DEPARTMENT OF THE TREASURY

# Citizen's Report

FISCAL YEAR 2009

SUMMARY OF PERFORMANCE AND FINANCIAL RESULTS


FEBRUARY 15, 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 of ethical standards, 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 percent of the measureable targets that it set for itself. That was down from 68 percent in fiscal year 2008. The Department came close, however, to meeting the fiscal year 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

# Introduction

The *Department of the Treasury Citizens' Report: Fiscal Year 2009 Summary of Performance and Financial Results* provides information for the general public to assess the Department's performance relative to its mission and stewardship of the resources entrusted to it.

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

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

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

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

This report is a summarized version of the Treasury ***Fiscal Year 2009 Performance and Accountability Report***, which can be found **here**.

# What is Treasury Doing to Address the Economy?

## 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.

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

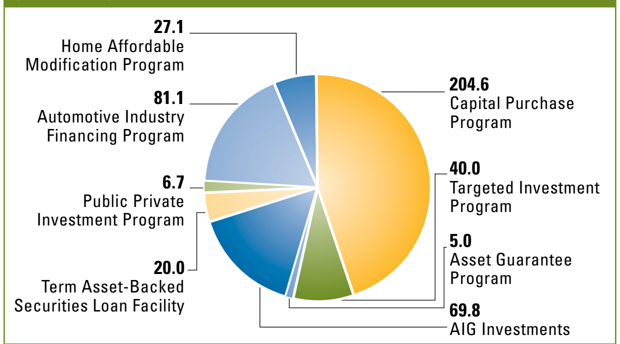
**Goal 4 –** Promote transparency

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.

As financial conditions have started to improve, Treasury has begun the process of exiting from some emergency programs. 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. As of December 31, 2009, Treasury had received $166 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. As of December 31, 2009, the Capital Purchase Program had ended disbursements and the Asset Guarantee Program, Targeted Investment Program and Capital Assistance Program had been ended. 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.

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. Additional information on the Making Home Affordable program can be found at ***MakingHomeAffordable.gov***.

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




## FINANCIAL REGULATORY REFORM

On June 17, 2009, the President announced a comprehensive plan to reform an outdated and ineffective financial regulatory system. 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. Treasury submitted proposed legislative text to implement the plan in July and August 2009, and is currently working with Congress to promulgate legislation. The House of Representatives passed a regulatory reform bill on December 11, 2009 (HR4173) and the Senate is expected to consider legislation in early 2010.

## 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

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. The financial support provided by the PSPAs will continue beyond December 31, 2009. 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 GSE MBS purchase program and GSE line of credit, established by Treasury under HERA, expired on December 31, 2009.

## 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 financial link enabling economic recovery. The Department accomplished this by implementing tax provisions affecting nearly every American. 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. Direct payments in lieu of tax credits were 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. Highlights of the impact from Treasury's Recovery Act programs through December 2009 included:

- $99.1 billion in estimated tax benefits provided to individuals, families, and businesses through the implementation of various tax provisions.
- $4 billion provided to 51 designated housing agencies to spur development of affordable housing.
- $2 billion to 190 recipients were made to promote renewable energy production throughout the country, powering over 900,000 homes.
- $64 billion in Build America Bonds issuances to help 44 states finance a variety of public improvement projects
- $13.7 billion in economic recovery payments was issued to more than 55 million seniors, veterans or other high-need residents. Almost 46.4 million, or 85 percent, of these payments were processed electronically rather than by paper check, saving taxpayers over $17 million.

