting cycle.

Indicator Type: Measure

Data Capture and Source: Data is captured through the ITDS and compared with that of the NRC permit database. There are periodic statistical reports, searches, and queries that are generated.

Data Verification and Validation: Supervisor reviews report developed based on the comparison of data from ITDS and IRIS, the TTB permit database.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB completed its baseline of this measure in December 2008 after revising the methodology and language. TTB retrieved historic data from ITDS after the close of the fiscal year to calculate a final result of 22 percent for fiscal year 2008. In fiscal year 2009, TTB exceeded its goal in improving the rate of importer compliance by contacting all importers operating without a permit; all ceased their illegal operations. TTB intends to employ this same method of issuing cease and desist letters in fiscal year 2010 to deter non-compliance.

| MEASURE: Average number of days to process an original permit application at the National Revenue Center (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 72 | 72 |
| ACTUAL | | | 64 | 64 | |
| TARGET MET? | N/A | N/A | Y | Y | |

Definition: The average number of days to process an original permit application (including those rejected) at the National Revenue Center (NRC). An application is stamped when received and recorded when processed.

Indicator Type: Measure

Data Capture and Source: The NRC generates statistical reports, searches, and queries from the IRIS system.

Data Verification and Validation: The NRC maintains data in the Integrated Revenue Information System (IRIS) database that reflects the receipt date of the application and the permit issue or close date. The IRIS system contains built-in data integrity controls to validate the information.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB exceeded its performance target by improving business processes, effectively using temporary personnel, and implementing permit database improvements. In fiscal year 2009, TTB streamlined the application review process through targeted field investigations for permit approval. The National Revenue Center (NRC) also hired summer interns to perform clerical work, freeing specialists to focus on application processing. TTB also deployed enhancements to the permit database, which enabled increased efficiency in processing. To meet the fiscal year 2010 performance target, TTB intends to implement the initial release of its electronic permit filing and processing system, Permits Online. TTB expects that the new system will return significant improvements in processing time once it is fully deployed in fiscal year 2011.

| MEASURE: National Revenue Center (NRC) customer satisfaction survey results (%)(Oe) | | | | | |
|---|---|---|---|---|---|
| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
| TARGET | | | Baseline | 85 | 85 |
| ACTUAL | | | 90 | 89 | |
| TARGET MET? | N/A | N/A | Y | Y | |

Definition: The NRC will conduct a customer survey to determine satisfaction levels among industry members applying for a permit or filing a claim with TTB. The questions used in this survey will be standardized for each commodity.

Indicator Type: Measure

Data Capture and Source: Data is captured from clients through a survey mechanism. Results are posted to a detailed Excel spreadsheet. There are periodic reports generated for management.

Data Verification and Validation: Supervisor reviews report developed summary data developed by National Revenue Center (NRC) staff.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TTB surpassed its goal of sustaining a customer satisfaction rating of 85 percent on the processing of permits and claims at the National Revenue Center (NRC) through management initiatives and IT enhancements. NRC managers incorporated performance measures into employees' mission commitment element on their annual evaluations. Further, the NRC hired 10 summer interns to perform clerical work, thus allowing the specialists to concentrate on processing applications and customer service standards. Ongoing improvements to the bureau's Integrated Revenue Information System (IRIS), a central repository of tax and permit information, allowed specialists to be more proficient in processing applications and requests. In fiscal year 2010, the NRC will again include this performance measure as a component of employees' annual evaluation, and support the development of additional enhancements to IRIS. The bureau also will implement the first release of the Permits Online e-filing system for original and amended permit applications, which should increase customer satisfaction through improved turnaround times.

| MEASURE: Percent of electronically filed Certificate of Label Approval applications (%) (E) | | | | | |
|---|---|---|---|---|---|
| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
| TARGET | 27 | 47 | 52 | 53 | 78 |
| ACTUAL | 38 | 51 | 62 | 74 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: Calculated by dividing the number of e-filed applications by the total Certificate of Label Approval applications (COLA) submissions (paper and electronic). The quarterly results are cumulative.

Indicator Type: Measure

Data Capture and Source: Data is captured through the COLAs Online database system. There are periodic statistical reports, searches, and queries that are generated.

Data Verification and Validation: Supervisor reviews canned report developed from COLAs Online database.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB will continue its outreach efforts to educate industry members regarding the benefits of filing label applications electronically versus on paper. COLAs Online cuts processing time in half in most cases, and saves the applicant in terms of cost of materials and mailing. In fiscal year 2010, TTB will offer targeted one-on-one demonstrations to our largest paper filers. The bureau also will return to monthly publication of a COLAs Online e-newsletter that provides system news and user tips, available by e-mail subscription on TTB.gov.

**MEASURE: Percentage of instances where the utilization of International Trade Database System (ITDS) results in identifying importers without permits as a percentage of total permits on file at TTB's National Revenue Center (Oe) [DISCONTINUED FY 2009]**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | 15 | Discontinued | Discontinued |
| ACTUAL | | | 15 | | |
| TARGET MET? | N/A | N/A | Y | N/A | |

Definition: The percentage of occurrences in which any individual or business importer has no known authorization (e.g., permit) to operate in the alcohol or tobacco industries in the U.S. where instances in the ITDS fail to match those within the NRC's integrated Revenue System (IRIS). The results reported quarterly are cumulative findings for the year up through the reporting date.

Indicator Type: Measure

Data Capture and Source: Data is captured through the ITDS and compared with that of the NRC permit database. There are periodic statistical reports, searches, and queries that are generated.

Data Verification and Validation: Supervisor reviews report developed from ITDS compared to National Revenue Center (NRC) permit database.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: TTB revised the methodology for this measure late in September 2008, finding that the use of data from ITDS on active importers in a given reporting period, rather than year-to-date records on permitted importers in TTB's database, better reflects the level of illicit activity in the marketplace. This revision took place after the Treasury performance reporting cycle closed, but was included in the fiscal year 2008 bureau annual performance report. TTB reported an actual result of 22 percent for fiscal year 2008 based on historic data retrieved from ITDS in November 2008. TTB then completed its baseline for this measure in December 2008.

## OUTCOME: Free Trade and Investment

### Departmental Offices

| MEASURE: Number of New Trade and Investment Negotiations Underway or Completed (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 6 | 2 |
| ACTUAL | | | 14 | 15 | |
| TARGET MET? | N/A | N/A | Y | Y | |

Definition: The number of international trade or investment agreements underway or completed during the period and the number of those that reflect commitments to high standards, including new commitments by a foreign goverenment to open its financial services markets to U.S. providers. It includes bilateral agreements such as Free Trade Agreements, Bilateral Investment treaties and multilateral undertaking (e.g., WTO) from which the U.S. benefits.

Indicator Type: Measure

Data Capture and Source: International Affairs staff and U.S. Trade Representative's office reporting.

Data Verification and Validation: Based upon a count by International Affairs staff responsible for such negotiations and verifiable by reference to U.S. Trade Representative.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Rising protectionist sentiment around the globe is impeding efforts to complete both bilateral and multilateral negotiations that are underway. Progress towards Department goals could be slowed if weaker economic conditions exacerbate this protectionist trend. The Department will make every effort to complete additional negotiations for 2010.

| MEASURE: Number of Specific New Trade Actions Involving Treasury interagency Participation in order to enact, implement, and enforce U.S. Trade Law and International Agreements (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 30 | 40 |
| ACTUAL | | | 68 | 98 | |
| TARGET MET? | N/A | N/A | Y | Y | |

Definition: Specific trade actions involving Treasury interagency participation under legislation, decision whether to initiate trade disputes, review of country eligibility for preference programs, and review of specific trade petitions and recommendations (under perference programs, Section 301, CITA, Section 337, etc.)

Indicator Type: Measure

Data Capture and Source: International Affairs staff and U.S. Trade Representative's (USTR) office, USTIC, and the Federal Register.

Data Verification and Validation: Based upon a count by International Affairs staff responsible for such negotiations and verifiable by reference to USTR, Federal Register notices, USTIC notices, and other official websites.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Challenging economic conditions increased the number of new trade actions for 2009 beyond initial expectations. The chances for similar economic conditions in 2010 are not likely; therefore the target for 2010 has been adjusted to 40.

## OUTCOME: Prevented or Mitigated Financial and Economic Crises

### Departmental Offices

**MEASURE: Changes that result from project engagement (Impact) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 3.1 | 3.1 |
| ACTUAL | | | 3.1 | 3.1 | |
| TARGET MET? | N/A | N/A | Y | Y | |

Definition: The extent to which a Technical Assistance project objective contributes to the achievement of the goal(s) described in the Terms of Reference and addresses the country problem describe

Indicator Type: Measure

Data Capture and Source: Generated by the Financial Technical Assistant Advisor who manage the project in the countries were technical assistant project exist.

Data Verification and Validation: The data is verified by the five contracting office representatives, the Associate Director of OTA and approved by the director of OTA.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The measure met the target for fiscal year 2009 for Impact. The measure exceeded the target for Traction by .1. This was the first year for which data could be compared against the baseline. OTA collects and reports program measurement results on an annual basis. The Target for 2010 is the same as has been reported in the past: Impact: 3.1; Traction 3.6.

**MEASURE: Scope and intensity of engagement Traction (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 3.6 | 3.6 |
| ACTUAL | | | 3.6 | 3.7 | |
| TARGET MET? | N/A | N/A | Y | Y | |

Definition: The degree to which a Technical Assistance project brings about changes in behavior among the counterparts and other country participants.

Indicator Type: Measure

Data Capture and Source: Generated by the Financial Technical Assistant Advisor who manage the project in the countries were technical assistant project exist.

Data Verification and Validation: The data is verified and validated by the five contracting office representatives, the Associate Director of OTA and approved by the Director of OTA.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The actual results for fiscal year 2008 were miscalculated and reported as 3.7 in the fiscal year 2008 PAR. Recalculation showed an actual result of 3.6. The actual result has consequently been revised in the performance management database and the target for fiscal year 2009 changed to 3.6.

| MEASURE: Percentage of statutorily-mandated reports submitted on time | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 100 |
| ACTUAL | | | | 100 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: Timely submission of statutorily required reports to the Congress: • §105 Report: by the 10th of each month • Transaction Report: 2 business days following a TARP transaction. • Tranche Report: 7 calendar days after each interval of $50b commitment of TARP funds is reached.

Indicator Type: Measure

Data Capture and Source: OFS posts all statutorily-mandated reports submitted to the Congress on FinancialStability.gov.

Data Verification and Validation: The submission date for each report is posted alongside each report link on FinancialStability.gov.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OFS will continue to publish and submit all reports to the Congress by statutorily-mandated deadlines.

| MEASURE: Percentage of congressional correspondence responses drafted within 48 hours | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 90 |
| ACTUAL | | | | 87 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This measure tracks the percentage of congressional correspondence letters sent to OFS that have a response letter drafted within 48 hours of receipt.

Indicator Type: Measure

Data Capture and Source: Correspondence is logged in Main Treasury's TACT system. OFS staff maintains a subsidiary tracking report in Excel to monitor and calculate the response time.

Data Verification and Validation: The OFS team lead confirms all correspondence response times by reviewing TACT-generated and COO response emails to verify dates and lapsed time.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OFS will continue to improve our response time to all incoming Congressional correspondence.

**MEASURE: Percentage of customers satisfied with FinancialStability.gov**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 70 |
| ACTUAL | | | | 65 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This measure tracks the percentage of customers that are sufficiently satisfied with the information provided on our website as well as the ease of navigating the site itself.

Indicator Type: Measure

Data Capture and Source: The survey presents randomly to 60% of the visitors who have viewed at least 2 pages of the web site. Respondents are asked to evaluate a series of questions around the website's content, functionality, look &feel, navigation, transparency, and performance. The results are combined into a single customer satisfaction score.

Data Verification and Validation: ForeSee employs random sampling and seeks a response rate in excess of 8% to ensure data validity.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2010, OFS will use the user survey analysis provided by ForeSee Results Inc to identify opportunities for implementing new layouts and/or functionality that will improve the experience of visitors to the FinancialStability.gov website.

**MEASURE: Clean audit opinion on TARP financial statements**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 1 |
| ACTUAL | | | | 1 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This measure identifies whether OFS receives a clean audit opinion from the GAO on its TARP financial statements.

Indicator Type: Measure

Data Capture and Source: The OFS Office of the Chief Financial Officer generates the TARP financial statements and will receive and communicate the audit opinion from GAO.

Data Verification and Validation: TARP financial statements are subject to an audit conducted by GAO.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: OFS will continue to seek a clean audit opinion on its financial statements.

| MEASURE: Percentage of SIGTARP and GAO oversight recommendations responded to on time | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 100 |
| ACTUAL | | | | 100 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This measure tracks the percentage of SIGTARP and GAO oversight recommendations that were responded to within the required timeframes. SIGTARP: 30 days. GAO: 60 days.

Indicator Type: Measure

Data Capture and Source: Upon completion of an audit, SIGTARP and GAO have the opportunity to issue recommendations to which OFS provides responses detailing actions, if any, taken by Treasury to remedy the SIGTARP and GAO recommendations. OFS staff inputs GAO recommendations and OFS responses into Treasury's Joint Management Enterprise System (JAMES). SIGTARP inputs SIGTARP recommendations into JAMES and OFS inputs the associated responses.

Data Verification and Validation: The data in the periodic reports are compared to data entered into JAMES. The number of recommendations and their associated statuses are tallied and analyzed by OFS analysts.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OFS will continue working with the oversight bodies to make sure that all recommendations are responded to efficiently and effectively.

| MEASURE: Average days to close a FOIA case | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 64 |
| ACTUAL | | | | 67 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This measure tracks the average number of days it takes to close a FOIA case after it is received by OFS.

Indicator Type: Measure

Data Capture and Source: The OFS analysts log all incoming FOIA requests upon receipt and update the status of each case in the FOIA database.

Data Verification and Validation: OFS analysts ensure that OFS program office staff respond promptly and accurately to all FOIA cases and update the status of each case in the FOIA database.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OFS will continue to improve our response time to all incoming FOIA requests.

## Office of the Comptroller of the Currency

**MEASURE: Percent of national banks with composite CAMELS rating 1 or 2 (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90 | 90 | 90 | 90 | 90 |
| ACTUAL | 95 | 96 | 92 | 82 | |
| TARGET MET? | Y | Y | Y | N | |

Definition: This measure reflects the overall condition of the national banking system at fiscal year-end. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for assimilating and evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are mde on: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk. The rating scale is 1 through 5 where 1 is the highest rating granted.

Indicator Type: Indicator

Data Capture and Source: The Supervisory Information office identifies the current composite ratings from Examiner View (EV) and Supervisory Information System (SIS) at fiscal year-end. The number of national banks at fiscal year-end is obtained from the Federal Reserve Board's National Information Center database. The percentage is determined by comparing the number of national banks with current composite CAMELS ratings of 1 or 2 to the total number of national banks at fiscal year-end.

Data Verification and Validation: Either quarterly or semi-annually, an independent reviewer compares a sample of Reports of Examination to the Examiner View (EV) and Supervisory Information System (SIS) data to ensure the accuracy of the recorded composite ratings. Any discrepancies between the supporting documentation and the systems data are reported to the respective Assistant Deputy Comptroller or Deputy Comptroller for corrective action.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Target was not met. This is primarily due to the difficult economic situation the entire financial industry is facing. OCC will continue to closely monitor the performance of all our banks and when necessary, initiate formal and informal agreements to enhance our level of supervision.

**MEASURE: Percentage of national banks that are categorized as well capitalized (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 95 | 95 | 95 | 95 | 95 |
| ACTUAL | 99 | 99 | 99 | 86 | |
| TARGET MET? | Y | Y | Y | N | |

Definition: This measure reflects whether the national banking system is well capitalized at fiscal year-end. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.

Indicator Type: Indicator

Data Capture and Source: National banks file quarterly Reports of Condition and Income with the Federal Finance Institution Examination Council through the Federal Deposit Insurance Corporation's data processing center. The Supervisory Information office reviews the Reports of Condition and Income (i.e., call reports) for each quarter to identify national banks that meet all of the criteria for a well capitalized institution. The number of national banks at fiscal year-end is obtained from the Federal Reserve Board's National Information Center database. The percentage is determined by comparing the number of national banks that meet all of the established criteria for being well capitalized to the total number of national banks at fiscal year-end.

Data Verification and Validation: The banks' boards of directors attest to the accuracy of the reported data. The reliability of these quarterly reports is evaluated by OCC examiners during bank examinations.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Target was not met. This is primarily due to the difficult economic situation the entire financial industry is facing. OCC will continue to closely monitor the capital levels of all our banks and when necessary, initiate formal and informal agreements to enhance our level of supervision.

| MEASURE: Percentage of national banks with consumer compliance rating of 1 or 2 (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 94 | 94 | 94 | 94 | 94 |
| ACTUAL | 94 | 97 | 97 | 97 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: This measure reflects the national banking system's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for assimilating and evaluating significant consumer compliance factors inherent in a bank. Each bank is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 in increasing order of supervisory concern.

Indicator Type: Indicator

Data Capture and Source: The Supervisory Information office identifies the number of banks with current consumer compliance ratings of 1 or 2 and the total number of national banks from Examiner View (EV) and Supervisory Information System (SIS) subject to consumer compliance examinations at fiscal year-end. The percentage is determined by comparing the number of national banks with current consumer compliance ratings of 1 or 2 to the total number of national banks subject to consumer compliance examinations at fiscal year-end.

Data Verification and Validation: Consumer compliance ratings are assigned at the completion of each consumer compliance examination. These ratings are entered into OCC's management information systems, Examiner View (EV) and Supervisory Information System (SIS), by the banks' Examiner-in-Charge and reviewed and approved by the Supervisory Offices' Assistant Deputy Comptroller (Mid-Size/Community banks) or Deputy Comptroller (Large banks).

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Target Exceeded. To sustain this level of achievement, the OCC will continue to execute its Bank Supervision Operating Plan that encourages and ensures that national banks have strong compliance management functions in place. The OCC also will continue its recruiting of entry-level examiners, aligning supervision resources to the areas of greatest risk, training the examiner staff, and enhancing examination guidance.

| MEASURE: Rehabilitated national banks as a percentage of problem national banks one year ago (CAMEL 3,4, or 5) (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 40 | 40 | 40 | 40 | 40 |
| ACTUAL | 46 | 52 | 47 | 29 | |
| TARGET MET? | Y | Y | Y | N | |

Definition: This measure reflects the successful rehabilitation of problem national banks during the past twelve months. Problem banks can ultimately reach a point where rehabilitation is no longer feasible. The OCC's early identification of and intervention with problem banks can lead to successful remediation of problem banks.

Indicator Type: Indicator

Data Capture and Source: The Supervisory Information office in OCC's headquarters office uses Examiner View (EV) and the Supervisory Information System (SIS) to identify and compare the composite CAMELS ratings for problem banks from twelve months prior to the current period composite CAMELS ratings for the same banks. The percentage is determined by comparing the number of national banks that have upgraded composite CAMELS ratings of 1 or 2 from composite CAMELS ratings of 3, 4 or 5 to the total number of national banks that had composite CAMELS ratings of 3, 4 or 5 twelve months ago.

Data Verification and Validation: Either quarterly or semi-annually, an independent reviewer compares a sample of Reports of Examination to the Examiner View (EV) and Supervisory Information System (SIS) data to ensure the accuracy of the recorded composite ratings. Any discrepancies between the supporting documentation and the systems data are reported to the respective Assistant Deputy Comptroller or Deputy Comptroller for corrective action.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Target was not met. This is primarily due to the difficult economic situation the entire financial industry is facing. OCC will continue to closely monitor the performance of all our problem national banks and when necessary, increase formal and informal agreements to enhance our level of supervision.

**MEASURE: Total OCC costs relative to every $100,000 in bank assets regulated ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 9.55 | 9.55 | 9.22 | 9.22 |
| ACTUAL | 8.84 | 8.89 | 8.39 | 8.81 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: This measure reflects the efficiency of OCC operations while meeting the increasing supervisory demands of a growing and more complex national banking system.

Indicator Type: Measure

Data Capture and Source: OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. Banks assets are those reported quarterly by national banks on their Reports of Condition and Income.

Data Verification and Validation: OCC's financial statements and controls over the data are audited by an independent accountant each year. National banks file quarterly Reports on Condition and Income with the FFIEC through the FDIC's data processing center. The banks' boards of directors attest to the accuracy of the reported data. The reliability of these quarterly reports is evaluated by OCC examiners during bank examinations.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Target Exceeded. The OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. Bank assets are those reported quarterly by national banks on their Reports of Condition and Income. Total national bank assets represent the growth and complexity of the national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC will continue to control its costs while ensuring the safety and soundness of the national banking system benefits all national bank customers.

## Office of Thrift Supervision

**MEASURE: Percent of safety and soundness exams started as scheduled (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90 | 90 | 90 | 90 | 90 |
| ACTUAL | 94 | 95 | 94 | 94 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: OTS examines savings associations every 12-18 months for safety and soundness, compliance and consumer protection laws. OTS performs safety and soundness examinations of its regulated savings associations consistent with the requirements in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) as amended by the Riegle Community Development and Regulatory Improvement Act of 1994. When safety and soundness or compliance issues are identified during its risk-focused examinations, OTS acts promptly to ensure association management and directors institute corrective actions to address supervisory concerns. OTS staff often meets with the savings association's board of directors after delivery of the Report of Examination to discuss findings and recommendations.

Indicator Type: Measure

Data Capture and Source: When a savings association is examined, OTS staff enters into the Examination Data System the examination type, examination beginning and completion dates, report of examination mail date, and CAMELS or equivalent ratings. The percentage success rate for this measure is calculated by dividing the number of examinations that were started by the number of examinations that were scheduled to be started during the review period.

Data Verification and Validation: Data regarding safety and soundness examinations started as scheduled are available from the Examination Data System. The System reports assist in scheduling examinations and monitoring past performance. When necessary, management determines why standards are not being met and will initiate steps to improve performance.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The fiscal year 2010 Performance Budget describes the goals, strategies, and priorities that will guide OTS's operations. The fiscal year 2010 budget enables OTS to continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.

| MEASURE: Percent of thrifts that are well capitalized (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 95 | 95 | 95 | 95 | 95 |
| ACTUAL | 99.9 | 99 | 98.4 | 97 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: Capital absorbs losses, promotes public confidence and provides protection to depositors and the FDIC insurance funds. It provides a financial cushion that can allow a savings association to continue operating during periods of loss or other adverse conditions. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well-capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund.

Indicator Type: Measure

Data Capture and Source: PCA ratings are stored in the Examination Data System and can also be found in the Thrift Overview Report and off-site financial monitoring reports. OTS calculates this measure by dividing the number of savings associations that are well capitalized by the total number of OTS-regulated institutions.

Data Verification and Validation: The Assistant Managing Director, Examinations and Supervision – Operations monitors and validates the capital measures. Quarterly press releases provide capital measures to the public.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The fiscal year 2010 Performance Budget describes the goals, strategies, and priorities that will guide OTS's operations. The fiscal year 2010 budget enables OTS to continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.

| MEASURE: Percent of thrifts with a compliance examination ratings of 1 or 2 (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90 | 90 | 90 | 90 | 90 |
| ACTUAL | 93 | 97 | 95.8 | 95 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: A uniform, interagency compliance rating system was first approved by the Federal Financial Institutions Examination Council (FFIEC) in 1980. The FFIEC rating system was designed to reflect, in a comprehensive and uniform fashion, the nature and extent of an association's compliance with consumer protection statutes, regulations and requirements. The Compliance Rating System is based upon a scale of 1 through 5 in increasing order of supervisory concern. OTS began to combine safety and soundness and compliance examinations in 2002 to attain exam efficiencies and to improve risk assessment. Using comprehensive exam procedures, compliance with consumer protection laws is reviewed at more frequent intervals, which has improved the quality of the examination process.

Indicator Type: Measure

Data Capture and Source: Compliance examination ratings are stored in the Examination Data System. OTS calculates this measure by dividing the number of OTS-regulated savings associations that received a compliance examination rating of 1 or 2 on their most recent examination by the total number of OTS-regulated savings associations that have been assigned a compliance examination rating.

Data Verification and Validation: Summary and detail reporting of compliance ratings are available online through the Examination Data System. The Assistant Managing Director, Examinations and Supervision – Operations monitors the status of compliance exam ratings.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The fiscal year 2010 Performance Budget describes the goals, strategies, and priorities that will guide OTS's operations. The fiscal year 2010 budget enables OTS to continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.

| MEASURE: Percent of thrifts with composite CAMELS ratings of 1 or 2 (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90 | 90 | 90 | 90 | 80 |
| ACTUAL | 93 | 93 | 90 | 84 | |
| TARGET MET? | Y | Y | Y | N | |

Definition: On December 9, 1996, the FFIEC adopted the CAMELS rating system as the internal rating system to be used by the Federal and State regulators for assessing the safety and soundness of financial institutions on a uniform basis. The CAMELS rating system puts increased emphasis on the quality of risk management practices. "CAMELS" stands for Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk. OTS assigns a composite CAMELS rating to savings associations at each examination and may adjust the rating between examinations if the association's overall condition has changed. New savings associations are typically not assigned a composite CAMELS rating until the first examination. OTS adjusts the level of supervisory resources devoted to an association based on the composite rating. The CAMELS rating is based upon a scale of 1 through 5 in increasing order of supervisory concern.

Indicator Type: Measure

Data Capture and Source: Composite CAMELS ratings are stored in and retrieved from the online Examination Data System. OTS calculates this measure by dividing the number of savings associations having a composite CAMELS rating of 1 or 2 by the total number of OTS-regulated savings associations that have been assigned a composite CAMELS rating.