# How Well is Treasury Performing?

**FIGURE A. Treasury Performance Cost Trend**

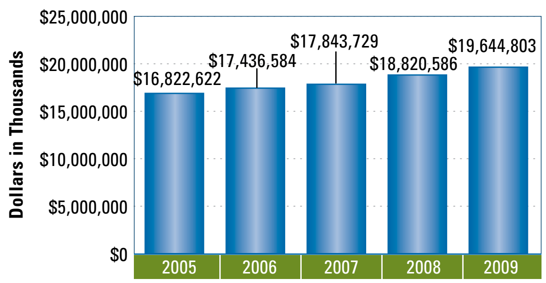



**FIGURE B. Treasury Total (Direct and Non-Appropriated) Budget Trend**

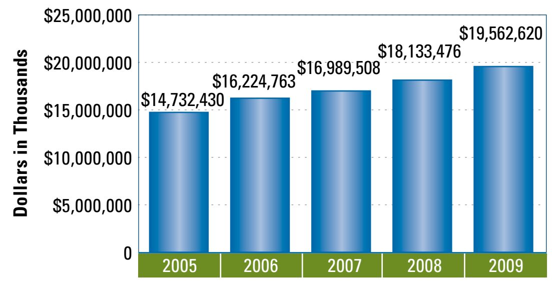



**FIGURE C. Fiscal Year 2009 Treasury-wide Performance Results Including Discontinued and Baseline Measures**

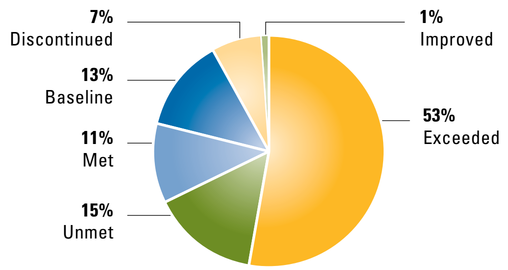



**FIGURE D. Fiscal Year 2009 Treasury-wide Performance Results Excluding Discontinued and Baseline Measures**

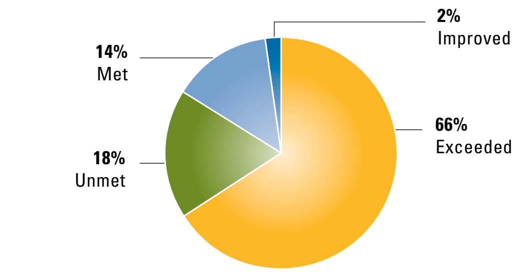



**FIGURE E. Treasury Actual Performance Trends 2006–2009**

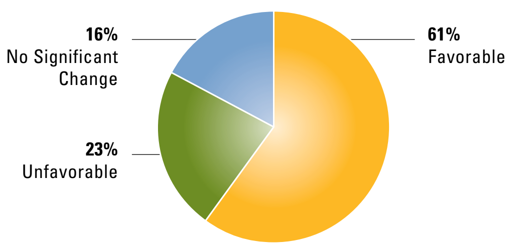



**FIGURE F. Treasury Target Performance Trends 2006–2009**

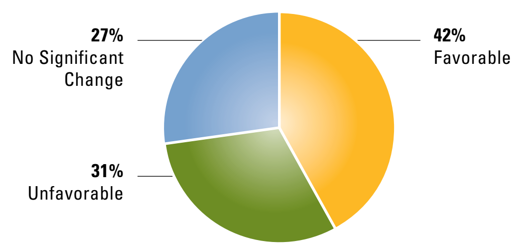



**FIGURE G. Treasury Department Cost per Person in the United States**

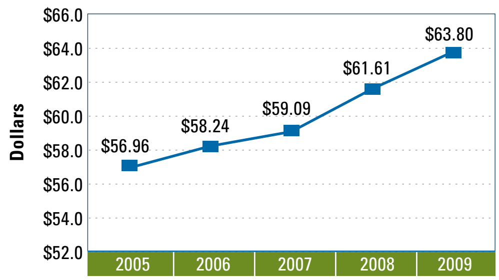
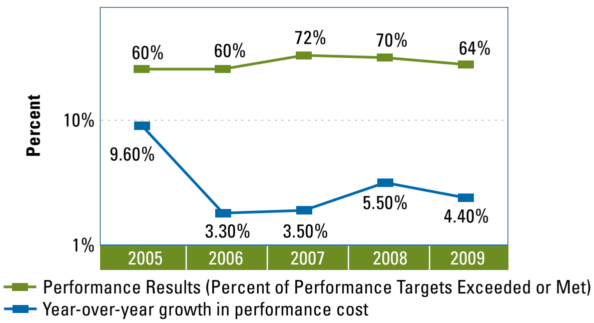



**FIGURE H. Treasury Performance vs. Performance Cost Trends**




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

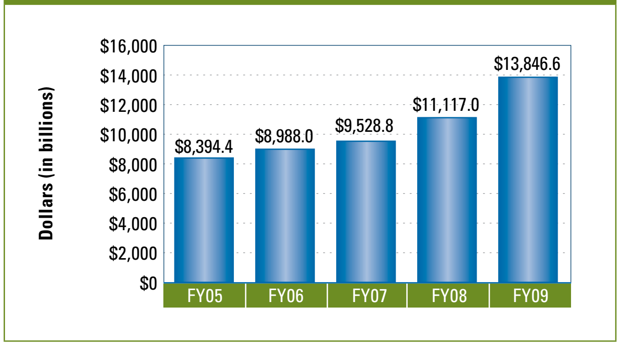
The chart reflecting the approximate cost of the Treasury Department per person in the United States is based on calculations determined by dividing Treasury Performance Cost by an estimate of the U.S. population at the end of fiscal year 2009. This ratio attempts to describe the estimated cost of operating 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*).