Data Verification and Validation: Summary and detail reporting of CAMELS ratings are available online through the Examination Data System and are provided to each association at the conclusion of an exam. The composite rating is used semi-annually in the assessment process. The Assistant Managing Director, Examinations and Supervision – Operations continuously monitors the status of exam ratings. Quarterly press releases provide a summary of the thrift industry's CAMELS ratings to the public.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Percent of thrifts with COMPOSITE ratings of "1" or "2,"is six percent short of the fiscal year 2009 performance goal– 84% compared to the goal of 90%. The target will not be met due to the challenging economic environment, a housing market downturn, rising unemployment, and lower real estate values. As a result, the banks are reporting increases in troubled assets, delinquencies, charge-offs, and reserves, which have adversely impacted earnings and return on equity. Although we did not meet this performance measure in fiscal year 2009, the target will remain the same for fiscal year 2010. We expect to meet this target with the industry's improvement in earnings, asset quality, delinquencies, and charge-offs.

| MEASURE: Total OTS costs relative to every $100,000 in savings association assets regulated ($) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 14.33 | 15.08 | 23.04 | 22 |
| ACTUAL | 13.46 | 13.9 | 15.1 | 19.88 | |
| TARGET MET? | Y | Y | N | Y | |

Definition: Beginning in fiscal year 2006, OTS included a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex thrift industry. This measure supports OTS's ongoing efforts to efficiently use agency resources. The efficiency measure is impacted by the relative size of the savings associations regulated. As of June 30, 2006, 63% of all savings associations have total assets of less than $250 million and are generally community-based organizations that provide retail financial services in their local markets. In addition, the measure does not include over $7 trillion in assets of holding company enterprises regulated by OTS.

Indicator Type: Measure

Data Capture and Source: The OTS expenses published in OTS's annual audited financial statement are used in this calculation. If the performance measure calculation is provided before the audited financial statement is available, the estimated expenses are derived from OTS's Budget Variance System. The OTS regulated assets are published in the OTS quarterly press release of thrift industry financial highlights and are derived from the institutions' quarterly Thrift Financial Reports. The measure is calculated by dividing total fiscal year expenses by total thrift assets.

Data Verification and Validation: OTS expenses are verified during the annual CFO audit and reflect those published in the OTS annual audited financial statements. The industry's assets are reported by OTS's regulated institutions in the quarterly Thrift Financial Report, edited and verified by OTS staff, and then published in the OTS quarterly press release and available to the public on the OTS Internet site. OTS allows amendments from the industry for six months after the filing date.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The fiscal year 2010 Performance Budget describes the goals, strategies, and priorities that will guide OTS's operations. The fiscal year 2010 budget enables OTS to continue tailoring supervisory examinations to the risk profile of the institutions, while effectively allocating resources to oversee and assess the safety and soundness and consumer compliance record of the thrift industry.

## OUTCOME: Decreased Gap in Global Standards of Living

### Departmental Offices

**MEASURE: Improve International Monetary Fund (IMF) effectiveness and quality through periodic review of IMF programs (%)(Oe) [DISCONTINUED FY 2010]**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90 | 90 | 90 | 90 | 90 |
| ACTUAL | 100 | 100 | 93 | 23 | |
| TARGET MET? | Y | Y | Y | N | |

Definition: This measure tracks efforts by International Affairs (IA) staff to monitor quality of IMF country programs and ensure the application of appropriately high standards. IA staff endeavors to review each country program and provide a synopsis, analysis, and recommendation for action at least one week before each program is voted on by the IMF Board. The measure tracks the percentage of times the staff review is completed in a timely manner (at least one week before Board action) to allow for alterations in language if deemed necessary. Note: IA has modified this measure beginning in fiscal year 2010 such that the staff review must be completed prior to the IMF Board date rather than one week in advance (see below).

Indicator Type: Measure

Data Capture and Source: International Affairs staff tracks and accounts for actions undertaken during the reporting period.

Data Verification and Validation: Publicly available accounts of meetings (press, etc.), communiqués issued following multilateral or bilateral meetings.

Data Accuracy: Reasonable

Data Frequency: Semi-Annually

Future Plans/Explanation for Shortfall: The ongoing international economic and financial crisis will continue to result in significant IMF program activity for emerging market and developing countries. Normally, IMF program documents are distributed to the Executive Board at least two weeks in advance of the Board date. In fiscal year 2009, however, the IMF regularly activated "emergency procedures" to facilitate rapid IMF Board approval of country lending programs (i.e., Board discussion 2-3 days after program documents are circulated by the IMF). The shortened review period in many cases made it impossible for IA staff to complete the staff review of the country program one week before the Board date. The Office of International Affairs will continue to closely monitor IMF program activities and conduct thorough reviews of IMF country programs in a timely fashion in advance of IMF Board discussions.

**MEASURE: Percentage of grant and loan proposals containing satisfactory frameworks for results measurement (%) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 90 | 90 | 90 | 90 | 90 |
| ACTUAL | 88 | 92 | 94 | 94 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: The percentage of grant and loan project proposals that contain a satisfactory framework for measuring project results (such as outcome indicators, quantifiable and time-bound targets, etc.) This information is measured on an annual basis.

Indicator Type: Measure

Data Capture and Source: MDB monthly operational report, special requests to MDBs for loan and grant approvals, MDB annual reports and U.S. voting positions

Data Verification and Validation: Data provided by the MDB is compared with Treasury MDB Office vote history database and internal supporting memoranda.

Data Accuracy: Reasonable

Data Frequency: Semi-Annually

Future Plans/Explanation for Shortfall: Results measurement for grant and loan proposals at the MDBs remains a challenge. Long-term Millennium Development Goals exist, but short-term measures of progress against these goals are weak or non-existent. Greater transparency and accountability at the MDBs has permitted a somewhat clearer insight into their contribution to growth and alleviation of poverty, but stronger interim measures are needed. The Department will continue to closely monitor MDB financing programs.

## STRATEGIC OBJECTIVE: Trust and Confidence in U.S. Currency Worldwide

## OUTCOME: Commerce Enabled Through Safe, Secure U.S. Notes and Coins

### Bureau of Engraving and Printing

**MEASURE: Manufacturing costs for currency (dollar costs per thousand notes produced) ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 28.5 | 32.5 | 33 | 37 | 37 |
| ACTUAL | 27.49 | 28.71 | 29.47 | 32.77 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: An indicator of currency manufacturing efficiency and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance comparison against the standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.

Indicator Type: Measure

Data Capture and Source: Cost data is collected through BEP's accrual-based cost accounting system.

Data Verification and Validation: BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In 2009 BEP was able to exceed its target for cost of currency for the fifth consecutive year despite a change in the currency production program to deliver a different amount and mix of currency notes due to changes in the demand for currency. In 2010, BEP will produce and deliver the Federal Reserve order while continuing to monitor design and overhead costs related to the manufacture of currency to ensure the most efficient production and distribution of future denomination.

**MEASURE: Maintain ISO Certification (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1 | 1 | 1 | 1 | 1 |
| ACTUAL | | Met | Met | Met | |
| TARGET MET? | N/A | Y | Y | Y | |

Definition: The effectiveness of the manufacturing program is also demonstrated by the attainment of ISO 9001 certification. ISO is an internationally recognized quality assurance program aimed at promoting the adoption of a management system that establishes a process that governs the transformation of inputs into outputs to meet customer requirements. Components of the Bureau's ISO certified system include elements of the accountability activity in that the identification and traceability of product tracking procedures are tested for consistency and reliability.

Indicator Type: Measure

Data Capture and Source: ISO compliance is verified by periodic audits of the Bureau's quality management system by an independent ISO designated firm. Periodically the International Organization for Standardization updates the quality standards, thereby, requiring organizations already ISO certified to upgrade their quality management systems in order to maintain certification.

Data Verification and Validation: Certification is achieved based on a successful compliance audit by an independent firm under the auspices of the International Organization for Standardization.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Certification standards are updated by ISO and ISO registered organizations must implement the revised standards to maintain ISO certification. The BEP was initially certified under 1996 standards which were subsequently revised. In 2010, BEP will work towards incorporating new revisions in its quality management system to maintain certification.

| MEASURE: Currency Production (Ot) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 8.2 | 9.1 | 7.7 | 6.2 | 8 |
| ACTUAL | 8.2 | 9.1 | 7.7 | 6.2 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: A measure of BEP's ability to meet customer order delivery schedule. The customer considers this measure satisfied when complete shipments of finished currency are received in the Federal Reserve vault where it is held prior to final distribution to Federal Reserve district banks.

Indicator Type: Measure

Data Capture and Source: Product delivery data is collected and verified through various through various BEP's product accountability systems.

Data Verification and Validation: Product delivery data is reconciled to invoices generated by BEP, and confirmed by the customer.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: During fiscal year 2009, BEP responded to the Federal Reserves need to change the 2009 currency production order due to worldwide changes in the demand for currency, BEP delivered a reduced program as well as a different mix of currency donomination notes. BEP was able to meet this new order on time and under budget. In fiscal year 2010, BEP will produce and deliver the Federal Reserves order while continuing to monitor design and overhead costs related to the manufacture of currency to ensure the most efficient production and distribution of future denominations.

| MEASURE: Percent of currency notes delivered to the Federal Reserve that meet customer quality and requirements (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 99.9 | 99.9 | 99.9 | 99.9 | 99.9 |
| ACTUAL | 99.9 | 100 | 100 | 99.9 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: A qualitative indicator reflecting the Bureau's ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections. These inspections ensure that all counterfeit deterrent features, both overt and covert are functioning as designed.

Indicator Type: Measure

Data Capture and Source: Quality inspections are performed at each Federal Reserve Bank. Any discrepancies found are reported to BEP on a per shipment basis.

Data Verification and Validation: Quality review audits are performed by internal BEP auditors on all Federal Reserve inspection systems as well as the procedures followed in reporting data to BEP. These audits are conducted on an annual basis with additional audits performed upon request by Federal Reserve Banks.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: : During 2009, BEP was able to maintain its high level of quality requirements and met our target for the delivery of quality currency notes to our customer. For 2010 BEP plans to continue to ensure that proper quality standards are addressed during each stage of currency production and delivery.

| MEASURE: Currency shipment discrepancies per million notes (%) (Ot) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | .01 | .01 | .01 | .01 | .01 |
| ACTUAL | .01 | .01 | .01 | 0 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: A qualitative indicator reflecting BEP's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks.

Indicator Type: Measure

Data Capture and Source: The customer captures this data and report to BEP on a monthly basis.

Data Verification and Validation: BEP reports product discrepancy data based on monthly information provided by the customer.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The BEP has met the 2009 target for this performance measure, and fully anticipates to continue meeting or exceeding this measure's target in the future.

| MEASURE: Security costs per 1000 notes delivered ($) (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 6.25 | 6 | 5.65 | 5.65 | 5.6 |
| ACTUAL | 6 | 5.92 | 5.63 | 5.76 | |
| TARGET MET? | Y | Y | Y | N | |

Definition: An indicator reflecting the cost of providing effective and efficient product security and accountability. This standard is developed annually based on the past year's cost performance and anticipated cost increases. The formula used to calculate this measure is the total cost of security divided by the number of notes produced divided by 1000.

Indicator Type: Measure

Data Capture and Source: Cost data is collected through BEP's accrual-based cost accounting system. This standard is developed annually based on the past year's cost performance and anticipated cost increases.

Data Verification and Validation: BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In 2009 BEP was not able to meet its target for cost of security due to an unanticipated reduction in the currency production program late in the fiscal year. The timing of the change occurred after a significant amount of obligations had already occurred for the fiscal year and did provide enough time to implement reductions in other areas of the program without compromising the security posture of the Bureau. Internal budget formulation processes develop the annual allocations to this program based on a review of the prior-year results and any known current-year changes to operations. BEP continually strives to keep security costs at the lowest level possible without compromising the Bureau's security posture. Security costs are comprised of the following activities: 1) Personnel Security 2) Physical Protection 3) Product and Inventory control. Guarding against theft is the top priority of the BEP security program, going forward, BEP will produce and deliver the 2010 currency order while continuing to monitor the cost of providing effective and efficient product security and accountability.

## MEASURE: Total Regulatory Fines and Claims Paid (Oe)

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 70000 | 30000 | 27500 | 20000 | 15000 |
| ACTUAL | 48693 | 8304 | 0 | 16000 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: The annual amount of all regulatory fines and tort claims paid by the BEP.

Indicator Type: Indicator

Data Capture and Source: BEP Management Information System (BEPMIS)

Data Verification and Validation: BEP Annual Financial Audit, the CFO Performance and Accountability Report

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In 2009, the Bureau met this target; the annual amount of all regulatory fines and tort claims paid by the BEP was $16,000 against a target of $20,000. For 2010, the Bureau will strive to adhere to all safety, health and environmental processes.

## MEASURE: Improper and/or Erroneous Payments or Purchases (Oe)

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1000 | 500 | 500 | 500 | 300 |
| ACTUAL | 2126 | 0 | 0 | 0 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: An indicator reflecting the ability of the Bureau of Engraving and Printing to make payment for goods and services for only authorized expenses and in a timely manner.

Indicator Type: Measure

Data Capture and Source: BEP Management Information System (BEPMIS)

Data Verification and Validation: BEP Annual Financial Audit, The CFO Performance and Accountability Report

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In 2009, BEP met this goal with no improper or erroneous payments made. fiscal year 2010 plans include continued internal evaluations to ensure that payments are made in a timely manner in accordance with prompt payment act standards.

## MEASURE: Other Financial Losses

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 0 | 0 | 0 | 0 | 0 |
| ACTUAL | 15500 | 0 | 0 | 0 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: The face value of product theft that has been reported, investigated as unrecoverable, and verified, during the production, delivery and destruction process.

Indicator Type: Indicator

Data Capture and Source: BEP Management Information System (BEPMIS)

Data Verification and Validation: BEP Annual Financial Audit, the CFO Performance and Accountability Report

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The BEP has met the 2009 target for this performance measure, and fully anticipates to continue meeting this measure's target in the future.

| MEASURE: Total Financial Losses (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 71000 | 30500 | 28000 | 20500 | 15300 |
| ACTUAL | 66319 | 8304 | 0 | 16000 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: The aggregate amount of annual financial losses that have been reported, investigated, and verified as unrecoverable, as a result of the following: improper and/or erroneous payments or purchases (including late payment penalties); total regulatory fines and claims paid; and other financial losses.

Indicator Type: Indicator

Data Capture and Source: BEP Management Information System (BEPMIS)

Data Verification and Validation: BEP Annual Financial Audit, the CFO Performance and Accountability Report

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The BEP has met the 2009 target for this performance measure, and fully anticipates to continue meeting or exceeding this measure's target in the future.

## United States Mint

| MEASURE: Conversion Costs per 1000 Coin Equivalents ($)(E) [DISCONTINUED FY 2009] | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 6.62 | 7.27 | 7.09 | Discontinued | Discontinued |
| ACTUAL | 7.55 | 7.23 | 8.46 | | |
| TARGET MET? | N | Y | N | N/A | |

Definition: Cost per 1000 coin equivalents is the cost of production (conversion cost) divided by the number of products made. Conversion costs are controllable costs within manufacturing. Those costs include manufacturing payroll, non-payroll, and depreciation costs. To determine the coin equivalents, an equivalency factor is assigned to each circulating denomination and numismatic product based on the resources it takes to make the product (indexed against the resources it takes to make one product – the quarter). The production quantity for each product is multiplied by the equivalency factor, resulting in a coin equivalent quantity. Thus, all denominations and products are equivalized to a quarter.

Indicator Type: Measure

Data Capture and Source: Conversion costs are pulled from financial reports from the accounting system. Production data is pulled from the enterprise resource planning system via queries and converted to coin equivalents.

Data Verification and Validation: United States Mint analysts review the data pulled from the accounting system for reasonableness and accuracy on a monthly basis.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: This measure is being Discontinued in fiscal year 2009.

**MEASURE: Conversion Costs Per 1000 CE ( % deviation from target) (E) [DISCONTINUED FY 2009]**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | 0 | Discontinued | Discontinued |
| ACTUAL | | | 11 | 11 | |
| TARGET MET? | N/A | N/A | N | N/A | |

Definition: The United States Mint's costs vary by product, and the product mix has been variable over time. This makes it difficult to compare operating results from year to year. The coin equivalent calculation converts the production output to a common denominator based on the circulating quarter. Production costs, excluding metal and fabrication, are then divided by this standardized production level, thus resulting in "conversion costs per 1,000 coin equivalents." This allows comparison of performance over time by negating the effects of changes in the product mix. Starting in fiscal year 2008, the target and results will be presented as a percentage difference from the baseline. By showing the target and performance as a percentage, this allows for the impact of fixed costs as they get spread over varying levels of production.

Indicator Type: Measure

Data Capture and Source: Conversion costs are pulled from financial reports from the accounting system. Production data is pulled from the enterprise resource planning system via queries and converted to coin equivalents

Data Verification and Validation: United States Mint analysts review the data pulled from the accounting system for reasonableness and accuracy on a monthly basis.

Data Accuracy: Reasonable

Data Frequency: Monthly

Future Plans/Explanation for Shortfall: The United States Mint will report on this performance measure for PART reporting until the Mint's new suite of performance measures are approved and the old measures are fully discontinued. Until then the Mint's fiscal year 2009 target for this performance measure should be 0%.

**MEASURE: Protection Cost Per Square Foot ($) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 32 | 32.99 | 32.5 | 31.75 | 31.7 |
| ACTUAL | 32.49 | 31.75 | 31.76 | 31.57 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: Protection cost per square foot is the Protection Department's operating costs divided by the area of usable space in square feet that the United States Mint Police protects. Usable space is defined as 90% of total square footage. The year-to-date result is then annualized on a straight-line basis.

Indicator Type: Measure

Data Capture and Source: The Protection costs are automatically pulled from the United States Mint's accounting system on a quarterly basis. The square footage is relatively stable and is monitored by the Protection office and United States Mint management.

Data Verification and Validation: United States Mint analysts review the data for reasonableness and accuracy on a quarterly basis.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Protection cost per square foot is the Protection Department's total operating cost divided by the area of usable space of the United States Mint. Usable space is defined as 90% of total square footage. Operating costs exclude depreciation. Total square footage of usable space is relatively constant and only changes with major events such as the addition or removal of a facility. The measure indicates the Protection Department's cost efficiency in safeguarding United States Mint facilities, employees and assets. Protection cost per square foot decreased to $31.57 in fiscal year 2009 from $31.76 last year. The fiscal year 2009 result was $0.18 below the target of $31.75. The Protection Department reduced total operating cost by approximately $250,000 (0.6 percent) from fiscal year 2008 by curtailing expenses for other services and supplies and materials. The Protection Department will continue efforts to contain costs while fulfilling protection responsibilities in fiscal year 2010.

## MEASURE: Employee Confidence in Protection (Oe)

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 86 | 86 | 86 | 83 | Discontinued |
| ACTUAL | 82 | 81 | 81 | 81 | |
| TARGET MET? | N | N | N | N | |

Definition: Percentage of United States Mint employees reporting a favorable response to their confidence in the Office of Protection to safeguard United States Mint assets and assets in the custody of the United States Mint.

Indicator Type: Indicator

Data Capture and Source: Contractor administered quarterly Employee Pulse Check survey which assesses the attitudes of United States Mint employees concerning their work environment.

Data Verification and Validation: Results and data are captured and verified by a professional survey consultant.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The Protection Department is responsible for providing a safe and secure workplace for United States Mint employees. The Employee Confidence in Protection measure indicates how well the Protection Department is achieving this objective. It is the percentage of United States Mint employees reporting a favorable response to their confidence in the Protection Department's performance in safeguarding United States Mint assets and assets in the custody of the United States Mint. Survey results indicated that 81 percent of employees reported confidence in the Protection Department's ability to safeguard the United States Mint in fiscal year 2009. This was consistent with fiscal year 2008 performance but below the 83 percent target. The Protection Department is working to automate employee entry and exit at all United States Mint facilities. This is the most visible role that police officers play in the typical workday of most employees. The Protection Department plans to increase communication about these and other efforts that the police offers undertake to serve and protect employees while safeguarding assets under United States Mint control.

## MEASURE: Seigniorage per Dollar Issued ($)(E)

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | .53 |
| ACTUAL | | | | .55 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: Seigniorage per total face value of circulated coinage shipped to Federal Reserve Banks.

Indicator Type: Measure

Data Capture and Source: The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system.

Data Verification and Validation: External auditors perform routine audits of financial statements. Numismatic program net income and total revenue are included in the financial statements.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Seigniorage per dollar issued is the return to circulating operations, calculated as seigniorage divided by the total face value of circulated coinage shipped to Federal Reserve Banks (FRB). Seigniorage per dollar issued was $0.55 in fiscal year 2009, above the target of $0.54. Weakened demand reduced the United States Mint's return from circulating operations in fiscal year 2009. Base metal expenses and the mix of circulating coin ordered by the FRB largely determine seigniorage per dollar issued performance. Toward the end of fiscal year 2009, market prices for copper, nickel and zinc all started to increase to fiscal year 2007 levels. The United States Mint expects production volumes to remain low and per-unit metal prices to increase as market prices escalate in fiscal year 2010.

**MEASURE: Absolute Value of Production Percent Deviation from Net-Pay (%)(Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | Discontinued |
| ACTUAL | | | | 6.5 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: The absolute value of the percentage deviation of cumulative fiscal year total circulating coin production from cumulative fiscal year total net-pay less any inventory adjustment planned and agreed upon by the Federal Reserve Banks or needed to fulfill the United States Mint contingency stock requirements. Monthly production targets are set to smooth production over the fiscal year and ensure cumulative production is sufficient to satisfy Federal Reserve demand.

Indicator Type: Measure

Data Capture and Source: United States Mint analysts receive Federal Reserve net-pay and inventory data reports by denomination. Coin production data is maintained in Oracle manufacturing system.

Data Verification and Validation: Results and data are captured and verified by United States Mint and Federal Reserve Bank analysts.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Production percent deviation from net pay is the absolute value of the percent cumulative fiscal year total circulating coin production difference from the total net pay less any FRB inventory adjustment. The United States Mint is responsible for providing the nation's coinage in sufficient quantity to meet the needs of commerce. The FRB is responsible for distributing coinage to the commercial banking sector. To accomplish its mission, the FRB maintains coin inventories, which commercial banks can withdraw from or deposit into. The difference between coins withdrawn and coins deposited is referred to as net-pay, and represents the demand for coinage. In order to ensure inventories are adequate to meet demand, the United States Mint produces coinage in sufficient quantities to replenish the system. The deviation of circulating coin production from net pay indicates how well the United States Mint fulfills its core mission of minting and issuing coins to enable commerce. Total production deviated 6.5 percent from net pay in fiscal year 2009. This was a baseline year for the performance measure so no target was set. Monthly net-pay figures remained at 30-year lows for nearly all denominations. In the first quarter of fiscal year 2009, the FRB significantly reduced forecasted orders for the remainder of the fiscal year. The United States Mint cut production accordingly.

**MEASURE: Numismatic Net Margin (%)(E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | Discontinued |
| ACTUAL | | | | 9.4 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: The return to Numismatic (non-bullion) operations, calculated as program net income divided by total program sales.

Indicator Type: Measure

Data Capture and Source: The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system.

Data Verification and Validation: External auditors perform routine audits of financial statements. Numismatic program net income and total revenue are included in the financial statements.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Numismatic net margin is the return to numismatic operations, calculated as program net income divided by total program sales revenue. The statutory framework for United States Mint numismatic items provides for cost recovery (i.e., avoiding any indirect taxpayer burden on these programs) and for sales to the public as a service to the public. Therefore the numismatic program is managed to a 15 percent net margin to ensure sale prices are as low as practicable and returns are sufficient to fund numismatic operating costs. Numismatic net margin was 9.4 percent in fiscal year 2009, below the target of 15 percent. Statutorily the United States Mint was prevented from selling one of its core products in fiscal year 2009 significantly inhibiting its ability to meet numismatic net margin. A reduced margin means that the bureau offered numismatic products to customers at lower sales prices than sufficient to achieve the 15 percent margin. This is not an unfavorable result for the United States Mint's numismatic operations. The United States Mint will review pricing practices in fiscal year 2010 to ensure that numismatic sales revenue is sufficient to fund long-term operations while also maintaining reasonable prices for customers.

| MEASURE: Numismatic Customer Base (Units)(Ot) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | .9 |
| ACTUAL | | | | 1.06 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: Total number of unique purchasers over a fiscal year, where a unique purchaser consists of an account number and address/name without a prior purchase in the fiscal year.

Indicator Type: Measure

Data Capture and Source: Customer account data for each Numismatic product purchase is maintained on CW Direct, a real time system. Daily automatic queries of CW Direct populate a data warehouse. Contracted analysts identify the number of unique purchasers from this data warehouse based on United States Mint defined criteria.

Data Verification and Validation: Results and data are captured and verified by a professional data analyst consultant.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The numismatic customer base consists of the total number of unique purchasers within a fiscal year. A unique purchaser consists of an account number and address and name combination without a prior purchase in the fiscal year. The numismatic customer based totaled 1.06 million in fiscal year 2009, below the target of 1.40 million. The United States Mint customer retention and acquisition performance declined because the bureau was unable to offer several core numismatic products for sale after January 2009. In particular, popular American Eagle and American Buffalo numismatic products were unavailable because precious metal planchets were diverted to the bullion program in accordance with the United States Mint's statutory requirement to fulfill bullion demand. Economic conditions may have also curtailed customer spending on collectibles from prior years. The United States Mint began to fully satisfy bullion demand in the later months of the fiscal year. Consequently, the bureau expects to offer some numismatic products for sale in fiscal year 2010 that were unavailable in fiscal year 2009. The United States Mint is also planning a national advertising campaign and outreach related to the upcoming America the Beautiful QuartersTM and America the Beautiful Silver Bullion CoinsTM in fiscal year 2010.

| MEASURE: Customer Satisfaction Index (%)(Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 88 |
| ACTUAL | | | | 88.3 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: The United States Mint conducts a quarterly Customer Satisfaction Measure (CSM) Tracking Survey among a random sample of active customers. The CSM Survey is intended to capture customer satisfaction with the United States Mint's performance as a coin supplier and the quality of specific products. The CSI is as a single quantitative score of CSM Survey results.