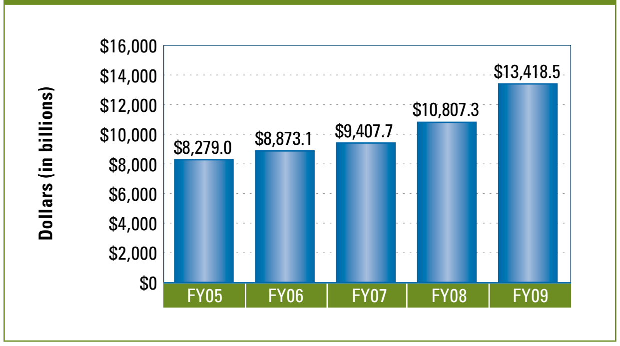
# Financial Trends

**Total Assets (in billions)**



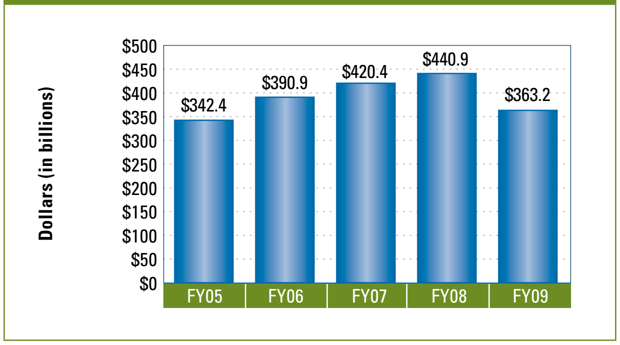

The increase of $2.7 trillion in total assets in fiscal year 2009 is largely due to the increase in future funds required from the General Fund of the U.S. Government to pay for the federal debt owed to the public and other federal agencies.

**Total Liabilities (in billions)**



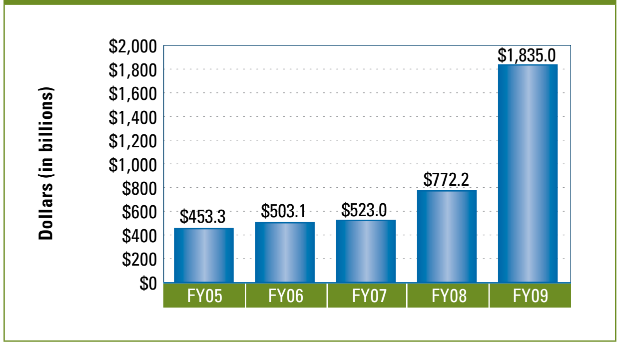

Total liabilities increased by $2.6 trillion from fiscal year 2008 to fiscal year 2009. The majority of the increase is due to borrowings from other federal agencies and debt issued to the public.

**Net Federal Debt Interest Costs (in billions)**



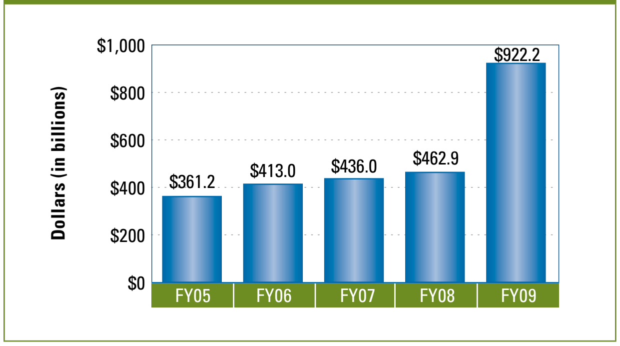

The decrease of $77.7 billion in net interest paid on the federal debt is due to the decrease in the average interest rate for debt held by federal entities and federal debt held by the public.

**Total Budgetary Resources (in billions)**



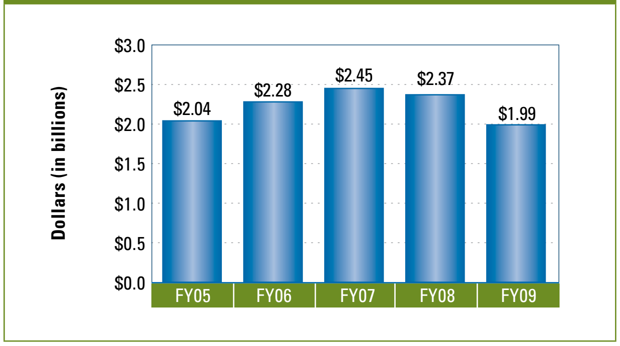

The majority of the increase in total budgetary resources for fiscal year 2009 is due to Troubled Asset Relief Program (TARP) activity and additional investments in the Government-Sponsored Enterprises.

**Net Outlays (in billions)**




The majority of the $459.3 billion increase in net outlays was due to Troubled Asset Relief Program (TARP) activity and additional investments in the Government-Sponsored Enterprises.

**Net Custodial Revenue Received (in trillions)**




Net custodial revenue collected on behalf of the U.S. Government decreased by $379.3 billion. This decrease can be contributed to the weakened economic conditions that existed during fiscal year 2009.

# Fiscal Year 2009 Summary of Performance by Strategic Goal

**SUMMARY OF PERFORMANCE**

| Strategic Goal | Key Accomplishments | Key Challenges | Element FY 09 | Trend | Performance |
|---|---|---|---|---|---|
| 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 | | 77% of targets met or exceeded |
| | | | Cost | ▲ | Up 11% from 2006 to 2009 |
| | | | Budget | ▲ | Up 18% from 2006 to 2009 |
| | | | Actual Results | ▲ | 54% of actual performance measure results had positive trends from fiscal years 2006–2009 |
| | | | Target Setting | ▼ | 46% of targets had positive trends from fiscal years 2006–2009 |