Indicator Type: Measure

Data Capture and Source: A professional survey consultant administers quarterly CSM survey to a random sample of active customers.

Data Verification and Validation: Results and data are captured and verified by the professional survey consultant.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The United States Mint conducts a quarterly Customer Satisfaction Measure Tracking Survey among a random sample of active customers. The survey is intended to capture customer satisfaction with the United States Mint's performance as a coin supplier and the quality of specific numismatic products. CSI is as a single quantitative score of survey results. CSI was 88.3 percent in fiscal year 2009, exceeding the target of 88.0 percent and increasing slightly from the fiscal year 2008 result of 87.5 percent. Customer satisfaction with product quality remained strong with 96.1 percent of respondents highly satisfied with the quality of products. About 80.5 percent of respondents reported high overall satisfaction with the United State Mint's performance, up somewhat from 79.5 percent in fiscal year 2008. The United States Mint expects to improve upon customer service in fiscal year 2010 by continuing to collaborate with and monitor the bureau's call center and order fulfillment provider to maintain and exceed standards of service. The bureau is also implementing an initiative to integrate and consolidate the United States Mint's public information and e-commerce catalog sites. The improved single Web site will be easier for customers to navigate and obtain desired information.

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

**STRATEGIC OBJECTIVE:** Pre-Empted and Neutralized Threats to the International **Financial** System and Enhanced U.S. National Security

**OUTCOME:** Removed or Reduced Threats to National Security From Terrorism, Proliferation of Weapons of Mass Destruction, Drug Trafficking and Other Criminal Activity on the Part of Rogue Regimes, Individuals, and Their Support Network

### Departmental Offices

**MEASURE: Number of open civil penalty cases that are resolved within the Statute of Limitations period (Ot) [DISCONTINUED FY 2009]**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 85 | 85 | 120 | Discontinued | Discontinued |
| ACTUAL | 85 | 296 | 233 | | |
| TARGET MET? | Y | Y | Y | N/A | |

Definition: Timely imposition of civil penalties plays a major role in deterring and appropriately punishing violations of sanctions by U.S. persons. OFAC receives a very high volume of law enforcement referrals regarding potential violations. It is devising strategies to reduce the backlog of civil penalty and enforcement actions and increase efficiency in drafting warning and cautionary letters, assessing penalties, negotiating penalty resolutions and processing monetary penalties.

Indicator Type: Measure

Data Capture and Source: Penalty case information is recorded in OFAC's main Oracle database (FACDB). That database has a Report function that allows us to query the database and generate reports according to a number of variables such as status, date of action, etc. Informaiton generated from these reports is used to calculate the number of cases that were closed during a given time frame. Additionally, we have implemented a processs to check a representative sampling of the closed cases to verify that the data within the system matches our hard copy records.

Data Verification and Validation: The Assistant Director for Civil Penalties Cases reviews every case that is closed. Cases that involve a settlement, an assessment, or penalty come under additional review by OFAC's Chief Counsel's Office. Cases that result in settlement or an assessment or penalty are also posted on OFAC's public website.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Discontinued measure in fiscal year 2009.

| MEASURE: Impact of TFI programs and activities | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 7.4 |
| ACTUAL | | | | 7.81 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This measure is used to assess TFI's impact as an organization through its sanctions, law enforcement, intelligence, regulatory and diplomatic programs to reduce threats to U.S. national security. The Office of Terrorist Financing and Financial Crimes is responsible for the impact of policymaking, outreach and diplomacy. The Office of Foreign Assets Control is responsible for the impact of economic sanctions. The Office of Intelligence and Analysis is responsible for the impact of information and analysis used by Department decision makers. The Financial Crimes Enforcement Network is responsible for the impact of activities that create safer and more transparent financial systems.

Indicator Type: Measure

Data Capture and Source: An annual survey is conducted by OIA. Performance measure actuals are captured in PRS to determine the rating for FinCEN's performance measures. OFAC and TFFC provide documentation of activities, and use a self assessment rating, all information is kept by OSPPM as the outside validator.

Data Verification and Validation: The Office of Strategic Planning and Performance Management validates all final information. TFFC and OFAC provide a self-assessed rating and supporting documentation. OIA uses an internal (within the Department) customer satisfaction survey to achieve it's performance rating. The survey and raw data are provided, and validated at the SECRET level to ensure reliability of the data. The Department reviews/validations, and gives suggestions and recommendations to each office, with a chance to provide additional information.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: TFI will examine methods of external validation of measure results. The Office of Intelligence and Analysis will expand its customer satisfaction survey base to IC customers outside of the Treasury Department. Both OFAC and TFFC will be examining their measures to make sure they cover a broad range of priorities.

| MEASURE: Number of countries that are assessed for compliance with the Financial Action Task Force (FATF) 40+9 recommendations (Ot) [DISCONTINUED FY 2009] | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 45 | 6 | 12 | Discontinued | Discontinued |
| ACTUAL | 5 | 6 | 12 | | |
| TARGET MET? | N | Y | Y | N/A | |

Definition: TFFC is the lead Treasury component and representative to the Financial Action Task Force (FATF). As such, TFFC is responsible for leading international efforts to identify and close money laundering and terrorist financing vulnerabilities in the international financial system, and to ensure that countries throughout the world comply with international anti-money laundering/counter-terrorist financing standards. In concert with the international community, Treasury is deploying a three-prong strategy that 1) objectively assesses all countries against the FATF 40+9, 2) provides capacity-building assistance for key countries in need and 3) isolates and punishes those countries and institutions that facilitate terrorist financing. TFI is working with international bodies like FATF, IMF (International Monetary Fund) and World Bank to ensure compliance. The IMF and World Bank have adopted the FATF 40+9 and they use those standards to assess countries for compliance.

Indicator Type: Measure

Data Capture and Source: Data collected by the Department of Treasury's Office of Terrorism and Financial Intelligence (TFI); Terrorist Financing and Financial Crimes (TFFC).

Data Verification and Validation: TFFC data undergoes multiple quality checks to ensure accuracy.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: DO is currently implementing a rigorous approach to develop more meaningful performance measures which align to Treasury's Strategic Plan. This initiative will lead to significant improvements in the current suite of performance measures within the Departmental Offices, and so result in measures which are more reflective of Treasury's mission. Therefore, Treasury has made the decision to discontinue many performance measures while it works to develop new ones for future budget submissions.

| MEASURE: Increase the number of outreach engagements with the charitable and international financial communities (Ot) [DISCONTINUED FY 2009] | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 105 | 70 | 70 | Discontinued | Discontinued |
| ACTUAL | 45 | 85 | 80 | | |
| TARGET MET? | N | Y | Y | N/A | |

Definition: The effectiveness of the USG's efforts to combat terrorist financing and other forms of illicit finance depends upon the understanding and cooperation of the domestic and international private sector, particularly the financial services industries and other vulnerable sectors such as charities. The Office of Terrorist Finance and Financial Crimes (TFFC) outreach engagements allows the USG to assess first-hand domestic and international Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) practices by governments and private institutions alike and engage with these entities to ensure that they safeguard themselves and the financial system against illicit activity. When followed-up consistently, this outreach has proven to be one of our most efficacious tools for changing behavior, raising awareness, and improving capacity among foreign governments as well as domestic and foreign institutions with gaps in their AML/CFT programs.

Indicator Type: Measure

Data Capture and Source: Data collected by the Department of Treasury's Office of Terrorism and Financial Intelligence (TFI); Terrorist Financing and Financial Crimes (TFFC).

Data Verification and Validation: Department of the Treasury's TFI data based on outreach events.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: Discontinue measure in fiscal year 2009.

## Treasury Forfeiture

| MEASURE: Percent of forfeited cash proceeds resulting from high-impact cases (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 75 | 75 | 75 | 75 | 75 |
| ACTUAL | 72.93 | 84.18 | 86.91 | 87.65 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: A "high impact case" is a case, based on designation or executive order, resulting in a cash forfeiture equal to or greater than $100,000. This measure is calculated by dividing the amount of cash forfeited in amounts equal to or greater than $100,000 (as measured by individual deposits that are equal to or greater than $100,000) divided by the total amount of cash forfeitures to the Fund (as of the end of the year, or other reporting period.)

Indicator Type: Measure

Data Capture and Source: The Treasury Forfeiture Fund is able to capture this data on a monthly basis and the source of the data is the Detailed Collection Report (DCR).

Data Verification and Validation: The source of the data that supports our performance calculation comes from the general ledger of the Treasury Forfeiture Fund which data is audited annually pursuant to our financial statement audit. Therefore, the annual financial statement audit process serves to "verify and validate" the data used to support our performance measure on an annual basis.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: With an emphasis on high-impact forfeitures by Treasury Forfeiture Fund management, our member law enforcement bureaus worked hard to exceed the target of 75%, achieving 87.65% high-impact currency forfeitures for fiscal year 2009. Forfeiture Fund management will continue to focus resources on member bureau initiatives, including training, that emphasize high-impact forfeiture. Through high-impact forfeiture, federal law enforcement can do the most damage to criminal syndicates by dismantling their financial infrastructure.

## OUTCOME: Safer and More Transparent U.S. and International Financial Systems

### Financial Crimes Enforcement Network

**MEASURE: Average time to process enforcement matters (in Years) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 1 | 1 | 1 | 1 | 1 |
| ACTUAL | 1 | 1.1 | .7 | 1 | |
| TARGET MET? | Y | N | Y | Y | |

Definition: The average time to process an enforcement matter is determined from the date a case is referred from the Office of Compliance to the date the charging (or action) letter is issued.

Indicator Type: Measure

Data Capture and Source: The data for this measure is captured through an internal database that stores enforcement matters. The database records the date cases are received, the analyst assigned, the statute of limitations date, and the date each case was closed.

Data Verification and Validation: The enforcement matters are entered into the automated log and evaluated to determine whether there is enforcement potential through a civil monetary penalty or otherwise. FinCEN has established time management guidelines to reduce the average processing time for civil penalty cases.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN met its target for the average time to process enforcement matters in one year with an average time of 1.0 year. FinCEN will continue to actively manage casework.

**MEASURE: Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | Baseline | 5.2 | 5.2 | 5.2 |
| ACTUAL | | 5.2 | 2.5 | 2.1 | |
| TARGET MET? | N/A | Y | Y | Y | |

Definition: The percentage of bank examinations that reveal the existence of systemic compliance failure (i.e., demonstrated by cited violations of the anti-money laundering program rule) is a meaningful measure because it provides an intermediate assessment of the effectiveness of the efforts of the Regulatory Policy and Programs Division's three offices in providing policy guidance and taking formal and informal compliance and enforcement actions to increase financial industry compliance with the Bank Secrecy Act. At the present time, the only financial sector from which we are receiving useful data to quantify this measure is the banking sector supervised and examined for Bank Secrecy Act compliance by the Federal Banking Agencies.

Indicator Type: Measure

Data Capture and Source: The Federal Banking Agencies aggregated information provided pursuant to the Memorandum of Understanding executed in 2004 with FinCEN.

Data Verification and Validation: This information can be validated from the quarterly aggregate reports provided to FinCEN by each agency pursuant to the Memorandum of Understanding of 2004. Under the terms of the MOU, the FBAs have 45 days from the end of a quarter to submit their data to FinCEN. Since quarterly results must be calculated within 30 days of the end of a quarter, we must use data from the prior quarter. Due to this lag in data, the year-end figure is based on the three fiscal year 2009 quarters available at the fiscal year-end.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2009, the percentage of banking institutions cited for program failures during examinations was significantly below the 5.2 percent indicator level, only 2.1 percent were cited. This is primarily attributable to greater consistency among bank regulators in citing instances of program failures. FinCEN will continue to collaborate with the Federal Financial Institutions Examination Council and conduct outreach to the banking industry.

**MEASURE: Percentage of FinCEN's Regulatory Resource Center Customers rating the guidance received as understandable (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 90 | 90 | 90 | 90 |
| ACTUAL | 94 | 91 | 94 | 94 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: The percentage of financial institution customers who contact the Resource Center and respond to a survey, who find the information/response/guidance received was understandable. Providing guidance that is understandable is a desired result and is critical for financial institutions to establish programs that comply with the BSA.

Indicator Type: Measure

Data Capture and Source: Resource Center customer records and survey data.

Data Verification and Validation: Results and data will be captured and verified by a professional survey consultant.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The fiscal year 2009 goal was to maintain a 90 percent satisfaction level for customers rating the guidance as "understandable," and FinCEN surpassed its goal with 94 percent. FinCEN attained this success by responding timely (within 24 hours of the inquiry), providing a high level of service, and improving the organization of information on its public website. In order to achieve future targets, FinCEN will continue to make guidance available on the Internet, accept and analyze customer feedback, and conduct surveys to measure customer satisfaction.