*table continued on next page*

**SUMMARY OF PERFORMANCE**

| Strategic Goal | Key Accomplishments | Key Challenges | Element FY 09 | Trend | Performance |
|---|---|---|---|---|---|
| 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 | | 82% of targets met or exceeded |
| | | | Cost | ▲ | Up 40% from 2006 to 2009 |
| | | | Budget | ▲ | Up 46% from 2006 to 2009 |
| | | | Actual Results | ▼ | 46% of actual performance measure results had positive trends from fiscal years 2006–2009 |
| | | | Target Setting | ▼ | 25% of targets had positive trends from fiscal years 2006–2009 |

*table continued on next page*

## SUMMARY OF PERFORMANCE

| Strategic Goal | Key Accomplishments | Key Challenges | Element FY 09 | Trend | Performance |
|---|---|---|---|---|---|
| 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 | | 76% of targets met or exceeded |
| | | | Cost | ▲ | Up 19% from 2006 to 2009 |
| | | | Budget | ▲ | Up 64% from 2006 to 2009 |
| | | | Actual Results | ▲ | 72% of actual performance measure results had positive trends from fiscal years 2006–2009 |
| | | | Target Setting | ▲ | 50% of targets had positive trends from fiscal years 2006–2009 |
| 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 | | 100% of targets met or exceeded |
| | | | Cost | ▼ | Down 66% from 2006 to 2009 |
| | | | Budget | ▼ | Down 55% from 2006 to 2009 |
| | | | Actual Results | ▼ | 47% of actual performance measure results had positive trends from fiscal years 2006–2009 |
| | | | Target Setting | ▼ | 32% of targets had positive trends from fiscal years 2006–2009 |

*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 | ► |

## Finance Summary of Performance:

Based on performance metric results, Treasury was generally successful in achieving this goal in fiscal year 2009. Excluding discontinued and baseline measures, 77 percent of this goal's performance metrics met or exceeded their targets. During fiscal year 2009, 54 percent of performance metric results showed favorable improvement trends from fiscal years 2006–2009, outpacing the 11 percent increase in performance cost and 18 percent increase in budget during the same four year period. Only 46 percent of targets showed a positive improvement trend from fiscal years 2006–2009, suggesting target setting has room to become more aggressive.

## Economic Summary of Performance:

Based on performance metric results, Treasury was generally successful in achieving this goal in fiscal year 2009. Excluding discontinued and baseline measures, 82 percent of this goal's performance metrics met or exceeded their targets. During fiscal year 2009, only 46 percent of performance metric results showed a favorable improvement trend from fiscal years 2006–2009, largely as a result of prevailing U.S. and global economic conditions but still suggesting that room for performance improvement could be achieved. Target trends from 2006–2009 were favorable for only 25 percent of measures, indicating that target setting in this area could be significantly improved. Performance cost and budget both increased significantly, respectively rising 40 percent and 46 percent between fiscal years 2006–2009.

## Security Summary of Performance:

Based on performance metric results, Treasury was generally successful in achieving this goal in fiscal year 2009. Since fiscal year 2003, resources have been added to this area, resulting in increased budget and cost. From fiscal years 2006–2009, performance cost rose 19 percent and budget increased significantly by 64 percent. Excluding discontinued and baseline measures, in fiscal year 2009, 76 percent of this goal's performance metrics met or exceeded their targets, and 72 percent of performance metric results showed favorable improvement trends from fiscal years 2006–2009. Additionally, 50 percent of target trends from 2006–2009 were favorable, suggesting target setting could be more aggressive.

## Management Summary of Performance:

Based on performance metric results, Treasury was successful in achieving this goal in fiscal year 2009. Excluding discontinued and baseline measures, 100 percent of performance metrics met or exceeded their targets; however, only 47 percent of performance metric results showed a favorable improvement trend from fiscal years 2006–2009, suggesting room for improvement going forward. Only 32 percent of targets showed a positive improvement trend from fiscal years 2006–2009, indicating that target setting could be significantly more aggressive. Treasury performance cost and budget trends for this goal have decreased dramatically since 2006 by 66 percent and 55 percent respectively.

# Summary of Management Challenges and High Risk Areas

Annually, the Treasury Office of Inspector General (OIG) and the Treasury Inspector General for Tax Administration (TIGTA) identify the most significant management and performance challenges facing the Department. The Government Accountability Office (GAO) identifies High Risk areas biennially. These challenges do not necessarily indicate deficiencies in performance; rather, some represent inherent risks that must be monitored continuously. Treasury made much progress on these issues in fiscal year 2009, and will continue to focus on resolving them during fiscal year 2010.

Summaries of the IG-identified management challenges and GAO-identified high risks are below, along with Treasury's progress and status ratings for each management challenge. For details, please refer to the *Agency Financial Report* for this year's OIG and TIGTA memoranda identifying major management and performance challenges, and the Secretary's responses.