**MEASURE: Median time taken from date of receipt of Financial Institution Hotline Tip SARs to transmittal of the information to law enforcement or the intelligence community (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 30 | 25 | 16 | 15 | 5 |
| ACTUAL | 19 | 7 | 3 | 3 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: The purpose of the Financial Institution Hotline Tip is to facilitate the transmission of potential terrorism-related activity to law enforcement in a more expeditious manner than through the normal manual or electronic filing of a Suspicious Activity Report. The median time taken to transmit the information from a Financial Institution Hotline Tip SAR will be computed using the Julian date of the Hotline Tip receipt and the transmittal date. Statistical data for fiscal year 2003 and fiscal year 2004 is not available as the Julian dates found on SARs was not tracked and converted to calendar dates for comparison with referral dates in the current management information system.

Indicator Type: Measure

Data Capture and Source: Date of receipt of Hotline Tip and the date of referral in an analytical product, as recorded in the FinCEN Database. Manual records, spreadsheets and/or Access databases will be maintained to record the dates for all Hotline Tips referred.

Data Verification and Validation: Verification of receipt and report dates and medians can be accomplished using the FinCEN Database, paper and/or other electronic records developed to record dates.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN surpassed its target of 15 days with a median time of 3 days. To meet future targets, FinCEN will continue to process Hotline Tips in an expeditious manner.

**MEASURE: Percentage of complex analtyic work completed by FinCEN analysts (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 0 | 38 | 38 | 39 | 39 |
| ACTUAL | | 33 | 27 | 44 | |
| TARGET MET? | N/A | N | N | Y | |

Definition: Comparison of total number of work products generated versus those products that required complex anlaysis, graphical display of data relationships, analytical findings, comments and recommendations. "Complex" as used in this measure refers to the application of analytic resources to assist law enforcement clients in perfecting investigations that they consider significant due to geographic scope, large data sets, use of multiple or little understood money laundering methodologies or involving financial relationships, products or systems not adequately understood by investigators.

Indicator Type: Measure

Data Capture and Source: The FinCEN database currently tracks assignments and includes a complexity ranking on each assignment. Management reports can be generated outlining the number of such projects and the number of reports prepared and distributed on an annual basis.

Data Verification and Validation: Production levels can be verified by a review of the paper or electronic file copies of analytical reports generated.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN surpassed its target of 39 percent with 44 percent of complex analytical products completed by FinCEN analysts. FinCEN will continue efforts to reduce the number of discretionary non-complex projects undertaken and increase the number of complex products produced for foreign FIUs.

**MEASURE: The percent of countries/jurisdictions connected to the Egmont Secure Web with in one year of Egmont membership (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 98 | 98 | 98 | 98 | 98 |
| ACTUAL | 97 | 98 | 98 | 99 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: The percent of Egmont Financial Intelligence Unit members connected to the Egmont Secure Web. The goal is to maintain a 98% percent user rate. As new members are admitted to Egmont, we will work to connect them to the Egmont Secure Web.

Indicator Type: Measure

Data Capture and Source: Egmont Member data base and Egmont Secure Web User database.

Data Verification and Validation: Compare the list of Egmont Secure Web Users to the list of of Egmont members.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN reached a level of 99 percent of countries/jurisdictions connected to the Egmont Secure Web and surpassed its target of 98 percent. To continue to meet this target, FinCEN will work to ensure continued connectivity for countries that have access to the Egmont Secure Web and will connect new Egmont Group members as soon after admission as possible.

**MEASURE: Percentage of domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 78 | 79 | 80 | 81 |
| ACTUAL | 77 | 82 | 83 | 81 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: The percentage of customers (domestic law enforcement and foreign financial intelligence units) finding FinCEN's analytical reports highly valuable. This is a composite measure compiled from survey results. The survey looks at the impact of FinCEN's analysis products, such as whether the product was used to open a new investigation, whether it generated new leads, or whether it provided information previously unknown.

Indicator Type: Measure

Data Capture and Source: Annual Surveys

Data Verification and Validation: The vendor survey team developed questionnaires for customers, with FinCEN input. They conducted e-mail and/or telephone surveys of FinCEN's customers in the investigative/intelligence community, financial community and inhouse customers. A comprehensive report and presentation was provided at the conclusion of the survey.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN surpassed its target of 80 percent with 81 percent finding the analytic reports highly valuable. FinCEN will continue its efforts to solicit input from its customers on types of products they would like to see produced and possible ways to improve the structure of its reports to meet future targets.

**MEASURE: Percentage of private industry or financial institution customers finding FinCEN's Suspicious Activity Review (SAR) products highly valuable (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 72 | 74 | 76 | 75 |
| ACTUAL | 70 | 71 | 75 | 73 | |
| TARGET MET? | Y | N | Y | N | |

Definition: This measure tracks the percentage of customers that find FinCEN's SAR activity review products useful. The measure is a composite measure compiled from survey results. The surveys look at whether regulated industries find the products useful to improving their BSA/anti-money laundering programs and whether the products provide useful guidance on filing requirements.

Indicator Type: Measure

Data Capture and Source: Annual Surveys

Data Verification and Validation: The vendor survey team developed questionnaires for customers, with FinCEN input. They conducted e-mail and/or telephone surveys of FinCEN's customers in the investigative/intelligence community, financial community and inhouse customers. A comprehensive report and presentation was provided at the conclusion of the survey.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2009, 73 percent of private industry or financial institution customers found FinCEN's SAR Activity Review products highly valuable. FinCEN took a slightly different approach to the SAR Activity Review and this could account for FinCEN just missing its target of 76 percent. In May 2009, in an attempt to expand readership of the publication in other relevant industries, FinCEN issued an industry specific SAR Activity Review. Historically these publications focused on issues related to depository institutions – the single largest survey base representing nearly 98% of all current contact. In order to continue to receive appropriate feedback from our constituents, FinCEN will continue to seek information from its regulatory partners and other entities in an effort to expand the population of survey respondents to include other relevant industries.

| MEASURE: Cost per BSA form E-Filed (E) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | .19 | .15 | .15 | .15 | .15 |
| ACTUAL | .22 | .14 | .13 | .16 | |
| TARGET MET? | N | Y | Y | N | |

Definition: This measure tracks the government reoccuring operations and maintenance costs associated with E-Filing against the number of BSA forms E-Filed. As more financial institutions E-File, it is anticipated that the cost per BSA form E-Filed will decrease.

Indicator Type: Measure

Data Capture and Source: E-Filing cost records and BSA Direct E-Filing Records.

Data Verification and Validation: Results can be verified against E-Filing operations and maintence cost records and BSA Direct E-Filing records.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, the cost per form e-filed was .16. FinCEN did not meet its target of .15. This was due to higher than expected operations and maintenance (O&M) support costs associated with several BSA E-Filing system improvements implemented in fiscal year 2009. Filing volume increases did not offset the increase in O&M costs. To meet future targets, FinCEN will balance operational costs with the filing volume.

| MEASURE: Number of largest BSA report filers using E-Filing (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 342 | 302 | 374 | 454 | 534 |
| ACTUAL | 383 | 297 | 386 | 486 | |
| TARGET MET? | Y | N | Y | Y | |

Definition: FinCEN has identified the 650 largest filers of Bank Secrecy Act reports and has established the goal of assisting and encouraging members of this group who are not already using the BSA Direct E-filing system to begin E-filing reports. E-filing by this group is seen as a means of achieving FinCEN's long-term goal.

Indicator Type: Measure

Data Capture and Source: A list compiled and maintained in the Office of BSA Data Services.

Data Verification and Validation: Magnitude of report filing and method of filing can be checked against records at he IRS Detroit Computing Center and automated records from the BSA Direct E-Filing system.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN surpassed its target of 454 with 486 largest BSA report filers using E-Filing. To increase the number of largest BSA report filers using E-filing, FinCEN plans to conduct additional, targeted outreach and marketing of the BSA E-Filing System to meet future targets.

**MEASURE: Number of users directly accessing BSA data (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 4000 | 6000 | 8000 | 10000 | 10000 |
| ACTUAL | 4683 | 8402 | 9649 | 10072 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: The number of individuals with current passwords who have accessed the Bank Secrecy Act data through the Secure Outreach network in the past 90 days.

Indicator Type: Measure

Data Capture and Source: The list can be checked through the Profile function at the Detroit Computing Center

Data Verification and Validation: The system generates a list of users.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN surpassed its target of 10,000 with 10,072 users directly accessing BSA data. FinCEN will continue its efforts to support law enforcement related to access to the BSA data.

**MEASURE: Percentage of customers satisfied with the BSA E-Filing (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | Baseline | 90 | 90 | 90 | 90 |
| ACTUAL | 92 | 94 | 93 | 94 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: This measure assesses the customer satisfaction with BSA E-Filling. Feedback will be used to improve the system and customize it for user populations. The measure is meaningful because it tracks the satisfaction with technology used to facilitate analysis of BSA information.

Indicator Type: Measure

Data Capture and Source: Active status user survey

Data Verification and Validation: Survey information is captured in a database.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: The fiscal year 2009 target was to maintain at least a 90 percent satisfaction level, and FinCEN surpassed its target with 94 percent. FinCEN will continue outreach to E-Filers and ensure the technology.

**MEASURE: Percentage of customers satisfied with WebCBRS and secure outreach (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 81 | 74 |
| ACTUAL | | | 81 | 74 | |
| TARGET MET? | N/A | N/A | Y | N | |

Definition: This measure tracks FinCEN's progress toward serving the number of law enforcement and regulatory agency users accessing BSA information. These technologies (WebCBRS and Outreach Secure) allow authorized persons to more readily access BSA information and better enable them to conduct investigations more efficiently and effectively.

Indicator Type: Measure

Data Capture and Source: Data are captured via a survey.

Data Verification and Validation: Raw data are received from the survey vendor and results are calculated and verified.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN had a rating of 74 percent of its customers satisfied with WEBCBRS and secure outreach. FinCEN did not meet its target of 81 percent. In fiscal year 2009 the WebCBRS user base experienced an increase that created a higher level of data traffic. This unexpected level of data traffic congested the existing communication cables causing system freezes and slow performance. FinCEN has since upgraded the cables to allow for greater data flow. Additionally, FinCEN has implemented an automated online registration system that has reduced new and reissue ID turnaround time from four weeks to approximately one week. FinCEN will continue to provide timely and effective support to users of WEBCBRS and secure outreach to help ensure customer satisfaction.

**MEASURE: Share of Bank Secrecy Act filings submitted electronically (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 60 | 58 | 63 | 67 | 71 |
| ACTUAL | 48 | 59 | 71 | 82 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: The number of Bank Secrecy Act filings submitted via the web-based system, as a percent of the total filings.

Indicator Type: Measure

Data Capture and Source: Reports are generated weekly by the PACS contractor based on automated tracking

Data Verification and Validation: Checked against reports from the Detroit Computing Center

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, FinCEN surpassed its target of 67 percent with 82 percent of BSA filings E-Filed. To meet the target FinCEN retired Magnetic Media.

**MEASURE: Percentage of federal and state regulatory agencies with memoranda of understanding/information sharing agreements (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 45 | 46 |
| ACTUAL | | | 41 | 43 | |
| TARGET MET? | N/A | N/A | Y | N | |

Definition: This measure tracks the percentage of the examining universe that FinCEN supports and oversees. Oversight is established pursuant to Memoranda of Understanding Agreements established with federal and state regulators. The examining universe is the number of federal and state regulators with constituents subject to BSA rules. This measure is meaningful because it tracks our progress toward improving our ability to consistently examine industry compliance.

Indicator Type: Measure

Data Capture and Source: The Office of Compliance maintained list of Memoranda of Understanding agreements with targeted regulators and the list of the examining universe.

Data Verification and Validation: List can be checked against signed Memoranda of Understanding agreements in files.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In 2009, FinCEN reached a level 43 percent of federal and state regulatory agencies with MOU/information sharing agreements, but did not meet its target of 45 percent. FinCEN finalized an MOU with the Commodity Futures Trading Commission (CFTC), the last remaining federal regulator with BSA examination authority to sign an agreement and the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico. However, FinCEN was not able to execute three additional agreements partially due to budget restraints at the state regulators. FinCEN will continue collaborating with state insurance agencies and other regulatory agencies to sign additional agreements to meet future targets.

**MEASURE: Percentage of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve the BSA consistency and compliance of the financial system (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | Baseline | 66 | 68 |
| ACTUAL | | | 64 | 82 | |
| TARGET MET? | N/A | N/A | Y | Y | |

Definition: This is a composite measure that examines the survey responses of compliance MOU holders. The questions and measure were designed to track the outcome of improved BSA consistency and compliance of the financial system.

Indicator Type: Measure

Data Capture and Source: Data are captured via survey.

Data Verification and Validation: Raw data are received from the survey vendor and results are calculated and verified.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2008, FinCEN surveyed its compliance MOU holders to determine the impact of the information exchange to improve the BSA consistency and compliance of the financial system, and established a 64 percent baseline of respondents rating the information exchange valuable to improving BSA consistency and compliance. In fiscal year 2009 FinCEN surpassed its target of 66 percent rating the information exchange valuable with 82 percent. FinCEN attributes a portion of this success to the distribution of analytic information to the MOU holders throughout the fiscal year. To achieve future targets, FinCEN will continue to facilitate routine discussions with the MOU holders.