## TREASURY-WIDE MANAGEMENT CHALLENGES – AS IDENTIFIED BY OIG

| MANAGEMENT CHALLENGE | IMPORTANCE | PROGRESS* | STATUS* |
|---|---|---|---|
| Treasury's New Authorities Related to Distressed Financial Markets | Protection of the taxpayer from unnecessary risk associated with the implementation of the program | Reasonable | Meets Expectations |
| Regulation of National Banks and Thrifts | Prevent or better mitigate unsafe and unsound practices and protect the financial health of the banking industry | Reasonable | Meets Expectations |
| Management of Recovery Act Programs | Ensure the programs achieve their intended purposes, provide for accountability and transparency, and are free from fraud and abuse | New | New |
| Management of Capital Investments | Effective use of taxpayer funds for large capital investments | Significant | Meets Expectations |
| Anti-Money Laundering and Terrorist Financing/ Bank Secrecy Act Reporting | U.S. and international financial systems that are safe | Reasonable | Meets Expectations |
| Information Security | Ensure compliance to federal standards for protection of systems and information | Closed | Closed |
| Corporate Management | Overall agency performance/improved value for the taxpayer | Closed | Closed |

* Determined by management

## IRS MANAGEMENT CHALLENGES – AS IDENTIFIED BY TIGTA

| MANAGEMENT CHALLENGE | IMPORTANCE | PROGRESS* | STATUS* |
|---|---|---|---|
| Modernization | Improved taxpayer service and efficiency of operations | Reasonable | Meets Expectations |
| Security | Appropriate protection of financial, personal, and other information | Reasonable | Meets Expectations |
| Tax Compliance Initiatives | Improved compliance and fairness in the application of the tax laws | Reasonable | Meets Expectations |
| Implementing Tax Law Changes | Responsiveness to new tax provisions, including the Recovery Act, and adjusting to expiring ones | Reasonable | Meets Expectations |
| Providing Quality Taxpayer Service Operations | Improved taxpayer service | Reasonable | Meets Expectations |
| Human Capital | Enables the IRS to achieve its mission | Significant | Meets Expectations |
| Erroneous and Improper Payments and Credits | Effective use of taxpayer funds | Reasonable | Adequate |
| Globalization | Increased outreach efforts to foreign governments on cross border transactions | New | New |
| Taxpayer Protection and Rights | Fairness in the application of the tax laws | Reasonable | Meets Expectations |
| Leveraging Data to Improve Program Effectiveness and Reduce Costs | Resources that are focused on producing the best value for stakeholders | Significant | Exceeds Expectations |

* Determined by management

**LEGEND**

| Progress Rating | Description |
|---|---|
| New | A new management challenge in fiscal year 2009 |
| None | No progress was made on the management challenge |
| Marginal | Minimal progress was made on the management challenge compared to the prior year |
| Reasonable | Progress was made in addressing the management challenge, improving from the prior year |
| Significant | A large amount of progress was made compared to the prior year assessment |

**LEGEND**

| Status Rating | Description |
|---|---|
| New | A new management challenge in fiscal year 2009 |
| Inadequate | Regardless of progress made in fiscal year, the status of the management challenge remains incomplete and falls significantly short of expectations |
| Adequate | The current status of the management challenge is acceptable but falls slightly short of expectations set for the fiscal year |
| Meets Expectations | The current status of the management challenge meets expectations set for the fiscal year |
| Exceeds Expectations | The current status of the management challenge exceeds expectations set for the fiscal year |
| Closed | Actions taken resulted in the elimination of the management challenge |

## HIGH RISK 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***

- Offshore Private Banking Initiative – The largest bank in Switzerland agreed to provide the names of 4,450 of their U.S. account holders and to pay a $780 million fine, including $380 million to the IRS. Another bank entered into a deferred prosecution agreement to forfeit $340 million, the largest seizure in IRS history, in connection with violations of the International Emergency Economic Powers Act. Over 7,500 people submitted "voluntary disclosure" applications under the partial amnesty program that ended October 15, 2009.
- 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.

***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 increased by 3.6 percent and the number of flow through audits remained over 31,000.
- 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.

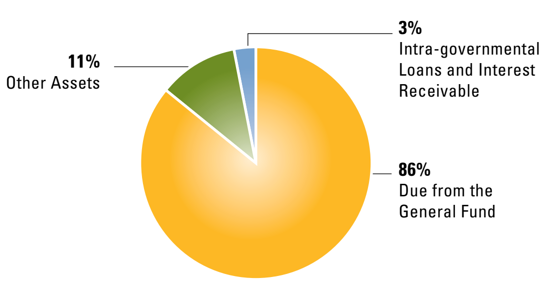
# Summary of Financial Results

The following provides the major highlights of Treasury's financial position and results of operations for fiscal year 2009.

**Assets.** Total assets increased from $11.1 trillion at September 30, 2008 to $13.8 trillion at September 30, 2009. The primary reason for the increase is the rise in the federal debt, which causes a corresponding rise in the "Due from the General Fund of the U.S. Government" account ($12.0 trillion). This account represents future funds required from the General Fund of the U.S. Government to pay borrowings from the public and other federal agencies.

The majority of loans and interest receivable ($410.6 billion) included in "Intra-governmental" assets are the loans issued by the Bureau of the Public Debt to other federal agencies for their own use or to private sector borrowers, whose loans are guaranteed by the federal agencies.