# STRATEGIC GOAL:
Management and Organizational Excellence

**STRATEGIC OBJECTIVE:** Enabled and Effective Treasury Department

**OUTCOME:** A Citizen-Centered, Results-Oriented and Strategically Aligned Organization

## Departmental Offices

**MEASURE: Percent of complainants informally contacting EEO (for the purposes of seeking counseling or filing a complaint) who participate in the ADR process (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 25 | 30 | 30 | 30 | 30 |
| ACTUAL | 25 | 29 | 45 | 35 | |
| TARGET MET? | Y | N | Y | Y | |

Definition: Equal Employment Opportunity (EEO) contact means an instance where an EEO Counselor or an ADR Intake Officer performs the counseling duties described in Chapter 2 of MD 110 (Government-wide managing directive on EEO). This is the same information which is reported in Part One, Section one of 462 report (Government-wide EEO report). Participation means both parties agree to enter an ADR process.

Indicator Type: Measure

Data Capture and Source: Treasury's automated Complaint Tracking System.

Data Verification and Validation: Data is periodically reviewed to ensure accuracy.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: We have been successful in meeting all established goals in fiscal year 2009. We accredit this to Treasury Service Level Standards developed to monitor specific formal complaint processes, including investigations, to ensure TCC staff is efficiently processing cases. Service Level Standards are submitted quarterly to the Office of Civil Rights and Diversity for review. In addition, our bureaus actively promote the benefits of utilizing ADR to resolve disputes and promote the use of conflict resolution through training and special programs (Treasury Dispute Prevention Week and Treasury Shared Neutrals Program). No change in our established goals for fiscal year 2010.

**MEASURE: Complete investigations of EEO complaints within 180 days (%) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 50 | 50 | 50 | 50 | 65 |
| ACTUAL | 20 | 51.6 | 56 | 65 | |
| TARGET MET? | N | Y | Y | Y | |

Definition: The average time it takes to complete investigations of Equal Employment Opportunity (EEO) complaints.

Indicator Type: Measure

Data Capture and Source: The Annual Federal EEO Statistical Report of Discrimination Complaints and the Department's Complaint Tracking System are the primary sources of data.

Data Verification and Validation: Data is reviewed quarterly to ensure accuracy.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: We have been successful in meeting all established goals in fiscal year 2009. We accredit this to Treasury Service Level Standards developed to monitor specific formal complaint processes, including investigations, to ensure TCC staff is efficiently processing cases. Service Level Standards are submitted quarterly to the Office of Civil Rights and Diversity for review. In addition, our bureaus actively promote the benefits of utilizing ADR to resolve disputes and promote the use of conflict resolution through training and special programs (Treasury Dispute Prevention Week and Treasury Shared Neutrals Program). No change in our established goals for fiscal year 2010.

| MEASURE: Injury and illness rate Treasurywide-including DO (Oe) [DISCONTINUED FY 2009] | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 2.8 | 2.6 | 1.4 | Discontinued | Discontinued |
| ACTUAL | 1 | 1 | | | |
| TARGET MET? | Y | Y | N/A | N/A | |

Definition: The number of reported work-related injuries and illnesses Treasury-wide.

Indicator Type: Measure

Data Capture and Source: Safety and Health Information Management System

Data Verification and Validation: Data are collected from the Safety and Health Information Management system

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Discontinued measure in fiscal year 2009.

## Treasury Franchise Fund

| MEASURE: Customer Satisfaction Index - Financial Mgmt Admin Support Services (%) (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 71 | 74 | 80 | 80 | 80 |
| ACTUAL | 75 | 0 | 97 | 89 | |
| TARGET MET? | Y | N | Y | Y | |

Definition: Shared service customers satisfaction level with service offerings, service level competence and responsiveness and overall value.

Indicator Type: Measure

Data Capture and Source: Results are submitted by the management of each franchise business and are obtained from internal or external customer satisfaction reviews.

Data Verification and Validation: Customer satisfaction processes and results for the Franchise businesses are reviewed by the Fund's management to ensure objectivity.

Data Accuracy: Reasonable

Data Frequency: Annually

Future Plans/Explanation for Shortfall: In fiscal year 2010, we plan to review our processes for obtaining customer satisfaction information and identify improvements that will provide actionable feedback from customers.

**MEASURE: Operating Expenses as a percentage of revenue--Financial Management Administrative Support (%) (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 12 | 12 | 12 | 12 | 12 |
| ACTUAL | 17 | 15.1 | 3.6 | 4.72 | |
| TARGET MET? | N | N | Y | Y | |

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Indicator Type: Measure

Data Capture and Source: The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.

Data Verification and Validation: External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2010, we will continue to strive to lower our operating expense rate to ensure that customers are provided quality services at the lowest possible cost.

**MEASURE: Operating expenses as a percentage of revenue--Consolidated/Integrated Administrative Management (%)(E) [DISCONTINUED FY 2009]**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 12 | 12 | 12 | Discontinued | Discontinued |
| ACTUAL | 4 | 4.3 | 17.7 | | |
| TARGET MET? | Y | Y | N | N/A | |

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Indicator Type: Measure

Data Capture and Source: The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.

Data Verification and Validation: External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The measure was discontinued for fiscal year 2009.

**MEASURE: Operating expenses as a percentage of revenue--Financial Systems, Consulting and Training (%) (E) [DISCONTINUED FY 2009]**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 12 | 12 | 12 | Discontinued | Discontinued |
| ACTUAL | 10 | 6.7 | 6.49 | | |
| TARGET MET? | Y | Y | Y | N/A | |

Definition: The Franchise Fund will either maintain or decrease their operating (administrative) expenses as a percentage of revenue year to year.

Indicator Type: Measure

Data Capture and Source: The data is captured in Oracle Financials system and reported through Oracle's Discoverer Reporting system. Measure is calculated as Operating Expenses divided by Total Revenue.

Data Verification and Validation: External auditors perform routine audits of financial statements. Operating Expenses are part of the financial statements.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: This measure was discontinued for fiscal year 2009.

## OUTCOME: Exceptional Accountability and Transparency

### Departmental Offices

**MEASURE: Number of material weaknesses closed (significant management problems identified by GAO, the IGs and/or the bureaus) (Oe)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 2 | 1 | 3 | 0 | 1 |
| ACTUAL | 1 | 0 | 2 | 0 | |
| TARGET MET? | N | N | N | Y | |

Definition: Treasury seeks to reduce and eventually eliminate the material weaknesses that currently exist within Treasury, while simultaneously taking actions which will serve to avoid new material weaknesses. Material weaknesses are significant problems with an organization's internal controls, systems' reliability, controls on waste, fraud or abuse, mission performance, and compliance with laws and regulations.

Indicator Type: Measure

Data Capture and Source: Identified by the Government Accountability Office, Treasury's Inspectors General, and/or Treasury bureaus.

Data Verification and Validation: Certification statement issued by head of bureau. Independent review to validate material weaknesses has been corrected.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: During fiscal year 2009, no material weaknesses were scheduled to close, and none were closed. We met our expectations.

### Office of the Inspector General

**MEASURE: Number of completed audit products (Ot)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 56 | 56 | 56 | 60 | 62 |
| ACTUAL | 57 | 64 | 64 | 68 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: Audits, attestation engagements, and evaluations: (1)promote economy, efficiency, and effectiveness of Treasury programs and operations; (2) prevent and detect fraud, waste, and abuse in those programs and operations; (3)keep the Secretary and the Congress fully informed; and (4)help the Federal government to be accountable to the public.

Indicator Type: Measure

Data Capture and Source: OIG audits, attestation engagements, and evaluations result in sequentially numbered written products.

Data Verification and Validation: Official audit files support the performance data.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: The number of additional material loss reviews required may impact OIG's ability to complete products, but OIG anticipates it will meet the nest fiscal year target.

**MEASURE: Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action. (Oe) [DISCONTINUED FY 2009]**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 85 | 105 | 105 | Discontinued | Discontinued |
| ACTUAL | 144 | 188 | 93 | | |
| TARGET MET? | Y | Y | N | N/A | |

Definition: In order to protect the integrity and efficiency of Treasury programs it is important that findings of criminal or civil misconduct be referred to the Justice Department, state and/or local governments for prosecution and litigation in a timely manner. Criminal and civil convictions have a greater impact and carry a greater deterrent effect when they are prosecuted expeditiously. Some investigations will identify violations of the Ethical Standards of conduct, Federal Acquisition Regulations, or other administrative standards, which do not rise to the level of criminal or civil prosecution. In these cases it is important that OIG findings are reported to the bureau or office in a timely manner to allow them to take administrative action against the individuals engaging in misconduct.

Indicator Type: Measure

Data Capture and Source: This data will be retrieved from the Investigations case management system.

Data Verification and Validation: All case files from fiscal year 2003 and fiscal year 2009 will be reviewed to ensure that the case data is correct and supported by documentation.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Continue to aggressively investigate reports of fraud, waste and abuse.

**MEASURE: Percent of statutory audits completed by the required date (E)**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 100 | 100 | 100 | 100 | 100 |
| ACTUAL | 100 | 100 | 100 | 100 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: Legislation mandating certain audit work generally prescribes, or authorizes OMB to prescribe, the required completion date for recurring audits and evaluations, such as those for annual audited financial statements. For other types of mandated audit work, such as a Material Loss Review (MLR) of a failed financial institution, the legislation generally prescribes a timeframe to issue a report (6 months for an MLR, as an example) from the date of an event that triggers the audit.

Indicator Type: Measure

Data Capture and Source: The date OIG issues an audit, attestation engagement, or evaluation report is printed on the cover. The required dates may vary each year and are specified in different legislation.

Data Verification and Validation: Official audit files and the dates on the reports themselves support the performance data.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: OIG will continue to dedicate resources as required to ensure all mandatory audit deadline are met.

**MEASURE: Percentage (%) of all cases closed during fiscal year that were referred for criminal/civil prosecution or Treasury Administrative action.**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 70 |
| ACTUAL | | | | 100 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: In order to protect the integrity and efficiency of Treasury programs it is important that findings of criminal or civil misconduct be referred to the Justice Department, state and/or local governments for prosecution and litigation in a timely manner. Criminal and civil convictions have a greater impact and carry a greater deterrent effect when they are prosecuted expeditiously. Some investigations will identify violations of the Ethical Standards of conduct, Federal Acquisition Regulations, or other administrative standards, which do not rise to the level of criminal or civil prosecution. In these cases it is important that OIG findings are reported to the bureau or office in a timely manner to allow them to take administrative action against the individuals engaging in misconduct.

Indicator Type: Measure

Data Capture and Source: This data will be retrieved from the Investigations case management system.

Data Verification and Validation: All case files will be reviewed to ensure that the case data is correct and supported by documentation.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: fiscal year 2009 was the first year for the measure, and OIG will continue to evaluate it through the next fiscal year to gain a longer term perspective on its value as an effective performance indicator.

**MEASURE: Percentage (%) of all cases that were accepted by prosecutors, referred for agency action, or closed during the fiscal year and were completed within 18 months of case initiation.**

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 70 |
| ACTUAL | | | | 92 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: In order to protect the integrity and efficiency of Treasury programs it is important that findings of criminal or civil misconduct be referred to the Justice Department, state and/or local governments for prosecution and litigation in a timely manner. Criminal and civil convictions have a greater impact and carry a greater deterrent effect when they are prosecuted expeditiously. Some investigations will identify violations of the Ethical Standards of conduct, Federal Acquisition Regulations, or other administrative standards, which do not rise to the level of criminal or civil prosecution. In these cases it is important that OIG findings are reported to the bureau or office in a timely manner to allow them to take administrative action against the individuals engaging in misconduct.

Indicator Type: Measure

Data Capture and Source: This data will be retrieved from the Investigations case management system.

Data Verification and Validation: All case files will be reviewed to ensure that the case data is correct and supported by documentation.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: fiscal year 2009 was the first year for this measure, and OIG will continue to evaluate it through the next fiscal year to gain a longer term perspective on its value as an effective performance indicator.

## Office of Special Inspector General for the Troubled Assets Relief Program

| MEASURE: Number of Completed Audit Products (Ot)(Units) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 12 |
| ACTUAL | | | | 3 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: Completed audit products includes audit reports that promote the efficiency and effectiveness of the Troubled Asset Relief Program (TARP).

Indicator Type: Measure

Data Capture and Source: Capture - Issued audit reports are posted on http://www.sigtarp.gov/reports.shtml. Source - Undetermined

Data Verification and Validation: Undetermined.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: SIGTARP's audit team will be fully staffed in fiscal year 2010, which will improve the number of audits completed in fiscal year 2010.

| MEASURE: Percent of Recommendations Implemented (Oe)(%) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 70 |
| ACTUAL | | | | 100 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: SIGTARP makes recommendations to promote the efficiency and effectiveness of TARP management. The Office of Financial Stability (OFS) must implement these recommendations in order for SIGTARP's work to produce financial or non-financial benefits. This measure tracks ESSA's implementation of SIGTARP recommendations.

Indicator Type: Measure

Data Capture and Source: SIGTARP inputs their recommendations into the Joint Management Enterprise System (JAMES). The Office of Financial Stability inputs the findings and corresponding recommendations into JAMES, and SIGTARP uses the information in JAMES to track whether or not their recommendations have been implemented. The data for this measure is stored in JAMES.

Data Verification and Validation: Undetermined.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: FY 2009 was the first year for this measure, and 100% of SIGTARP's recommendations were implemented. SIGTARP will continue to make recommendations to improve the efficiency and effectiveness of TARP and anticipates that the Office of Financial Stability will continue to implement the majority of SIGTARP's recommendations. SIGTARP will continue to monitor the implementation of these recommendations.

| MEASURE: Congressional Requests for Testimony Completed (Ot)(Units) | | | | | |
|---|---|---|---|---|---|
| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
| TARGET | | | | Baseline | 4 |
| ACTUAL | | | | 9 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: The number of testimonies that SIGTARP provides to Congress.

Indicator Type: Measure

Data Capture and Source: Capture - SIGTARP lists all of their testimonies to date on http://www.sigtarp.gov/reports.shtml. Source - Undetermined.

Data Verification and Validation: Undetermined.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Fiscal year 2009 was the first year for this measure, and SIGTARP completed 9 Congressional testimonies. SIGTARP anticipates that Congress will continue to have interest in SIGTARP's work and will continue to requests testimonies.

| MEASURE: Percentage of Investigations Accepted by Prosecutors (Oe)(%) | | | | | |
|---|---|---|---|---|---|
| FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | |
| TARGET | | | | Baseline | 50 |
| ACTUAL | | | | 95 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This metric measures the percentage of SIGTARP criminal or civil investigations that a federal, state, or local prosecutor has formally accepted to prosecute.

Indicator Type: Measure

Data Capture and Source: The case agent assigned to the case updates the status of investigations as necessary. The data originates from the assigned case agent and is stored on the Case Management System.

Data Verification and Validation: Undetermined

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, SIGTARP's Investigations Division presented 17 cases and had one formally declined. This is an acceptance rate of 95%. As a start up law enforcement organization, it is difficult to draw a baseline from a partial year as to what percentage this will be in the future. There are a number of conflicting factors that play an important role here, such as prosecutorial thresholds & resources, sensitivity of the case etc. At this time, there is significant interest among prosecutors in Troubled Asset Relief Program (TARP) related cases, which plays an important factor in the acceptance rate. In the future, as other prosecutorial priorities increase in importance, prosecutors will likely devote less resources to TARP related cases, and correspondingly, the acceptance rate will fall. Going forward, it will be almost impossible to gain a 100 percent acceptance rate, and SIGTARP's Investigations Division expects that the acceptance rate will decline from what was reported in fiscal year 2009. SIGTARP's Investigations Division expects that the acceptance rate will be somewhere near 50 percent.

| MEASURE: Percentage of Preliminary Investigations Converted to Full Investigations (Oe)(%) | | | | | |
|---|---|---|---|---|---|
| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
| TARGET | | | | Baseline | 35 |
| ACTUAL | | | | 50 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This metric measures the percentage of "preliminary" investigations that are converted to "full" investigations during the reporting period. A "preliminary" investigation is a limited investigation during which the investigator gathers fundamental information to determine the need to continue, pursue other remedies, or close the case. A "full" investigation is where the case agent accumulates all additional evidence needed to successfully complete the investigation.

Indicator Type: Measure

Data Capture and Source: When an investigator or supervisor assesses the information contained in an allegation of wrongdoing, a number of factors are considered prior to determining what type of case should be opened. For example, if the allegation includes significant supporting documentation or witness testimony showing illegal activity, then a case, or "full" investigation, would be opened immediately. However, if the allegation has only brief details, a "preliminary" investigation can be opened to provide a mechanism to develop further information regarding the allegation. The data originates with the case agent and the official case file. The data used to track this metric comes from the ID Case Management System.

Data Verification and Validation: Undetermined

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: In fiscal year 2009, SIGTARP's Investigations Division was hampered by the lack of a formal Case Management System, and this made it incredibly difficult to track this statistic. The Case Management System is being deployed to all ID personnel in February 2010, and as the fiscal year progresses, the measure will be easier to track. In addition, as the division was being stood up, a number of preliminary cases were opened and the division lacked enough investigative resources to quickly resolve the allegations. In addition, as the Troubled Asset Relief Program (TARP) has expanded, the numbers of allegations worthy of follow-up has expanded. As a consequence, lower priority investigations are taking longer to complete than we had initially anticipated. Given these circumstances, SIGTARP requested that a performance target of 35 percent in fiscal year 2010 to allow SIGTARP to absorb the full utility of the Case Management System and to fully staff SIGTARP's Investigations Division. SIGTARP plans to increase this performance target to 40 percent in fiscal year 2011 and will reassess that target based on SIGTARP's experiences in fiscal year 2010.

| MEASURE: Percentage of cases that are joint agency/task force investigations (Oe)(%) | | | | | |
|---|---|---|---|---|---|
| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
| TARGET | | | | Baseline | 30 |
| ACTUAL | | | | 60 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This is the overall percentage of cases during the reporting cycle that are joint with other law enforcement agencies.

Indicator Type: Measure

Data Capture and Source: The Data originates from the assigned Case Agent and is stored on the Case Management System.

Data Verification and Validation: Undetermined

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: Given the high profile of many of the cases SIGTARP's Investigations Division initially opened, SIGTARP partnered with many other law enforcement agencies and had 60 percent of cases as joint agency/ task force investigations in fiscal year 2009. A number of factors will determine whether SIGTARP can sustain a rate of 60 percent over the long term, and lacking more detailed data, SIGTARP expects that the percentage of joint agency/ task force investigation cases will drop.

| MEASURE: Percentage of Hotline Complaints Referred for Investigation or to OFS within 14 days of Receipt (E)(%) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | | | Baseline | 60 |
| ACTUAL | | | | 77 | |
| TARGET MET? | N/A | N/A | N/A | Y | |

Definition: This metric tracks the time taken to resolve citizen complaints to SIGTARP's Investigations Division's hotline.

Indicator Type: Measure

Data Capture and Source: The data originates from calls, emails, faxes and letters received from citizens and are processed in SIGTARP's Investigations Division's Case Management System.

Data Verification and Validation: Undetermined

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: With procedures created and in place, SIGTARP was able to refer 77 percent of Hotline complaints for investigation or to the Office of Financial Stability within 14 days of receipt. SIGTARP anticipates that an increased volume of calls and improved mechanisms to screen the allegations for different indicators of fraud may impact the time taken to process the allegations. Therefore, the percentage may drop slightly. Therefore, SIGTARP projects targets of 60 percent in fiscal year 2010 and 65 percent in fiscal year 2011.

## Treasury Inspector General for Tax Administration

| MEASURE: Percentage of Audit Products Delivered When Promised to Stakeholders (Oe) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | Baseline | 60 | 65 | 65 |
| ACTUAL | | 68 | 65 | 81 | |
| TARGET MET? | N/A | Y | Y | Y | |

Definition: The likelihood that our products will be used is enhanced if they are delivered when needed to support Congressional and Internal Revenue Service (IRS) decision making. To determine whether our products are timely, we track the percentage of our products that are delivered on or before the day we committed to (Contract date) because it is critical that our work be done on time for it to be used by the IRS or the Congress.

Indicator Type: Measure

Data Capture and Source: Information regarding Contract dates and actual delivery dates for audits is maintained on the TCMIS. MIS Coordinators in the Office of Audit's Operating/Business Units monitor overall data accuracy and maintain secure controls over key milestone and "Contract" data entries.

Data Verification and Validation: Summary data used for purposes of reporting on this measure are extracted, from the Office of Audit's TeamCentral Management Information System (TCMIS), analyzed and summarized by personnel in our Office of Management and Policy. A qualified staff member independent of the process validates the progress related statistics. TCMIS data are reviewed and validated monthly by MIS Coordinators, Audit Managers and Directors.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: At the end of the 4th quarter, TIGTA Office of Audit (OA) exceeded this goal by 16 percentage points or 124 percent. Since this is only TIGTA OA's third year reporting on this measure, the measure is still relatively new and TIGTA will not be increasing its goal. TIGTA plans for fiscal year 2010 is to work to match its fiscal year 2009 results.

## MEASURE: Percentage of Recommendations Made That Have Been Implemented (Oe)

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | | Baseline | 80 | 83 | 83 |
| ACTUAL | | 90 | 84 [A] | 91 | |
| TARGET MET? | N/A | Y | Y | Y | |

Definition: The Office of Audit (OA) makes recommendations designed to improve administration of the Federal tax system. The Internal Revenue Service (IRS) must implement these recommendations in order for our work to produce financial or non-financial benefits. This measure assesses our effect on improving the IRS's accountability, operations, and services. Because the IRS needs time to act on recommendations, we track the percentage of recommendations that we made four (4) years ago that have since been implemented, rather than the results of our activities, during the fiscal year in which the recommendations are made. This timeframe is used because four (4) years is the point at which TIGTA-OA believes that if a recommendation has not been implemented, it is not likely to be.

Indicator Type: Measure

Data Capture and Source: The IRS records recommendations in the Department's JAMES as they are issued. Summary data regarding the status of the IRS's corrective actions taken in response to our recommendations are provided to the Office of Audit via JAMES reports. Our Office of Management and Policy monitors implementation of recommendations as the IRS submits updated information to the JAMES.

Data Verification and Validation: Through a formal process, each audit team identifies the number of recommendations included in each report and the IRS enters the findings and corresponding recommendations into the Department of the Treasury's (the Department) Joint Audit Management Enterprise System (JAMES). The database is updated frequently. Our Office of Management and Policy receives summary data and monitors the data regularly to make sure the recommendations reported as implemented have been accurately recorded, as well as to accumulate data in regard to progress in meeting this measure. A qualified staff member independent of the process validates the progress related statistics.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: At the end of the 4th quarter, TIGTA Office of Audit (OA) exceeded this goal by 8 percentage points or 109 percent. For Fiscal Year 2010, TIGTA OA expects to meet its targeted goal of 83 percent. However, because the IRS is responsible for implementing the recommendations and not TIGTA, the achievement of this goal depends on IRS management. Therefore, TIGTA OA will not be increasing its goal for fiscal year 2010.

[A] This number has been updated since the Fiscal Year 2008 Department of the Treasury Performance and Accountability Report.

## MEASURE: Percentage of Results from Investigative Activities (Oe)

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TARGET | 70 | 73 | 76 | 78 | 79 |
| ACTUAL | 79 | 81 | 78 | 83 | |
| TARGET MET? | Y | Y | Y | Y | |

Definition: Investigative reports resulting in Criminal, Civil or Administrative adjudication or the identification of matters of security or investigative interest.

Indicator Type: Measure

Data Capture and Source: The total number of investigative cases closed along with the total number of completed Criminal, Civil and Administrative Actions is extracted from the Performance and Results Information System (PARIS).

Data Verification and Validation: Reports of Investigation and PARIS are reviewed for consistency by Special Agents in Charge prior to closing the investigation. Additionally, independent reviews are conducted periodically of each field office where a sample of closed investigations are quality reviewed by the Operations Division Inspection Team to ensure accuracy of the PARIS data. Periodic tests of PARIS data are also conducted to ensure accuracy.

Data Accuracy: Reasonable

Data Frequency: Quarterly

Future Plans/Explanation for Shortfall: At the end of the 4th quarter, TIGTA exceeded this goal by 5 percentage points or 106 percent. Although some investigative statistics declined, the Office of Investigations (OI) assisted TIGTA in meeting its overall performance measures. OI believes that with the mission enhancement of the Armed Escort Program some future outcomes may adjust downward as this increased workload strains the operational capabilities of the office. Similarly, future investigative outcomes may degrade in pure statistical counts as OI focuses its scarce resources on higher impact investigations, which require greater work-hours per investigation and corresponding outcome. Nevertheless, TIGTA OI is increasing its fiscal year 2010 performance goal as it believes its high quality workforce can meet this goal while facing the twin challenges of an austere budget environment and increased mission responsibility.

| LEGEND |
|---|
| * Current year end data is projected actual. |
| ** Refers to Proposed Target. |
| Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure |

# Website Information

| | |
|---|---|
| Treasury On-line | **www.treas.gov** |
| Alcohol and Tobacco Tax and Trade Bureau | **www.ttb.gov** |
| Community Development Financial Institutions Fund | **www.treas.gov/cdfi** |
| Comptroller of the Currency | **www.occ.treas.gov** |
| Bureau of Engraving & Printing | **www.bep.treas.gov** |
| Financial Crimes Enforcement Network | **www.treas.gov/fincen** |
| Financial Management Service | **www.fms.treas.gov** |
| Internal Revenue Service | **www.irs.gov** |
| U.S. Mint | **www.usmint.gov** |
| Bureau of the Public Debt | **www.publicdebt.treas.gov** |
| Office of Thrift Supervision | **www.ots.treas.gov** |
| The Financial Stability Plan | **www.financialstability.gov** |
| Help for America's Homeowners | **www.makinghomeaffordable.gov** |
| Recovery Act Spending | **www.recovery.gov** |

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