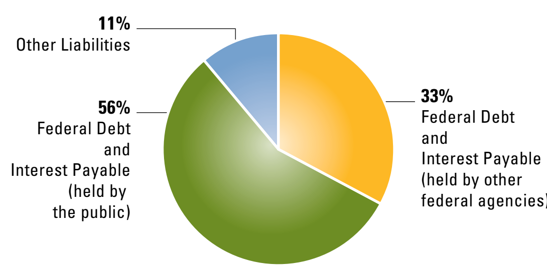
**Total Assets**




**Liabilities.** Intra-governmental liabilities totaled $5.7 trillion, and include $4.4 trillion of principal and interest payable to various federal agencies, such as the Social Security Trust Fund. These borrowings do not include debt issued separately by other governmental agencies, such as the Tennessee Valley Authority or the Department of Housing and Urban Development.

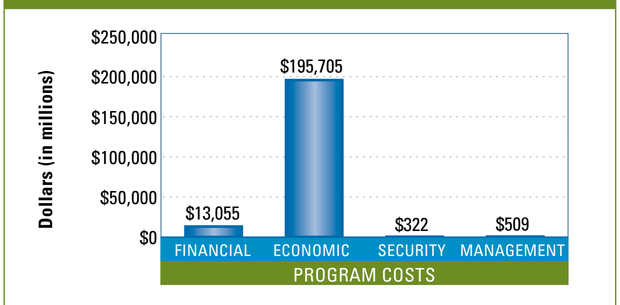
Liabilities also include federal debt held by the public, including interest, of $7.6 trillion; this debt was mainly issued as Treasury Notes. The increase in total liabilities in fiscal year 2009 over fiscal year 2008 ($2.6 trillion and 24.2 percent), is the result of increases in borrowings from various federal agencies ($140.7 billion), and federal debt held by the public, including interest, ($1.75 trillion). Debt held by the public increased primarily because of the need to finance budget deficits.

**Total Liabilities**

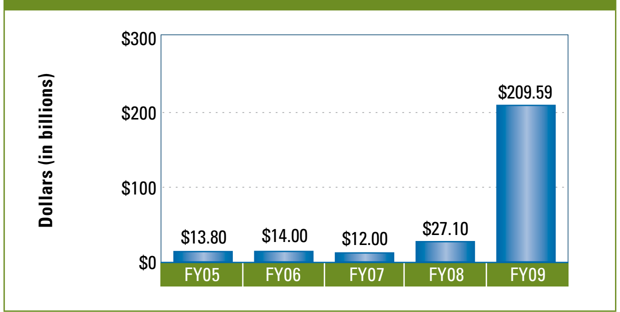


**Net Cost of Treasury Operations.** The Consolidated Statement of Net Cost presents the Department's gross and net cost for its four strategic missions: financial program, economic program, security program, and management program. The majority of the Net Cost of Treasury Operations is in the economic program which includes Troubled Asset Relief Program (TARP) activity and investments in the Government Sponsored Enterprises (GSEs). Financial program costs include costs associated with Treasury's role as the primary fiscal agent for the Federal Government in managing the nation's finances by collecting revenue, making federal payments, managing federal borrowing, performing central accounting functions, and producing coins and currency sufficient to meet the demand.

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

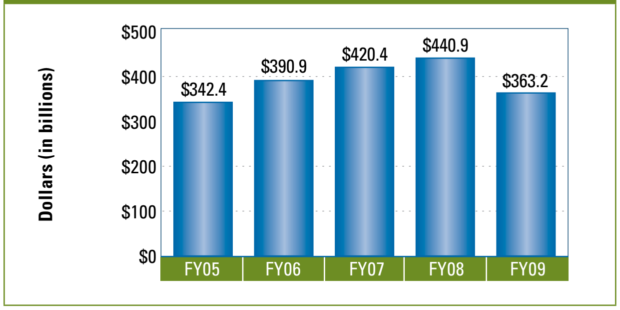



**Net Cost of Treasury Operations (in billions)**



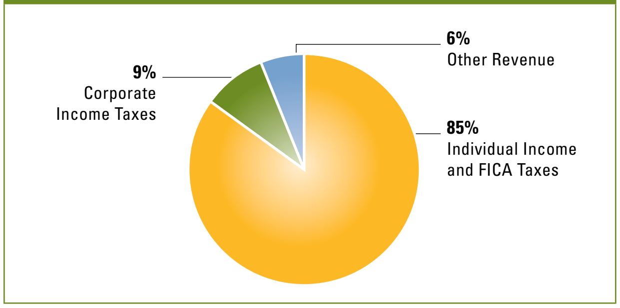

**Net Federal Debt Interest Costs.** The decrease of $77.7 billion in net interest paid on the federal debt is due to the decrease in the average interest rate for debt held by federal entities and federal debt held by the public.

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

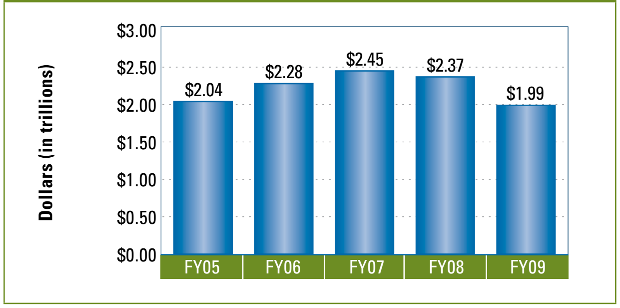



**Custodial Revenue.** Total net revenue collected by Treasury on behalf of the Federal Government includes various taxes, primarily income taxes, user fees, fines and penalties, and other revenue. Over 94.2 percent of the revenues are from income and social security taxes.

**Total Revenue**




**Net Revenue Received (in trillions)**



# Analysis of Financial Statements

| CONDENSED BALANCE SHEET: (in Millions) | 2009 | 2008 |
|---|---|---|
| Due From the General Fund | $ 11,992,719 | $ 10,100,763 |
| Other Intra-governmental Assets | 923,457 | 551,115 |
| Cash, Foreign Currency, and Other Monetary Assets | 341,308 | 387,270 |
| Gold and Silver Reserve | 11,062 | 11,062 |
| Investments and Related Interest | 13,565 | 10,576 |
| Tax, Other Related Interest Receivables, Net | 30,408 | 30,878 |
| Asset Guarantee | 1,765 | 0 |
| Investments-Credit Reform | 203,141 | 0 |
| Investments in Government Sponsored Enterprises | 64,679 | 7,032 |
| Credit Program Receivables, Direct Loans | 219,170 | 3,385 |
| Beneficial Interest in Trust | 23,472 | 0 |
| Other Assets | 21,855 | 14,957 |
| Total Assets | $ 13,846,601 | $ 11,117,038 |
| Federal Debt and Interest Payable | $ 11,962,385 | $ 10,075,108 |
| Other Intra-governmental Liabilities | 1,275,613 | 681,621 |
| Other Liabilities | 180,547 | 50,598 |
| Total Liabilities | 13,418,545 | 10,807,327 |
| Unexpended Appropriations | 455,144 | 271,968 |
| Cumulative Results of Operations | (27,088) | 37,743 |
| Total Net Position | $ 428,056 | $ 309,711 |
| Total Liabilities and Net Position | $ 13,846,601 | $ $11,117,038 |

| CONDENSED STATEMENT OF NET COST: (in Millions) | 2009 | 2008 |
|---|---|---|
| Net Financial Program Cost | $ 13,055 | $ 12,287 |
| Net Economic Program (Revenue)/Cost | 195,705 | 14,048 |
| Net Security Program Cost | 322 | 342 |
| Net Management Program Cost | 509 | 466 |
| Total Net Cost of Treasury Operations | 209,591 | 27,143 |
| Net Federal Costs (primarily interest on the Federal Debt) | $ 313,341 | $ 442,208 |

| CONDENSED STATEMENT OF CUSTODIAL ACTIVITY: (in Millions) | 2009 | 2008 |
|---|---|---|
| Individual and FICA Taxes | $ 2,036,557 | $ 2,294,326 |
| Corporate Income Taxes | 225,482 | 354,063 |
| Other Revenues | 139,648 | 144,218 |
| Total Revenue Received | 2,401,687 | 2,792,607 |
| Less Refunds | (437,972) | (426,074) |
| **Net Revenue Received** | 1,963,715 | 2,366,533 |
| Beneficial Interest in Trust | 23,472 | – |
| Accrual Adjustment | (1,097) | 3,132 |
| **Total Custodial Revenue** | 1,986,090 | 2,369,665 |
| Amounts Provided to Fund the Federal Government | 1,963,228 | 2,366,126 |
| Other Agencies | 487 | 407 |
| Beneficial Interest in Trust | 23,472 | – |
| Accrual Adjustment | (1,097) | 3,132 |
| Total Disposition of Custodial Revenue | 1,986,090 | 2,369,665 |
| Net Custodial Revenue Activity | $ 0 | $ 0 |

Note: The complete financial statements and Auditor's Report are available in the *Agency Financial Report*.

| **CONDENSED STATEMENT OF CHANGES IN NET POSITION:** (in Millions) | 2009 | 2008 |
|---|---|---|
| Beginning Balance | $ 37,743 | $ 48,782 |
| Budgetary Financing Sources | 668,894 | 482,150 |
| Other Financing Sources (Uses) | (210,793) | (23,838) |
| Total Financing Sources | 458,101 | 458,312 |
| Net Cost of Operations | (522,932) | (469,351) |
| Net Change | (64,831) | (11,039) |
| **Cumulative Results of Operations** | **(27,088)** | **37,743** |
| Beginning Balance | $ 271,968 | $ 72,317 |
| Appropriations Received | 855,762 | 681,473 |
| Appropriations Used | (668,153) | (481,735) |
| Other | (4,433) | (87) |
| Total Budgetary Financing Sources | 183,176 | 199,651 |
| **Total Unexpended Appropriations** | **455,144** | **271,968** |
| **Net Position - Year End** | **$ 428,056** | **$ 309,711** |

| **CONDENSED STATEMENT OF BUDGETARY RESOURCES:** (in Millions) | 2009 | 2008 |
|---|---|---|
| Unobligated Balances, Brought Forward | $ 284,630 | $ 57,450 |
| Recoveries of Prior Year Obligations | 8,096 | 413 |
| Budget Authority | 1,814,086 | 722,859 |
| Other Budget Authority | (271,778) | (8,558) |
| **Total Budgetary Resources** | $ 1,835,034 | $ 772,164 |
| Obligations Incurred | 1,387,195 | 487,534 |
| Unobligated Balance | 413,998 | 273,235 |
| Unobligated Balance, Not Available | 33,841 | 11,395 |
| **Total Status of Budgetary Resources** | $ 1,835,034 | $ 772,164 |
| Total Unpaid Obligated Balances, Net | $ 56,977 | $ 57,393 |
| Obligations Incurred, Net | $ 1,387,195 | $ 487,534 |
| Gross Outlays | $ (1,248,916) | $ (487,608) |
| Recoveries of Prior Year Unpaid Obligations, Actual | $ (8,096) | $ (413) |
| Changes in Uncollected Customer Payments Federal | $ (28,748) | $ 71 |
| Total Unpaid Obligated Balance, Net, End of Year | $ 158,412 | $ 56,977 |
| Net Outlays | $ 922,165 | $ 462,868 |

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

## SUMMARY OF AUDITOR'S REPORT ON THE TREASURY DEPARTMENT'S FINANCIAL STATEMENTS

The Department received an unqualified audit opinion on its fiscal year 2009 financial statements. As summarized in the table below, the auditor reported two material weaknesses. The auditor also reported significant deficiencies related to financial reporting at the Office of Financial Stability and information system controls at the Financial Management Service. The auditor also reported an instance of noncompliance with laws and regulations related to Section 6325 of the Internal Revenue Code and that the Department's financial management systems did not substantially comply with the requirements of the *Federal Financial Management Improvement Act of 1996*.

## SUMMARY OF FINANCIAL STATEMENT AUDIT

| AUDIT OPINION | UNQUALIFIED | | | | |
|---|---|---|---|---|---|
| **Restatement** | **No** | | | | |
| **Material Weaknesses** | **Beginning Balance** | **New** | **Resolved** | **Consolidated** | **Ending Balance** |
| Financial Systems and Reporting at the IRS<br>Financial Management Practices at the Departmental Level (new) | 1 | 1 | 0 | 0 | 2 |

## FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

Deficiencies that seriously affect an agency's ability to meet the objectives of this Act are deemed "material weaknesses." Treasury can provide assurance that the objectives of FMFIA have been achieved, except for material weaknesses noted in the Secretary's Letter of Assurance, which include one new weakness identified by the external auditors in November 2009.

**SUMMARY OF MANAGEMENT'S ASSURANCES**

| Federal Financial Standard | Type of Assurance |
|---|---|
| FMFIA | Qualified |
| FFMIA | Not in substantial compliance |
| OMB Circular A-123/Appendix A | Qualified |

## OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-123, APPENDIX A

The Department continues to strengthen and improve the execution of the Treasury mission through the application of sound internal controls over financial reporting. In response to Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, Appendix A, Internal Control over Financial Reporting, Treasury developed and implemented an extensive annual testing and assessment methodology that identified and documented internal controls over financial reporting at the transaction level integrated with the Government Accountability Office's Standards for Internal Control.

## FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

As of September 30, 2009, the Treasury Department's financial management systems were not in substantial compliance with FFMIA due to deficiencies with the IRS's financial management systems. The IRS has a remediation plan in place to correct the deficiencies. For each FFMIA recommendation, the remediation plan identifies specific remedies, target dates, responsible officials, and resource estimates required for completion. This plan is reviewed and updated quarterly.

For more detailed information on this subject, please refer to Appendix D of Treasury's full ***Agency Financial Report***.

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# Website Information

| | |
|---|---|
| Treasury On-line | **www.treas.gov** |
| Alcohol and Tobacco Tax and Trade Bureau | **www.ttb.gov** |
| Community Development Financial Institutions Fund | **www.treas.gov/cdfi** |
| Comptroller of the Currency | **www.occ.treas.gov** |
| Bureau of Engraving & Printing | **www.bep.treas.gov** |
| Financial Crimes Enforcement Network | **www.treas.gov/fincen** |
| Financial Management Service | **www.fms.treas.gov** |
| Internal Revenue Service | **www.irs.gov** |
| U.S. Mint | **www.usmint.gov** |
| Bureau of the Public Debt | **www.publicdebt.treas.gov** |
| Office of Thrift Supervision | **www.ots.treas.gov** |
| The Financial Stability Plan | **www.financialstability.gov** |
| Help for America's Homeowners | **www.makinghomeaffordable.gov** |
| Recovery Act Spending | **www.recovery.gov** |

www.treas.gov